Title: Strategic Human Resource Development and Dynamic Capabilities

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Abstract

This paper will investigate why Human Resource Development (HRD) has an important influence on the development of organisational internal and external dynamic capabilities. Drawing on theoretical insights of the resource-based view of strategic management, it will try to explore the potential of an organisational HRD system to facilitate or inhibit the development and utilisation of organisational capabilities. It will do this by drawing on previous work from many authors but with a specific focus on Teece et al. (2007), Eisenhardt & Martin (2000), Chaio et al. (2010), Ander & Helfat (2003), Peterson (2008) and Garavan (2007). The paper will argue for the presence of Strategic HRD (SHRD) in organisations as a means for developing dynamic capabilities, thus, enabling a further advancement of the resourced-based view theory. It will present a conceptual model identifying the essential elements that provide a framework for how SHRD might enable the creation and sustaining of a competitive advantage in an organisation by developing dynamic capabilities. Finally, it underlines the direction of future research by proposing a number of hypotheses that can be tested empirically.
Introduction

A rapidly growing body of literature recognises that the focus of the researchers on HRM/HRD has shifted from a micro-analytical approach to a macro-strategic perspective since the 1990s (Gurbuz and Mert 2011). With this transformation of HRM came a new perspective on how and who should be involved in the design and delivery of HRM within the organisation. A number of roles and titles have come into existence, e.g. employee champion, change agent and business partner (Bell 1977, Kenton 2005, Peterson 2008, Robinson 2005, Ulrich 1997). It is difficult to find an article about HRD without at least some reference linking it to the strategic goals of the organisation. It has become almost axiomatic that if HRD is to develop into a respected and useful player in organisations, then it will need to position itself as a strategically significant partner. HRD will need to assume the same level of importance as the traditional core organisational processes: finance, production and marketing (Swanson and Arnold 1997).

The term strategic human resource development (SHRD) is taken to mean the proactive and planned learning and development of people as individuals and as groups to the benefit of the business as well as themselves (Garavan et al., 1995). Mabey & Salaman (1995) classifies it as a ‘strategic approach to learning and development can be portrayed as one where all those concerned are busy in a related, unambiguous and developmental purpose which helps to simultaneously fulfil an individual’s learning goals and the organisation’s mission’. SHRD is an extension of HRD according to Walton (1999), with a distinctive focus on the holistic orchestration of learning within organisations. He also states that: ‘SHRD involves introducing, eliminating, modifying, directing and guiding processes and responsibilities in such a way that all individuals and teams are equipped with the skills, knowledge and competences that require to undertake current and future tasks required by the organisation’. SHRD aligns firm specific knowledge with the business goals of the organisation. It facilitates an organisation to amalgamate different knowledge elements, connect new and prior knowledge, and combine internal and external knowledge, to ensure sustained competitive advantage (Davenport, Prusak & Wilson, 2003; Pfeffer, 1994). The objective of SHRD is seen in terms of aligning the formal structure and human resource systems so that they drive the strategic objectives of the organisation (Fombrun et al., 1984) and as bound up with, rather than separate from, other aspects of human resource strategy (Gunnigle & Flood, 1990).

The learning & development function of HRD has advanced over time and is now considered a strategic element in supporting collaborative relationships with key stakeholders such as senior management, HRM, line managers and employees (Ulrich and Beatty, 2001). HRD and the learning & development function of the organisation are being relied upon to contribute more at a strategic level which has given rise in recent years to L&D being referred to as a ‘strategic partner’ to the business, ostensibly, the strategic partner model proposes alignment between HRD and the key stakeholders in the organisation to facilitate the achievement of the
organisational goals. Peterson (2008) proposes a systemic approach to the strategic partnership model and identifies the forging of strategic relationships with key stakeholders such as; top management, HRM, line managers, employees as inputs in her conceptualized strategic partner model. Wright (2008) argues that HR managers viewed the role of the HR business partner as that of ‘trusted advisor’ and ‘change agent’ while Ulrich and Brockbank (2005) argue that HR professionals provide a ‘value proposition’ to help formulate winning strategies by focusing on the right decisions and emphasising what the business needs to do to achieve and maintain a competitive advantage. Ulrich and Brockbank argue that it is achieved through providing consultation and facilitation to organisational leaders to help manage the process of change. The process of change however, can only be achieved when HR are ‘genuine’ business partners. It is clear from some of the various contemporary commentators that the exact definition of a strategic partner to the business provides much debate about the role; what is not in debate is the adoption of the word ‘strategic’ with respect of where HR sits in today’s corporate environment. Garavan (2007) argues that SHRD contributes to the creation of firm-specific knowledge and skill when it is aligned with the strategic goals of the organisation so the assumption is that the strategic partner model of learning & development is core to the organisation influencing and achieving the organisational goals.

