Progress of HRM to SHRM: Human Resources as “Capital”

Gurhan Uysal
Ondokuz Mayis University, Samsun, Turkey

Human resource management (HRM) has two aims for firms: performance and recruitment. HRM aims to increase individual performance of employees. And HRM does recruitment of human resources for firms. This paper describes strategic HRM (SHRM) as the relationship between individual performance and business performance. It is expected that this relationship between employee and business performance progresses HRM to SHRM. In addition, this paper describes SHRM practices. SHRM practices are human resource governance, interrelation of HRM practices, human capital, human resource systems, performance management, individual HRM practices, and strategic partner. Those SHRM practices are expected to increase both individual performance and business performance.

Keywords: strategic human resource management (SHRM), employee/business performance, human resource management (HRM)

Human resource management (HRM) is defined as employees are not cost, but employees are resource. Resource can be identified with production factors. There are four production factors. They are: raw materials, human resources, capital, and knowledge. Firms aim to increase the efficiency of four, but HRM aim to increase efficiency of one: human resources.

Therefore, HRM departments apply several HRM practices to increase the efficiency of employees. Human resource practices are human resource planning, staffing, training, performance appraisal, reward, career planning, compensation, job health and security, industrial relations and personnel management (PM). Therefore, first definition of HRM is “to increase efficiency of human resources through HRM practices”. The Signal of efficiency is individual performance. So, HRM practices enable firms to increase individual performance.

Secondly, HRM can be identified with the term “performance”. HRM aims to increase the individual performance of employees. If employee’s individual performance increases, performance of firm increases. This relation defines strategic HRM (SHRM) in this study. SHRM can be defined as the relationship between employee performance and business performance.

Therefore, this paper aims to argue the transition from HRM to SHRM with SHRM practices. Secondly, this paper argues SHRM practices for SHRM managers.

HRM Practices to Business Performance: Targets of HRM

HRM has four targets: (1) individual performance; (2) positive organizational attitudes and behaviours; (3)
human resource governance; and (4) employee satisfaction. HRM aims to increase individual performance via HRM practices. HRM aims to achieve positive organizational attitudes and behaviours. HRM is to manage relationship between firm and employees. And HRM aims to increase employee satisfaction. Human resource governance can be defined with management relationship between firm and employees. Therefore, human resource governance can be identified as SHRM practices.

So, HRM practices are important to achieve those targets above. They are: human resource planning, staffing, training, performance evaluation, compensation, career planning, job analyses, job health and security, industrial relations, and PM. HRM departments of firms apply those HRM practices to increase employee performance. Because employee’s individual performance is expected to increase firm performance.

The second target of HRM departments is to achieve positive organizational attitudes and behaviours. HRM departments implement HRM practices to obtain positive attitudes and behaviours. These attitudes and behaviours are commitment, motivation, satisfaction, individual performance, organizational citizenship and organizational support. It is expected that those attitudes and behaviours increase individual performance. For example, commitment behaviour is important to SHRM. Because HRM does the investment on employees, and HRM can obtain return on investment (ROI) with long-time employees, employee commitment is the key to obtain benefits from training practices.

This study describes SHRM as employee performance/business performance relationship. Because positive attitudes and behaviours are expected to increase employee performance, to achieve positive organizational attitudes and behaviours is critical to strategic HRM.

The third target of HRM is to manage relationship between employees and firm. This is exchange relationship between firm and employee. For example, training or career planning is the relation between employee and firm. Training is firm’s investment to employees to increase their individual performance. Because employee learns occupational knowledge in training, and career planning is succession planning made by the firm for employee’s future, training and career planning establish the relation between firm and employees. Therefore, human resource governance is to manage exchange relationship between firm and employees.

The fourth target of HRM is to obtain employee satisfaction, because employee satisfaction is one of positive organizational attitudes and behaviours. And it is important to individual performance.

To conclude, what is the future of HRM? The future of HRM is to develop positive organizational attitudes and behaviours in organizations to achieve individual performance. Therefore, positive attitudes and behaviours are important for SHRM in employee/business performance relationship. Literature studies demonstrate that individual HRM practices develop positive organizational attitudes and behaviours in organizations. In addition, interrelated HRM practices also develop employee performance. Therefore, both individual HRM practices and interrelated HRM practices can be considered as SHRM practices by SHRM managers.

