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# S Y M P O S I U M

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## AN ATTENTION-BASED VIEW OF STRATEGIC HUMAN RESOURCE MANAGEMENT

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**In spite of the designation, research in strategic human resource management (SHRM) has largely focused on tactical rather than strategic issues. These studies have attempted to explain whether firm performance is associated with “best-practice” or “best-fit” human resource management (HRM) practices. The focus on internally consistent (horizontal fit) HRM practices is better characterized as tactical implementation than as strategic formulation. In the latter, HRM leads rather than follows the firm’s long-term responses to shifts in the firm’s competitive and market environment. In this paper, I propose an attention-based view of the firm to reframe SHRM research and policy to support a strategy formulation based on environment conditions (vertical fit). From an organizational policy perspective, this approach elevates the role of the HR executive from that of a functional specialist to that of a strategic generalist.**

The domain of strategic human resource management (SHRM) began with several conceptual papers linking strategy and human resource management (HRM) practices (Baird & Meshoulam, 1988; Lengnick-Hall & Lengnick-Hall, 1988; Schuler & Jackson, 1987). A firm’s strategy is derived by analyzing the economic conditions it faces, its industry structure, and the distinctive competencies it needs for a long-term competitive advantage in its product or market space. The implicit assumption in early SHRM models is that when “appropriate” HRM practices fit with the firm’s business strategy, firm performance is enhanced. Empirical research in SHRM sought to determine the appropriate HRM practices as either the “best-fit” or the “best-practice” approaches. However, the focus to identify the appropriate HRM practices led to a focus on internal or horizontal fit, which sought to ensure that the firm’s HRM components are internally consistent in complementing and supporting each other. This internal focus does not consider the environmental challenges shaping the firm’s strategy. Thus, SHRM research to date has been tactical in nature as the firm’s overarching strategy is assumed, making SHRM reactive and subordinate to strategy formulation. In this paper, I discuss a role for SHRM in strategy formulation to elevate not only the *strategic* focus in SHRM research but also

the strategic role of the human resource (HR) executive in the C-suites and boards of directors.

### WHY SHRM RESEARCH HAS BEEN TACTICAL RATHER THAN STRATEGIC

To understand the present state of SHRM research and to project its trajectory, I begin with a brief historical review. Early employee specialists were called *personnel* administrators. Personnel management was developed in response to the adoption of mass production work processes, which focused on productivity and employee compliance (Tubey, Rotich, & Kurgat, 2015). This personnel function was dominated by transactional work, such as payroll and benefits. The monotonous and, often, hazardous work in the manufacturing environment led workers to act collectively to achieve better conditions. This led management scholars to examine the nature of work and work systems, which laid the foundations for the growth of industrial relations systems and the human relations movement that focused on workers and the satisfaction of their needs to achieve greater organizational productivity (Tubey et al., 2015). Following this behavioral movement, scholars explored how organizational processes and activities could build employee engagement, commitment, and trust,

as the means to enhance organizational effectiveness. The focus became managing the workforce through HRM practices, such as HR planning, providing equal employment opportunities, managing employee performance, and developing training, compensation and rewards programs to develop and retain employees.

Due to globalization, company consolidation activities through mergers and acquisitions, and technological advancements, the HRM function became recast as SHRM as firms attempted to respond to rapid changes and intense competition in the external environment. SHRM became known as “the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals” (Wright & McMahan, 1992: 298). The HRM function sought to align its processes and policies to the firm’s goals and outcomes (Tubey et al., 2015). However, approaches to design the HRM function in service of the firm’s objectives is still tactical because of its reactivity to the firm’s already-defined strategy. Since SHRM research reflects practices in the workplace, that research has not fulfilled the potential implied by the term. In this paper, I suggest an alternative approach so that SHRM research and organizational policy can more closely adhere to the “strategic” definition of the term.