Resource-Based View

The key objective of any organisation is to remain profitable, ensure long-term viability by engaging in processes/systems/procedures that ensure a competitive advantage, achievable through utilizing the unique resources that cannot be easily copied (Ulrich, 1997). The resource based view of the firm (RBV) is an significant theoretical framework for understanding how competitive advantage within firms is accomplished and how that advantage might be sustained over time (Eisenhardt and Martin 2000, Barney 1991, Teece et al. 1997, Hamel 1994). Barney (1991) states that the resource based view (RBV) makes it clear that firms cannot expect to purchase sustained competitive advantages, in that the advantages, if they exist, can only be found in the rare, imperfectly imitable, and non-substitutable resources already present in the firm (Wright and McMahan 1992). The focus of the resource approach to strategy involves acquiring, developing, and maintaining specific core competencies that yield superior long term performance. It may be especially suitable for organisations operating in a turbulent, unpredictable environment (Clardy 2007). This view places more emphasis on the role of managers in the selection, development, combination, and deployment of a firm’s resources, and not merely on selecting it’s competitive position in the operating environment (Colbert, 2004).

In recent times, scholars have extended RBV to dynamic markets (Teece et al. 1997). The rationale is that RBV has not sufficiently clarified how and why certain organisations have competitive advantage in conditions of rapid and unpredictable change (Eisenhardt and Martin 2000). In the markets where the competitive landscape is ever-changing, the dynamic capabilities by which organisation managers ‘integrate, build, and reconfigure internal and external competencies to address rapidly changing environments’ (Teece et al. 1997:516) become the source of sustained competitive advantage (Eisenhardt and Martin 2000). The development of knowledge resources, in particular, is particularly critical in such markets (Eisenhardt and Martin 2000, Kaše et al. 2009, Garavan et al. 2002, Richard Yu-
Yuan *et al.* 2009, Zollo and Winter 2002). Eisenhardt and Martin (2000) along with many other authors seek to inform the RBV literature and build on it by using the dynamic capability lens as a means for understanding how organisations in dynamic and volatile markets can remain competitive and sustain a competitive advantage.

**Dynamic Capabilities**

As today’s organisations have come under increasing pressure to focus on cost containment, increase organisational efficiency and productivity, they also have the pressure of remaining competitive in dynamic competitive environments. Competitive advantage lies 'upstream' of product markets and rests on the firm's idiosyncratic and difficult-to imitate resources (Teece *et al.* 1997). Although prominent in SHRD literature, the resource-based view offers some challenges, especially in dynamic and competitive industries where there is constant change and a constant need for long-term strategic thinking and decision-making. The RBV has been recognised as conceptually vague and repetitive with negligence to the mechanisms by which resources actually contribute to competitive advantage (Eisenhardt and Martin 2000, Priem and Butler 2001). The lack of empirical grounding has also been cited as a criticism of RBV (Priem and Butler 2001). This is rooted in the difficult undertaking it is to try and link development in human resources with overall bottom-line firm performance. It has also been cited that sustained competitive advantage has been seen as unlikely in dynamic markets (D'Aveni and Gunther 1994). Therefore we turn to dynamic capabilities to understand how human resources can play a part in harnessing competitive advantages during volatile, dynamic market environments.