**SHRM: Employee Performance/Business Performance Relationship?**

So, HRM is related with employee performance, and SHRM is related with business performance. SHRM aims to increase business performance through individual performance.

HRM aims to increase employee performance so that employees effectively do their task duties in business functions. If task performance of employees increases in business functions, therefore, performance of
firm increases. This is called as business performance in this study; and refers to the relationship between employee performance and business performance in the study to understand SHRM. This relationship might set up HRM-SHRM relationship as the relationship between employee performance and business performance.

Therefore, HRM is oriented to employees for individual performance; and SHRM is oriented to firm performance. Therefore, PM focuses on “job”, HRM focuses on “employee”, and SHRM focuses on “business”.

Therefore, in PM we say “personnel” for human resources, and in HRM we say “employee”. For SHRM we did not clarify the “term” yet. We maybe say “achievers”, achievers of firm’s objectives, because SHRM aims to achieve organizational objectives such as firm performance.

**Final Remarks**

In HRM employees are considered as “resources”. In SHRM employees might be considered as “capital”, human capital. HRM considers employees as a resource. But SHRM perceives employees as a capital, human capital. SHRM acknowledges that human capital increases individual performance.

Human capital is important in SHRM because this is expectation that human capital (or intellectual capital) increases individual performance. And individual performance of each employee increases total business performance. Therefore, this study aims to progress HRM into SHRM by employee/business performance relationship.

In SHRM, practices are interrelated HRM practices, human capital practices and human resource system. Those three variables may progress HRM into SHRM. HRM practices are separate and individual in HRM. There are individual HRM practices in HRM. However, HRM practices are interrelated in SHRM. These interrelationships build human resource system. And human resource system, interrelationship of HRM practices, and human capital are the practices that can be established in SHRM. For example, HRM departments correlate training, career planning and performance appraisal in “performance management”. Therefore, performance management is maybe another SHRM practice. Further, HRM departments lead new employees to training and development program. So, HRM correlates training to staffing. These relations represent interrelationships among HRM practices.

To conclude, in order to progress HRM to SHRM, firms may associate individual performance with business performance. And interrelated HRM practices, human capital and human resource system are expected to increase employee performance. Therefore, those practices are considered as SHRM practices. In addition, performance management and human resource governance can become another SHRM practices to increase individual performance and business performance consequently.

Finally, this study has three contributions for academics:

1. Positive organizational attitudes and behaviours are important to increase individual performance. Therefore, those positive organizational attitudes and behaviours are critical to SHRM. The major objective of SHRM is to achieve business performance. Therefore, individual HRM practices are considered as SHRM practices;

2. Employee is considered as human capital in SHRM;

3. Human capital, interrelated HRM practices, human resource system, human resource governance, performance management, and individual HRM practices are considered as SHRM practices.
Discussion of PM

PM is practiced inside organizations. It should not be forgotten and ignored. Because PM holds career records of employees such as compensation benefits or performance notes. The information (records) can save in a personnel file or in human resource information system. Therefore, PM should be kept as one of HRM practices by firms.

So, PM should be applied inside HRM and HRM should be applied inside SHRM. Figure 1 shows this relation.

Figure 1. Relation between PM, HRM and SHRM.

Figure 2 further shows the relation between HRM’s organizational variables. Because it presumes that PM is associated with jobs. HRM is associated with “employees”. And SHRM is associated with “business”. Because Frederick W. Taylor is interested in jobs in firms to increase organizational effectiveness, he applied job analysis technics and HRM practices in firms to increase organizational effectiveness. In addition, HRM aims to increase employee efficiency. And SHRM aims to increase business performance.

HRM departments in firms implement PM together with HRM practices. And PM has supervisory position inside HRM departments in line management. Therefore, HRM should practice PM as one of HRM practices.

There is viewpoint difference between PM and HRM. PM protects rights of firms. PM tends to firm and firm’s objectives. In contrast, HRM is in the side of employees, and HRM tends to increase employee efficiency. HRM aims to increase individual performance of employees to increase their efficiency at work.

Relation between PM, HRM and SHRM is presented in Figure 1. Therefore, firms should not forget and ignore none of them, because firm needs each human resource method. Therefore, PM is hidden inside HRM.
And HRM is hidden inside SHRM. SHRM can be between employee and firm, because it aims to increase both employee performance and business performance.