In an early conceptual model of SHRM research, Schuler and Jackson (1987) suggested that a match between a firm’s competitive strategy (either innovation, quality-enhancement, or cost-reduction strategy) with corresponding HRM practices and matching employee role behaviors enables a firm to gain competitive advantage. This definition assumed that a firm’s strategy is given. The authors then posited that a *change* in strategy should be accompanied by changes in all components of a firm’s HRM practices. Notice, again, the direction of action is: strategy to HRM practices. Lengnick-Hall and Lengnick-Hall (1988) expanded the SHRM typology to link a firm’s competitive and HR strategies with its external and internal conditions. They posited that a firm’s growth is determined by the availability and readiness of the firm’s talent inventory (skills, experience, style, or numbers) to exploit opportunities in the external environment. In a similar vein, Baird and Meshoulam (1988) suggested an SHRM matrix that is based on a firm’s stage of development. They suggested that as a firm grows and becomes more complex, its HRM programs, practices, and procedures must change in response. For example, the HRM systems of small start-up firms would be informal and flexible, whereas those of mature firms would be

formal and coordinated. Baird and Meshoulam (1988) also introduced the concept of external and internal fit in their SHRM matrix. When firms align their HRM practices with the demands of their organizational environment, they are seeking an external or vertical fit (Delery & Doty, 1996). When firms seek to ensure that the HRM components within their firms complement and support each other, they are seeking an internal or horizontal fit to ensure that their HRM systems are internally consistent (Delery & Doty, 1996).

Following these conceptual papers, empirical research in SHRM progressed along two streams that explored the relationship between HRM practices and firm performance. In one stream, the best-fit approach, which is rooted in contingency theory (Lawrence & Lorsch, 1974), posits that a match between a firm’s strategy with prescribed HRM practices is associated with higher firm performance, and vice versa. Empirical results supporting this theoretical claim have been weak (Paauwe, Boon, Boselie, & den Hartog, 2012). Problems with the best-fit approach have been attributed to measurement issues. For example, the multidimensional nature of competition makes it difficult to classify a firm’s strategy (Boxall & Purcell, 2000; Paauwe et al., 2012). Most strategies are mixed, despite the theoretical argument about the value of pure strategies (Murray, 1988). More importantly, HRM practices are not driven by competitive strategies alone. Other factors, such as employee interests, social norms, and legal requirements, heavily influence the choice of HRM practices (Boxall & Purcell, 2000). Additionally, critics questioned the ability to empirically isolate contingency factors in complex organizational contexts (Boxall & Purcell, 2000). Even in refinements of the best-fit approach using the configurational approach,<sup>1</sup> no support has been found for the relationship between supposedly equifinal combinations of synergistic HRM practices and firm performance (Delery & Doty, 1996). In subsequent best-fit studies, firm strategies often remained unmeasured but were instead assumed, so that the construct of vertical fit has not been empirically tested and verified in the literature.

A second stream of empirical research in SHRM adopts the best-practice approach. This universalistic approach hypothesizes that those firms adopting industry best practices, such as high-performance work practices (HPWPs), report superior firm

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<sup>1</sup> That is, a firm’s business strategy is defined as a “gestalt” of interdependent elements including contextual, structural, and strategic factors (Delery & Doty, 1996).

performance (Delery & Doty, 1996; Huselid, 1995). The assumption is that the best practice leads to the best outcome, which should be effective in any industrial context (Nelson & Winter, 1982; Paauwe et al., 2012). HPWPs or high-performance work systems (HPWS) comprise a bundle of high-commitment or high-involvement HRM practices, which improve employee teamwork (Combs, Liu, Hall, & Ketchen, 2006) and translate into organizational efficiency and effectiveness (Posthuma, Campion, Masimova, & Campion, 2013). Delery and Doty (1996) found that HRM best practices were strongly associated with financial firm performance. However, Huselid (1995: 667) found “only modest evidence of such an effect [from HPWS] for internal fit and little evidence for external fit.” Criticisms of the best-practice approach include limited agreement on what constitutes a best-practice system (Boxall & Purcell, 2000), and a lack of consensus on what constitutes an HPWS. Different studies have chosen different bundles of HRM practices to represent an HPWS and the HPWPs themselves have evolved over time (Posthuma et al., 2013). There have also been concerns that a positive link between an HPWS and firm performance could be a methodological artifact (Kaufman, 2015). Specifically, since an HPWS comprises a *bundle* of HRM practices, it should have a significantly greater combined effect on firm performance than that of individual HRM practices. Finally, adopting a best-practice approach without regard to context implies that the choice of organizational goals does not matter. This view ignores evidence from strategic management showing the importance of strategic goals for firm performance (Child, 1972). More importantly, if every firm implemented the same set of best practices then, by definition, no firm would have a competitive advantage. Overall, the association between an HPWS and firm performance has received mixed support (for a review, see Jackson, Schuler, & Jiang, 2014).