Resources are at the heart of the RBV. They are those specific physical, human and organisational assets that can be used to instigate value-creating strategies. Eisenhardt and Martin (2000) argue that 'dynamic capabilities are the antecedent organisational and strategic routines by which managers alter their resources, integrate them together, and recombine them to generate new value creating strategies. As such they are the drivers behind the creation, evolution, and recombination of other resources into new sources of competitive advantage'. They also suggest that dynamic capabilities are a series of precise and recognisable processes such as product development, strategic decision making and alliancing. Dynamic capabilities consist of specific strategic and organisational processes like product development, alliancing, and strategic decision-making that creates value for firms within dynamic markets by manipulating resources in to new value-creating strategies (Eisenhardt and Martin 2000).

Teece *et al.* (1997) use the term 'dynamic' in a sense referring to situations where there is rapid change in technology and market forces, and 'feedback' effects on firms. Operating as a link between resources and the dynamic firm environment, dynamic capabilities assist in adjusting and reconditioning the critical resource mix and thereby sustaining the firm's competitive advantage (Festing and Eidems 2011). Through an extensive review of the literature, a consensus has been reached as to the suggested relationships between resources, capabilities and competitive advantage (Makadok 2001, Eisenhardt and Martin 2000, Zollo and Winter 2002, Teece *et al.* 1997, Winter 2003, Festing and Eidems 2011). Dynamic capabilities are idiosyncratic in their details and path dependent in their emergence; they have
significant commonalities across firms - popularly termed ‘best practice’ (Eisenhardt and Martin 2000). Dynamic capabilities are defined according to (Eisenhardt and Martin 2000) as:

“The firm’s processes that use resources—specifically the processes to integrate, reconfigure, gain and release resources—to match and even create market change. Dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die.”

We define dynamic capabilities as the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. Dynamic capabilities thus reflect an organization's ability to achieve new and innovative forms of competitive advantage given path dependencies and market positions (Teece et al. 1997). Garavan (2007) argues that SHRD facilitates the development of core capabilities that are critical in developing and maintaining sustained competitive advantage. Literature on Dynamic Capability theory highlights a class of higher order skills that affect the rate at which a firm is able to respond to environmental change (Collis, 1994; Winter, 2003). Prior research describes these skills as “the capacity to renew competences so as to achieve congruence with the changing business environment” (Teece et al., 1997: 515); “the processes to integrate, reconfigure, gain and release resources—to match and even create market change” (Eisenhardt & Martin, 2000: 1107); repeatable, patterned choices and routines that provide the ability to “change the product, the production process, the scale, or the customers (markets) served” (Winter, 2003: 992); the capacity of an organization to purposefully create, extend, or modify its resource base (Helfat et al., 2007); or the ability to develop, deploy, and orchestrate value creation and capture through sensing, seizing, and transformative skills (Teece, 2007). Associations are often drawn between the above definitions and the manner and rate of firms’ responses to exogenous (e.g., consumer, regulatory, or technological) change. Much of this work proposes different categorizations for particular types of adaptations or changes to a resource base. For instance, prominent articles have described resource renewal, redeployment, recombination, replication, retrenchment, or retirement (Helfat & Peteraf, 2003); resource deployment, integration, and reconfiguration (e.g., Adner & Helfat, 2003, Sirmon, Hitt, & Ireland, 2007; Thomke & Kuemmerle, 2002); and resource divestment (Moliterno & Wiersema, 2007). The overall implication is that dynamic capabilities affect how business organizations adapt and create heterogeneous resource positions in dynamic environments (Leiblein 2011).

The argument that VRIN (valuable, rare, in-imitable, non-substitutable) dynamic capabilities are themselves the source of long-term competitive advantage in dynamic markets incorrectly identifies the source of that advantage. So where does the possibility for long-term competitive advantage lie? It lies in using dynamic capabilities earlier, more incisively, or more unexpectedly than the competition to create resource structures that have that advantage. Therefore, long-term competitive advantage lies in the resource configurations that managers build using dynamic capabilities, not in the capabilities themselves. Effective dynamic capabilities are necessary, but not sufficient, conditions for competitive advantage.