Figure 3 demonstrates that PM saves the interests and rights of organization. HRM tends to employees to increase individual performance. SHRM is between firm and employee. And each is hidden inside others. Therefore, firms should practice PM, HRM and SHRM. PM’s organizational position may be supervisory in organizational chart inside HRM division.

Conclusions

To conclude, this study recommends seven SHRM practices for firms to establish SHRM department and SHRM managers in organizational structure. Those practices are:

1. Human resource governance;
2. Performance management;
3. Interrelated HRM practices;
4. Individual HRM practices;
5. Human resource systems;
6. Human capital;
7. Strategic partner.

In addition, this study establishes its own SHRM model (see Figure 4).

In this model, HRM departments apply HRM practices in organizations. Literature studies demonstrate that HRM practices lead to positive organizational attitudes and behaviours in employee side. And positive attitudes and behaviours are presumed to increase individual performance of employees. In SHRM model, performance of employees increases performance of business.

Finally, this paper recommends firms to establish separate SHRM departments. This SHRM department is separate from HRM departments. And SHRM department has SHRM managers. SHRM managers are to apply SHRM practices to increase both employee and business performance, because the major objective of SHRM is to increase firm performance.
References


Appendix: Program and Curriculum Development of HRM Programs in Business Schools

This appendix aims to discuss HRM and executive HRM programs for business schools to educate future human resource professionals and managers.

Structure: Human Resource Program

This program is based on three majors: foundation, major, and specialization. Foundation courses are core business courses such as marketing, management, and accounting. Major is built on HRM interests such as PM, international HRM, human resource planning, staffing, training, etc. Elective courses enable HRM students to specialize on a business field such as accounting, marketing, and management. Therefore, HRM students obtain a dual career opportunity: one is in HRM and the other is in business.

HRM students should experience management courses and law courses. Because HRM professionals manage the relation between employees and firm.

Courses

There are foundation, major, and specialization courses in this curriculum. The number of courses is 42, and credits to complete this program are 168 credits. Each course is given to four credits.

Foundation courses are: management and organization, organizational behaviour, organizational psychology, strategic management, business policy, introduction to business, international business, marketing management, principles of marketing, principles of accounting, financial accounting, production management, business law I, business law II, quantitative methods in business, principles of statistics, business statistics, research method I, research method II, principles of economy, micro-economy, and macro-economy.

Major HRM courses are: PM, HRM, SHRM, international HRM, research method in human resource, human resource planning, staffing, training, performance evaluation, reward management, career management, compensation, industrial relation, and labor law.

The first two-year courses are business courses in the program, and the third- and fourth-year courses are HRM courses.

There are four elective courses in the program. Content will be developed later.

Table A1 show the curriculum.

<table>
<thead>
<tr>
<th>Table A1</th>
<th>Curriculum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fall</td>
<td>Spring</td>
</tr>
<tr>
<td>The first year</td>
<td>Principles of Management</td>
</tr>
</tbody>
</table>

(to be continued)
Executive HRM courses (executive HRM) are built on core courses and career courses. This program (one year) is benchmarked with current executive MBA programs in business schools.

There are five core courses, and there are nine career courses. Each course’s credit is six credits to complete. Total credit of executive’s HRM program is 84 credits. Table A2 shows the courses.

<table>
<thead>
<tr>
<th>Exec utive HRM Courses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Courses</td>
</tr>
<tr>
<td>Core courses</td>
</tr>
<tr>
<td>Management and Organization</td>
</tr>
<tr>
<td>PM</td>
</tr>
<tr>
<td>HRM</td>
</tr>
<tr>
<td>International HRM</td>
</tr>
<tr>
<td>SHRM</td>
</tr>
<tr>
<td>Career courses</td>
</tr>
<tr>
<td>Human Resource Planning</td>
</tr>
<tr>
<td>Staffing</td>
</tr>
<tr>
<td>Training for Development</td>
</tr>
<tr>
<td>Performance Evaluation</td>
</tr>
<tr>
<td>Compensation</td>
</tr>
<tr>
<td>Career Planning</td>
</tr>
<tr>
<td>Industrial Relations</td>
</tr>
<tr>
<td>Health and Safety</td>
</tr>
<tr>
<td>Labor Law</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

**Conclusion**

This program and curriculum of undergraduate and executive HRM programs aim to educate future human resource professionals.