Huselid (1995) suggested opening the “black box” to explain why HRM should be associated with performance, which led to the search for mediators. This search resulted in the application of the ability–motivation–opportunity (AMO) framework and the resource-based view (RBV) of the firm in SHRM research. The AMO framework, summarized in, at least, two meta-analyses (Combs et al., 2006; Jiang, Lepak, Hu, & Baer, 2012), shows that skill-, motivation-, and opportunity-enhancing HRM practices mediate the relationship between an HPWS and firm performance. The RBV explains that HRM practices that provide firms with human resources that are rare, valuable, inimitable, and

nonsubstitutable (Barney, 1991) enhance the firm’s competitive advantage. While using the AMO framework or RBV to explain the value of HRM practices on firm performance represents a promising direction, these approaches are nevertheless internally focused on employee behaviors and internal psychosocial pathways (Kaufman, 2015). These models pay attention only to the firm’s internal resources, capabilities, and processes related to internal or *horizontal* fit, with little regard for the external environment or vertical fit. To date, the focus of SHRM research centered on improving methodological rigor to find better measures of HRM practices or to validate past research with more empirical data, resulting in “playing lip-service to the external environment” (Wright, Nyberg, & Ployhart, 2018: 145). As a result, over time, SHRM research has downgraded considerations of the “macroeconomic and industry economic conditions” (Kaufman, 2015: 404), diminishing its links to strategic management and running the risk of becoming *nonstrategic* as it has focused on tactical implementation and horizontal fit. Missing from SHRM research is the explicit inclusion of HRM in strategy formulation that explicitly considers the external environment and vertical fit.

In the next section, I suggest how to solve this problem by first taking the reader back to the basic constructs in strategy and therefore what can potentially make SHRM *strategic*. By linking HRM to strategy formulation, I hope to steer SHRM research upstream from its current focus on HRM tactics and horizontal fit, toward the *corporate* level of analysis.

## WHAT REALLY MATTERS IN STRATEGIC HRM

How firms respond to changes in their environment defines the priorities and concerns in the field of strategy. Strategy involves formulating long-term goals to meet environmental challenges, as well as implementing actions by allocating corporate resources to achieve a sustained competitive advantage (Porter, 1980). Strategy formulation specifies *how* the business will compete, its business goals (ends), and the policies (means) needed to achieve those goals. Factors internal to the firm, which determine its strengths and weaknesses relative to competitors, are the portfolio of physical, financial, technological, and human assets, as well as the personal values, motivations, and needs of key executives and personnel tasked to implement the chosen strategy (Porter, 1998). In sum, competitive strategy is formulated to achieve a *vertical* fit between external environmental opportunities and threats that

a firm faces regarding its internal resources and managerial beliefs.

Decisions on goals and policies can be made at three levels; namely, the corporate level, business unit level, and functional level. For firms with a single business, the corporate and the business unit strategies are the same. For firms with multiple businesses, the corporate strategy defines the set of industries in which the firm chooses to compete and the extent to which these industries are related to each other. A firm's top management team (TMT) is tasked with formulating the corporate strategy, while each business unit leader and their respective teams define the strategy or ways in which they will compete in their business's product or service marketplace. Functional strategies are formulated by the respective functional specialists in marketing, finance, human resources, or production with respective short-term objectives to support the business unit strategy. According to Porter (1996), functional strategies involve continual improvements in operational effectiveness. However, they do not reach the level of a strategic agenda that defines a firm's unique position in the external environment where a competitive strategy is forged. Functional strategies are instead tactical. Thus, following Porter, HR strategies formulated to improve HRM functioning, such as improving internal or horizontal fit, are not strategic. In effect, recent SHRM research that has focused on best-fit or best-practice approaches has been misconstrued as strategic. A better descriptor of such research is "tactical human resource management" (THRM) research.