Also, RBV thinking overemphasizes the strategic logic of leverage. While certainly some resource configurations do lead to long-term competitive advantage and some situations such as those with significant scale economies or network
effects favour the emergence of such advantages, long-term competitive advantage is infrequently achieved in dynamic markets. Rather, the reality is that competitive advantage is often short term. In these situations, it makes sense for managers to compete by creating a series of temporary advantages. Their strategic logic is opportunity (Lengnick-Hall and Wolff, 1999). Dynamic capabilities include well-known organizational and strategic processes like alliencing and product development whose strategic value lies in their ability to manipulate resources into value-creating strategies. Although idiosyncratic, they display commonalities or ‘best practice’ across firms. Their extensive structural patterns differ with market vitality, ranging from the vigorous, indented routines in moderately dynamic markets to delicate semi-structured ones in high-velocity ones. They develop through well-known learning mechanisms. Specifically, the long-term competitive advantage lies in resource configurations, not dynamic capabilities. In moderately dynamic markets, RBV is enhanced by blending its usual path-dependent strategic logic of leverage with a path-breaking strategic logic of change. Finally, RBV encounters a boundary condition in high-velocity markets where the duration of competitive advantage is inherently unpredictable, time is central to strategy, and dynamic capabilities are themselves unstable. Here, strategic imperative is not leverage, but change (Eisenhardt and Martin 2000).

Conceptualising SHRD and the Dynamic Capabilities of the Organisation

Dynamic capabilities are the process for an organization to integrate, reconfigure, gain, and release resources in order to meet market demands or changing markets. This argument is complementary to Teece et al. Therefore, dynamic capabilities are the capabilities of an organization to achieve a new set of resource allocations, via internal and external integration, in the process of market emergence, conflicts, split, growth, and declines. In addition, it is a shared and stable learning model for an organization to systematically generate or modify practices and routines in order to enhance operational efficiency (Eisenhardt & Martin, 2000; Zollo & Winter, 2002).
Figure 1 visualises the relationships between the different capability constructs and the strategic role of human resource development. For the purpose of this paper, and designed from the discussion detailed above, we make an assumption.

Assumption: HRD needs to be present, strategic in focus and applicable in an organisation before it can attempt to develop dynamic human capabilities.

From the basis of this assumption we can look to the other elements of the model, which are described below.

Organisation HRD System

Strategic Human Resource Development (SHRD) and the strategic partner model (Francis & Keegan, 2006; Garavan, 1991; Garavan et. al 1995; Garavan, 2007; McCracken and Wallace, 2000; Jackson & Schuler, 2003; Peterson, 2008; Sheppeck and Militello, 2000; Ulrich, 1997; Ulrich & Brockbank, 2005; Wright, 2008) identifies a multi-layered and complex relationship between the various actors; senior management, line managers and employees that aligns the goals of the organisation resulting in a cohesive organisational strategy in the fight to stay competitive. Garavan (2007) and Peterson (2008) provide illustrative conceptual models of SHRD with Garavan providing a very comprehensive model that provides detail on both micro and macro aspects of SHRD. Garavan’s model is a graphic example of the complexity and difficulty of providing a conceptual framework that allows for all elements of strategic HRD to be identified while at the same time conceptualizing a model that is easy to measure. Peterson (2008) provides a similar systems approach to the strategic HRD partnering with the business that is less complex than Garavan’s model although, still complex in its own right. Peterson’s model illustrates
the functional aspects of using a systems or process framework allowing greater flexibility with respect to operationalising strategic HRD. Evaluating both of these models sees the SHRD orientation include, linkages to what are strategic elements along with strategic partnering and change agent components (Garavan, 2007) while Peterson (2008) focuses on both organisational dimension and HRD capacity acting as the inputs with strategic alliances and a high performance work system & culture as the processes in the systems approach; HRD as the strategic partner is both the output and input. At the core of both of these models is the importance of a learning culture and organisational learning, Garavan provides weight to the concept of SHRD strategies, systems and process that include the elements of learning while Peterson includes learning elements in the process aspect of high performance work systems & culture. It is important for HRM to recognise the critical importance of these elements in the HRD strategy as the adoption of these specific framework characteristics can act as a catalyst for change, highlighting HRM as a credible strategic business partner or if not adopted, can relegate HRM to the role of transactional human resource gatekeeper, far from the HR value proposition that many commentators espouse.