So, what then makes SHRM strategic? Chakravarthy (1982) asserted that the essence of strategic management is coping with changes in the external environment through a choice of an appropriate strategy and then implementing a matching structure to give the firm a competitive advantage. "Fit" is rooted in the concept of matching or aligning organizational resources with environmental opportunities and threats (Chandler, 1962). Fit is a means to create competitive advantage by locking out competitors through environmental and resource fit (Porter, 1980). Thus, for SHRM research to be consistent with the classical view of strategy, it has to address the external environment and the notion of vertical fit, since these factors impact the long-term value of the firm. Decisions involving the allocation of significant capital investments for technology, financial, fixed assets, and human resources can only be proposed by the TMT and approved by the board of directors. Everything else is tactical.

In sum, I argue that HRM is strategic only when an HR executive can meaningfully influence strategy formulation at the corporate level that aligns the firm's strategic human capital resources with external opportunities (vertical fit) to improve the firm's competitive strategy. Strategic human capital resources are the cumulative store of employees' knowledge, skills, abilities, and other characteristics (KSAOs) at the firm or unit level (Ployhart, Nyberg, Reilly, & Maltarich, 2013). While strategic management research has focused on the TMT and board of directors (Hambrick & Mason, 1984), SHRM research has been relatively silent on the role of HR executives in the upper echelons, even though positions such as vice-president of HR or chief human resource officer (CHRO) exist in the workplace. Contrast this to other C-Suite executive positions, such as the chief financial officer (CFO), chief operating officer, or the chief information officer, where research has been conducted on their role in firm outcomes (Karahanna & Preston, 2013; Medcof, 2008). Studies on the role of the CHRO on corporate decision-making and firm performance is almost nonexistent (Krishnan & Singh, 2011).

The few studies that have included HRM in TMT research have focused on implementation issues rather than strategy formulation (for a review, see Steffensen, Ellen, Wang, & Ferris, 2019). This gap may be due to current practices. For example, among the Dow 30 firms, only nine (30%) of the CHROs have formal business training in the form of a business degree. Several CHROs have noted that for them to be relevant in the C-Suite, they need to know how their business makes money so that their business "wins" by having the skills, capabilities, and talents to grow the business (Alziari, 2019; Steinbach, 2016). They also need strong business acumen to understand what drives performance for the firm (Morris, 2016; Walling, 2016). Without a business background, CHROs may not have presented HRM solutions by quantifying them with a business focus in a way that, say, a CFO would on the impact of their initiatives on the firm's bottom line. CHROs tend to be reactive and wait for direction on the issues to work on in order to respond to the firm's challenges (Cappelli, 2015; Sheehan, De Cieri, Greenwood, & Van Buren, 2013). The lack of business focus may be one reason why firms exclude HR executives in strategy formulation. These are missed opportunities since the chief executive officer (CEO) and other operating executives are rarely experts on employee issues (Cappelli, 2015). We need to take a step back to examine how, if any, a case can be made for HR executives

to be involved in strategy formulation to steer the research agenda in that direction. In the next section, I attempt to make such a case.

### AN ATTENTION-BASED VIEW OF THE FIRM IN SHRM RESEARCH

The importance of vertical fit arises because an organization is an open system that survives by adapting to environmental change by adjusting its mix of internal resources, capabilities, or resource allocation strategies to match the environmental demands (Chakravarthy, 1982). Because the environment is dynamic, early managerial attention to environmental stimuli is key to aligning the firm's resources to environmental conditions (Vergne & Depeyre, 2016). Decision-makers are limited in their cognitive and attentional capacity due to resource and time constraints. Hence, they narrow their attention to a limited set of alternatives. The behavioral theory of the firm (Cyert & March, 1963) posits that decision-makers make satisficing or "good-enough" decisions, rather than maximizing or optimal decisions, because they operate under bounded rationality—that is, incomplete information. The attention-based view (ABV) of the firm (Ocasio, 1997) builds on the behavioral theory of the firm to explain *how* decision-makers search for information by focusing on stimuli that they already understand.

The ABV has been influential in research on strategic planning (Ocasio, 1997; Ocasio, Laamanen, & Vaara, 2018). Ocasio (1997) defined attention as the noticing, encoding, interpreting, and focusing of time and effort by organizational decision-makers on issues and answers. Issues are the problems, opportunities, and threats that confront a firm, to which decision-makers attend. Answers are the solutions, proposals, routines, projects, programs, and procedures that decision-makers, through their cognitive schemas, consider when taking organizational action. The central arguments of the ABV are that (a) decision-makers choose to focus their attention on a limited set of stimuli (focus of attention) that, (b) are salient to their particular context or situation (situated attention), which in turn (c) depend on the way a firm's resources and social relationships distribute and allocate specific activities to address the issues (structural distribution of attention). For an organization to embark on adaptation, it must first be aware of potential environmental stimuli impinging on its business (focus of attention). The more attention that certain stimuli receive, the more resources and managerial support are allocated toward them.

The allocation of managerial attention is based on three principles (Fu, Tang, & Chen, 2019). First, given limited attentional capacity and firm resources, decision-makers focus on issues through their parochial lens, which is usually determined by their background, functional expertise, values, and cognitive understanding. Second, decision-makers evaluate the importance of an issue that they perceive can be supported by the organization's structure and internal resources. Finally, the context in which the firm is situated—for example, the degree of competitive rivalry—influences the relevance of a specific issue, and thus the amount of attention that the firm should allocate to that issue (Ocasio, 1997, 2011). Since decision-makers are limited by their functional background with regard to fully understanding all market stimuli, they pay attention only to those issues that they perceive to be feasible in their organization's capacity to respond, and to the urgency of those issues (Dutton, Stumpf, & Wagner, 1990).

To the extent that decision-makers are bounded by selective attention to stimuli, organizational vulnerability—defined as the degree to which firms fail to cope with disruptions in their environment—increases when external stimuli are ignored (Ocasio, 2011). Therefore, the structure and composition of the members in a managerial team matter because they determine the stimuli that managers pay attention to. Based on this argument, I suggest that the ABV provides a good theoretical grounding for SHRM research on HR executives' involvement in strategy formulation and vertical fit.

The ABV is particularly suited to describing the strategic role of HR managers for those firms that create value primarily from their talent pool, such as professional services, information technology, and consumer services firms. I propose the redesign of two organizational structures that would markedly shift the focus of HRM researchers and practitioners toward a HR-centric view of strategy formulation.

A TMT member or C-Suite executive is a senior member of the leadership team in a firm. The TMT formulates strategies, goals, and policies for the firm to gain competitive advantage. Currently, while some firms report having an HR executive among the TMT, very few firms have one on their company boards. For example, in 2020, among the Fortune 50 firms, 11 (or 22%) did not have a CHRO on their declared TMT.<sup>2</sup> In the same time period, among the Dow 30 firms, only two among the nearly 350 *directors* in the Dow firms had an HR background. As the

<sup>2</sup> See <https://disfold.com/top-companies-us-dow/>

CHRO of American Express noted, there are very few HR professionals on public boards, which limits their ability to lead board or CEO searches because of their lack of networks with CEOs (Cox, 2018). As stated earlier, one reason for this could be the known deficit in general business training among CHROs, and the resulting lack of a strategic perspective (Lee & Phan, 2000; Morris, 2016; Walling, 2016). If the CHRO is not involved in strategy formulation with the TMT, it will be harder for them to participate in strategy formulation with the board.

Among firms that have CHROs in the TMT, a review of the practitioner and scholarly literature suggests that they often play a support role associated with developing and implementing *HR strategies and policies* to support of the firm's overall strategy (Abt & zu Knyphausen-Aufsess, 2017; Deloitte, 2006; SHRM, 2020; Wright, Nybert, Schepker, Cragun, & Ulrich, 2016).<sup>3</sup> For example, CHROs create and implement *HR policies* to support the firm's long-term strategic goals, implement *talent-management policies*, deliver *day-to-day HRM administration*, and ensure that the firm's *HRM activities* comply with laws and regulations. In short, CHROs play a support role that is tactical.