Central to both models is the critical involvement of HR, as Ulrich and Brockbank (2005) argue, HR have many hats for many different roles and occasions, as human capital developers, they are tasked with developing plans that quite often focus on one employee at a time, offering opportunities for development and progressions through the organisation in line the organisational goals and objectives, ostensibly, human capital focuses on wealth created through and by the people of the organisation with a focus on the future (Ulrich and Brockbank 2005, pg. 206).

The extant literature provides considerable debate on what the role of HR should be; should they become more aligned with the goals of the organisation? Should they become strategic partners with the business to provide a ‘value proposition’ to the various stakeholders (Ulrich and Brockbank, 2005) or do they become ‘trusted advisers’ and ‘change agents’ to be viewed by senior managers as valued ‘servants of power’ (Wright, 2008). Ulrich (1997) categorized roles that HR play, focusing on either strategic or operational with a systems / process orientation and a people orientation, arguably, the various orientations has the potential to cause conflict and role ambiguity (Francis and Keegan, 2006) but also runs the risk of divorcing the people orientation from the HR role as the focus is on facilitation of organisational goals and objectives (processes / systems orientation), not necessarily on the development of human capital (people orientation) given devolved roles to the line. SHRD could be defined as the creation of a learning culture, within which a range of training, development and learning strategies both respond to corporate strategy and also help to shape and influence it (McCracken and Wallace 2000, p.288). The critical factor that underpins the success of an organisation or more crucially, the degree to which the organisation can achieve and maintain a competitive advantage is the ability to utilize the true potential of the human intellectual capital, the determinant to capitalizing on emergent business opportunities for competitive advantage (Peterson 2008, p.95). Therefore, organisations that commit to and get buy-in for HRD processes and interventions will be more likely to be taken seriously at the strategic decision-making levels of the organisation (CIPD, 2008). Garavan (1991) visibly supports this way of thinking when he claims that ‘management at board levels treat HRD as making an important contribution and the HRD function yields a higher profile’. More specifically:
**Proposition 1:** Organisations with a HRD system that appropriately combines their HRD practices to create and develop human capital, HRD policies and HRD procedures with a view of aligning them with organisational goals and objectives, will add value to the organisation and therefore have strategically-driven HRD activities (SHRD).

**Dynamic Capability Constructs**

Teece et al. (1997) identified three organisational process features as critical elements of dynamic capabilities: (1) coordinating and integrating activities, (2) learning to develop new ways of working, (3) and carrying out reconfiguration measures in response to environmental changes. As previously discussed, these processes can be comparably organised within different firms. However, they should lead to distinctive solutions due to firm-specific resources and path dependencies in relation to the extent of the standardisation and localisation of transnational HRMS. Since dynamic capabilities are processes embedded in firms, an empirical and organisational lens is adopted (Barney 1991, Eisenhardt and Martin 2000). Based on above discussions, this paper divides dynamic capabilities into three constructs, i.e. integrative capabilities, learning capabilities, and transformational capabilities. Each is discussed below.

**Integration**

How efficiently and effectively internal coordination or integration is achieved is very important (Åoki, 1990). Iles (1994) explains the importance of SHRD integration throughout the organisation levels both internally and externally:

‘Training and Development activities need to be integrated both externally, that is with overall corporate strategy, and internally, through integration among the various elements of the HRD strategy as a whole, so that there is coherence between the various levers’

There has been a small amount of empirically tested field research conducted that supports the notion that the way production is organised by management inside the firm is the source of differences in firms’ competence in various domains. It also highlights the belief that competence/capability is rooted in distinct ways of coordinating and combining help to explain how and why apparent slight technological changes can have devastating impacts on the organisations’ abilities to compete in a market. Systems-level or ‘architectural’ innovations often require new routines to integrate and coordinate engineering tasks. Productive systems display high interdependency, and that it may not be possible to change one level without changing others. Organisational processes often display high levels of coherence, and when they do, replication may be difficult because it requires systemic changes throughout the organization and also among inter-organizational linkages, which might be very hard to effectuate. The notion that there is a certain rationality or coherence to processes and systems is not quite the same concept as corporate culture, as we understand the latter. Corporate culture refers to the values and beliefs that employees hold; culture can be a de facto governance system as it
mediates the behaviour of individuals and economizes on more formal administrative methods (Teece et al., 1997). SHRD using strategic business partner models, integrate both vertically and horizontally in organisations. Using connections, credibility and knowledge, cross-functionally and throughout the various levels in the organisation, will lead to greater integration of SHRD policies and procedures.