Thus, my first proposal is for firms in which the lion's share of value is created by human capital to give the CHRO a seat at the strategic formulation table. This takes HRM from a reactive tactical function to a proactive strategic one in which the consideration for investments in human capital take center stage in each strategic planning cycle. HR executives contribute to strategy formulation by (a) focusing attention on the firm's talent pool as a driver for the firm to compete in its marketplace, (b) providing analytics to guide investments in the firm's talent pool, and (c) shaping the firm's long-term business objectives as implied by the capabilities of its existing talent pool. Developing a firm's talent pool involves long-term investments in staffing, training, and career development, making it similar to other strategic capital accumulation decisions that corporate managers make. Therefore, a necessary step for a CHRO would be to develop a reliable way of measuring the firm's human capital value. The research questions that SHRM scholars could generate in partnership with their accounting, finance, and information systems counterparts could become an active and

mainstream research agenda for SHRM scholars (Casio, 1991; Fitz-Enz, 2009).

The board of directors provides governance oversight on behalf of shareholders, determines the vision and mission of the firm, and establishes the broad policies and strategic objectives for the firm. Additionally, the board performs some HRM functions, such as reviewing the performance of the CEO and TMT, determining executive pay, as well as establishing executive and CEO succession plans (Wright et al., 2016). Having an HR executive on the board of directors provides the board with expertise to staff, evaluate, and incentivize the CEO and TMT towards high performance, as well as to better formulate and assess long-term strategies in light of the firm's talent pool.

### The HR Executive as a Member of the TMT

The TMT sets the firm's strategy, makes investment decisions, and coordinates its day-to-day value-creating activities. It makes strategic and investment decisions under high levels of complexity with incomplete and ambiguous information. The functional backgrounds and values of the TMT determine the stimuli to which the firm attends (Hambrick & Mason, 1984). Since attention requires energy, effort, and mindfulness, the cognitive diversity hypothesis suggests that teams comprising members with different expertise, experience, and perspectives are more creative and productive in solving problems from sharing diverse views (Miller, Burke, & Glick, 1998). When an HR executive is included in the TMT, environmental stimuli related to the HR-situational context, as well as the firm's strategic human capital resources, are considered as inputs in strategy formulation, which enhances the strategic plan, rather than being considered in hindsight during the implementation phase after the strategic decisions have been made.

The ABV provides a theoretical lens for SHRM research pertaining to CHROs' role in strategy formulation and vertical fit. Since individuals process and interpret information through their cognitive bases and values (Hambrick & Mason, 1984; Ocasio, 1997), having a CHRO enlarges the occupational expertise of the TMT, which expands the firm's attention to HR-related stimuli in environmental scanning and mitigates limitations in other team members' cognitive information processing. This is particularly critical when a firm's human capital is responsible for most of its market value—for example, in the service and knowledge-based industries. A CHRO facilitates focused attention on the firm's talent inventory and

<sup>3</sup> For example, see the Darla Moore Center for Executive Succession at [https://sc.edu/study/colleges\\_schools/moore/research\\_and\\_centers/centers/center\\_for\\_executive\\_succession/index.php](https://sc.edu/study/colleges_schools/moore/research_and_centers/centers/center_for_executive_succession/index.php).

HR-relevant external opportunities to other TMT members. By providing access and channels of communication to the TMT, the CHRO situates the attention of other TMT members on the alignment of the firm's talent pool to external opportunities, which enhances vertical fit. Hence, the CHRO acts as an internal boundary spanner of information for the TMT so that time, effort, and resources expended by other TMT to access such information is reduced (Joseph & Wilson, 2018). By channeling the attention of other TMT to evaluate opportunities in light, rather than absent, of the firm's talent pool and the cultural contours of the workforce, the CHRO plays a key role in strategy formulation, where the strategy is grounded on the feasibility of the firm's human capital to drive performance. An outcome of having a CHRO as a TMT is lower organizational vulnerability and higher-quality TMT decisions as attention from a different perspective is augmented with more creative interpretations of market signals.