Learning

Zollo and Winter (2002) suggest that policies designed to improve learning mechanisms (e.g., experience accumulation, knowledge articulation, and knowledge codification) are critical to the formation of dynamic capabilities. The importance of a learning culture and organisational learning is at the core of all SHRD models (Garavan, 1991 & Peterson, 2008). Garavan (1997) emphasises the importance of learning in SHRD strategies, systems and process while Peterson (2008) includes learning elements in the process feature of her SHRD model. Learning is a process by which repetition and experimentation enable tasks to be performed more efficiently and more effectively with higher quality (Teece, 1997). Teece et al (1997) breaks learning as a dynamic capability into two main areas: (1) learning involves both organisational and individual learning and (2) organisational knowledge generated by communication and coordinated search procedures results in new patterns of activity and hence, a new way of thinking for the organisation.

Transformation

In rapidly changing environments, there is obviously value in the ability to sense the need to reconfigure the firm's asset structure, and to accomplish the necessary internal and external transformation (Amit and Schoemaker, 1993). Kenton & Yarnall (2005:4) suggest that when an organisation is in periods of change, the reaction to it on both an individual and organisational level can be reactive or proactive. They state that senior managers:

‘need input at a strategic level from those with knowledge in HR to help them understand the impact of the changes in the organisation and how to make best use of the people employed to make the business a success. Part of the role of the strategic business partner is to help the organisation make the necessary shifts and take the organisation where it needs to be’.

Benchmarking provides significant value as an organised process for accumulating measures of transformation (Camp, 1989). In dynamic environments, narcissistic organizations are prone to be impaired. The capacity to reconfigure and change is itself a learned organisational skill. The more frequently practiced the easier accomplished. The ability to regulate the requirements for change and to manage the necessary adjustments would appear to depend on the ability to scan the environment, to evaluate markets and competitors, and to quickly accomplish reconfiguration and transformation ahead of competition (Teece et al., 1997)

The development goal of human resources in dynamic competition is to cope with future issues, and thus, human resources are expected to deal with future problems that require solutions. The present titles and functions cannot cope with the
imminent problems that will emerge in a dynamic environment, thus, the establishment of competitive advantage requires the construction of contemporary business intelligence with accumulation, integration, synthesis, and diffusion of information technologies, via organizational learning and action learning. Human resources can then develop unique capabilities, distributed through human resources systems and policies. Therefore, it is imperative to develop dynamic capabilities to deal with future changes and uncertainties. On one hand, companies must develop human resource competency for the present, while on the other, they must construct human resource capabilities for the future in order to meet with the upcoming needs of human resources (Chaio et al., 2010).

Therefore, the following hypotheses are proposed:

**Proposition 2:** If the HRD function and practices in the organisation are 'strategic' there will be a positive relationship between SHRD and the dynamic capability constructs.

**Proposition 2a:** SHRD will have a positive relationship with Integration capabilities as a dynamic capability

**Proposition 2b:** SHRD will have a positive relationship with learning capabilities as a dynamic capability

**Proposition 2c:** SHRD will have a positive relationship with transformation capabilities as a dynamic capability

**Dynamic Managerial Capability Constructs**

Dynamic managerial capabilities are proposed by Ander and helfat (2003). They highlighted that heterogeneous managerial decisions have an effect on business performance. They use dynamic managerial capabilities to explain the difference in management decisions’ and are founded on the three Teece (1997) principles of building, integrating and reconfiguring of an organisation. They suggest that these principles require managers to make high-level decisions and they reflect on three underlying situational factors in decision-making: (1) managerial human capital, (2) managerial social capital and (3) managerial cognition. Because these three are founded on the original principles of dynamic capabilities we can draw our next conclusion:

**Proposition 3:** A strong relationship (correlation) will exist between the dynamic capability constructs and the managerial capability constructs.