The involvement of the CHRO in strategy formulation ensures a continual focus on the key objective of the firm during the implementation process. Strategy implementation requires coordination and communication to transfer knowledge coherently from decision-makers in the formulation phase to the implementation process. A CHRO who occupies a central position in both the strategy formulation and implementation phases can better guide, monitor, and control the coordination process in strategy implementation. Often, the HRM department plays a critical role as the employee champion and change agent during the implementation process since proposed changes in strategy almost always involve the active participation of employees. The CHRO who is involved in strategy formulation has first-hand knowledge for relevant stakeholders, which may be critical in communicating the rationale and promoting goodwill for the strategy, as well as mitigating feelings of uncertainty among employees. Hence, having crafted the strategic plan as a member of the TMT, the CHRO is positioned to focus employees' attention on the firm's strategic objectives during the change period, and enact the implementation process smoothly. In the words of one CHRO, "HR helps communicate to employees on the strategic imperatives and how what each individual does is linked to the firm's strategy" (Favorite, 2019). The CHRO has a unique role that other C-Suite members do not have in managing the company's workforce and culture toward high performance in new strategic initiatives (Cox, 2018; Morris, 2016).

Finally, a functionally diverse TMT has more links to external networks that bring novel information to

decision-making (Burt, 1995; Granovetter, 1973). During periods of uncertainty, the TMT's social networks are especially valuable in creating stable and reliable relationships with other actors in the external environment. An HR executive on the TMT also serves as a boundary spanner between the firm and its external stakeholders. Having a CHRO on the TMT not only enhances the bonding of weak ties within the firm but also brings additional external social ties by bridging structural holes with external networks to close information gaps. Hence, external HR-related stimuli will be attended and distributed to other TMT members more quickly, and leveraged during strategy formulation.

In sum, a strategy-oriented CHRO on the TMT contributes to firm performance by (a) sensitizing the firm's strategic choices to its talent pool, (b) improving vertical fit by aligning the talent pool to changing market opportunities more quickly, and (c) fostering more efficient and effective implementation processes, all of which enhance the firm's competitive advantage.

### The HR Executive as a Board Member

The typical duties of a board of directors include (a) providing advice to the CEO and TMT on the strategic direction and opportunities for the firm; (b) provisioning resources for the firm; (c) selecting, monitoring, reviewing, and controlling the performance of the CEO and TMT on behalf of shareholders; and (d) setting compensation and developing succession plans for the CEO and senior management (Johnson, Schnatterly, & Hill, 2013). To provide advice on highly complex issues pertaining to leveraging external opportunities and determining the firm's strategic direction, board members require a high degree of understanding of the firm's values and organizational culture, as well as its internal capabilities, strengths, and weaknesses. The quality of advice is dependent upon board members' KSAOs, which stem largely from their occupational backgrounds and expertise as well as their ability to process large amounts of information. However, the board's limited capacity restricts the set of issues that can command attention. A board of directors that includes an HR executive, which brings so-called board HR expertise (Mullins, 2018), focuses attention on HR-related issues that might otherwise have been ignored or misconstrued.

Board HR expertise also signals the board's attention to and interest in HRM issues and increases the legitimacy of the HR policies, goals, and capital investment decisions (Abt & zu Knyphausen-Aufsess,



2017). Specifically, board HR expertise could lend voice and weight to the salience of HRM initiatives that involve the firm's pursuit of market opportunities in alignment with its talents. In addition, having an HR executive on the board increases the opportunity to gain support from other TMT members on HRM initiatives and enlarges the board's access to HR-relevant information, which is often absent from board discussions.

The centrality of board HR expertise also provides the opportunity for a firm to pivot its strategic agenda. For example, board HR expertise focuses the board's attention on HRM decisions related to CEO and TMT performance evaluation, executive compensation, succession planning, and executive selection and orientation (Wright et al., 2016). Making decisions on changes to C-Suite members influence the firm's strategic plans and performance. In particular, when an HR executive sits on the board's compensation committee, which influences the TMT's compensation packages, recommending performance-based rewards could influence the nature and direction of the firm's strategic agenda.

### APPLICATION

With respect to the role of the HR executive in the TMT and board, the HR executive needs to exercise voice and issue selling to the leadership (Ocasio et al., 2018). Voicing how to exploit external opportunities through the firm's talent pool calls attention to the importance of SHRM in strategy formulation. From an attentional perspective, the degree of effort and strength of issue selling made by the HR executive can significantly influence TMT or board attention to strategic issues that they may not have considered otherwise (Ocasio, 1997, 2011).

Two prevoice activities by the HR executive are critical in enhancing the leadership's attention to SHRM agendas (Lin & Shih, 2008). First, the more prepared the HR executive is to help the leadership make sense of how external opportunities could be aligned with the firm's human capital resources, the more likely the HRM issues will stay in the forefront of the team's deliberations. Second, the more tailored the HRM information is to matching the leadership team's cognitive repertoire, the more likely the HR executive will be to enhance attention to the HRM issues. By "packaging" the relevant HRM issues in strategic terms—that is, how they impact firm value and firm performance—the HR executive can heighten the leadership's attention to the HRM issues (Ocasio, 1997). Thus, the extent of voice, issue

selling, and profile building increase attention to HR-related issues during strategy formulation.

The HR executive also needs to be aware that advantages of team diversity must be balanced against the possibility of interpersonal conflicts (Finkelstein, Hambrick, & Canella, 2009). The composition of the TMT's characteristics or team demography (values, personality, and experiences such as tenure and educational background) affects behavioral and social integration (O'Reilly, Caldwell, & Barnett, 1989), which in turn influences attention. Behaviorally integrated team members share resources and information freely and openly to solve problems (Hambrick, 1994). They collaborate well and mutually support joint decision-making. Relatedly, a socially integrated team has a strong team identity, which motivates cooperation, reduces monitoring, and promotes quicker achievement of consensus and enactment (Lin & Shih, 2008). TMTs or boards with high social integration process information faster because members have consistent interpretations and decoding of environmental signals. The HR executive needs to manage interpersonal relationships with the TMT or board so that attention to diverse views does not erode the level of behavioral or social integration in the team.

### CONCLUSION

A fundamental activity in the strategic management of firms is strategy formulation, which seeks to align the firm's strategy and its internal structure and capabilities with environmental opportunities to create and sustain competitive advantage. Environmental turbulence represents potential threats or opportunities that activate organizational attention. Attention to external stimuli with a goal to aligning external opportunities with internal capabilities is a strategic response to improve vertical fit. However, most SHRM, as *practiced*, is not strategic but tactical. This may explain the trajectory of SHRM research, which has sought to describe HRM responses to predetermined business and corporate strategies and has focused on internal or horizontal fit to improve the internal consistency of the HRM components within a firm (Huselid, 1995). Descriptive research of this type has left us with unsatisfying results. Additionally, much SHRM research has focused on identifying mediating factors between HRM practices and firm performance that have been informed by psychological theory rather than by strategic management.

In this paper, I offer a different way to look at the firm that makes HRM the center of attention. Admittedly, the approach that I advocate is normative; however, taking an axe to the SHRM concept as we know it and reimagining it from first principles (*what is strategy?*) may be the only way to break the logjam. Strategy involves forming long-term goals and plans to anticipate competitive and environmental challenges, and investing ongoing resources to implement such actions. This paper introduces discussion on the role of the CHRO in SHRM research.

The ABV elevates SHRM research to its intended strategic focus because the questions center on the role of the CHRO as a member of the TMT and the board of directors. A firm's TMT and board scan the environment and formulate strategies to meet competitive challenges. In these roles, the CHRO interprets external opportunities in light of what a firm's talent pool allows, or how the talent pool needs to be restructured, similar to other types investment, to exploit an external opportunity. This perspective of having an HR executive in strategy formulation may lead to cross-functional "career-pathing" either for HR professionals to gain a more complete view of the business through job rotations into other functions or for executives in other functions to rotate through the HRM department to understand talent management. In addition, this strategic perspective would create opportunities for HR professionals to be appointed to corporate boards. In sum, CHROs can play a role in strategy formulation by doing what they know best, which is managing firm's strategic human capital pool, and bringing that information into the TMT or board room so that others pay attention to HR issues. Interestingly, the HR executive's involvement in strategy formulation will improve not only vertical but also horizontal fit—the subject of extant research—due to a continuity in knowledge, support, and involvement during the strategy implementation process.

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