**Managerial Human Capital**

Human Capital refers to learned skills that require some investment in education, training, or learning (Becker, 1964). Managerial human capital highlights the differences between generic, industry-specific and firm specific skills, the framework is especially concerned with assessing heterogeneity and transferability of managerial skill. Research suggests that there is a relationship between industry specific human capital and level of organisational performance (Ander & helfat, 2003). As managers vary in their human capital, they will possess varying expertise in their roles and therefore may lead them to make different decisions.
Managerial Social Capital

Strategic decision making is a dynamic capability in which managers pool their various business, functional, and personal expertise to make the choices that shape the major strategic moves of the firm (e.g., Eisenhardt, 1989; Fredrickson, 1984; Judge and Miller, 1991). It involves knowledge creation routines whereby managers and others build new thinking within the firm, a particularly crucial dynamic capability. It includes alliance and acquisition routines that bring new resources into the firm from external sources. These external linkages are necessary for effective knowledge creation, those linkages can take varied forms including informal personal relationships, relationships driven by promotion criterion, and formal alliances. At a more strategic level, coevolving involves the routines by which managers reconnect webs of collaborations among various parts of the firm to generate new and synergistic resource combinations among businesses. Research on the alignment of HR strategy with business strategy (Schuler & Jackson, 1987) illustrates the need for an integrated framework that ensures the sometimes disparate management groups in the organisation become synergistic.

Recognising the importance of social relationships is a key strategy for changing managers’ views on learning. Networking is most important for development. HRD professionals need to build wider ranges of contacts. They need to use both weak ties (Granovetter, 1985) and strong ties. Granovetter (1985) argues that the development of weak ties with others is vital for building social capital. It is important for the HRD professionals to move out of their comfort zone and build ties in other departments. A common mistake is that HRM and HRD professionals tend to gel together and rely heavily on their strong ties. Weak ties, if utilised properly, can connect them to a wider network with greater knowledge. Differences in information sources may lead managers to make different decisions (Ander & Helfat, 2003).

Managerial Cognition

Managerial cognition refers to the managerial beliefs and mental models that serve as a basis for decision-making. March and Simon (1958) and Cyert and March (1963) argued that the cognitive base for decisions consists of knowledge or assumptions about future events, knowledge of alternatives, and knowledge of consequences of the alternatives. Managerial value systems also affect the preferential ordering of alternatives and consequences. A manager’s limited field of vision, selective perceptions, and interpretations filtered by the cognitive base and value system combine to produce managerial perceptions of a situation (Huff, 1990). These perceptions in turn form the basis for managerial decisions, which also may be affected by more general cognitive biases in decision making. Recent empirical work suggests that managerial cognition shapes strategic decisions and outcomes, including responses to changes in the external environment. Difference in managerial cognition can lead to difference in strategic decisions and outcomes (Ander & Helfat, 2003). From the above discussion we can propose the following hypotheses:

**Proposition 4:** If the HRD function and practices in the organisation are 'strategic' there will be a positive relationship between SHRD and the dynamic managerial capability constructs.

**Proposition 4a:** SHRD will have a positive relationship with managerial

Human capital as a dynamic capability
**Proposition 4b:** SHRD will have a positive relationship with Managerial Social Capital as a dynamic capability.

**Proposition 4c:** SHRD will have a positive relationship with Managerial Cognition as a dynamic capability

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**Next Steps for Further Research**

As today’s economic and technological environments go through rapid, dynamic and volatile change, it is imperative that organisations are prepared for change and have the human capital in place to keep up with market and industry demands. It is HRD’s responsibility to maintain and develop human resources in accordance with the changing direction of corporate goals and objectives. Therefore it is important to study and appreciate HRD’s role in developing dynamic capabilities for organisations.

Teece et. al. (2009) suggests that building a dynamic view of the business enterprise enhances the probability of establishing an acceptable descriptive theory of strategy that can assist practitioners in the building of long-run advantage and competitive flexibility. Garavan et al. (2000) articulate three perspectives of HRD as being concerned with capabilities, psychological contracts and learning organisation/organisational learning and that the capabilities perspective is primarily associated with human capital theory and the application of economics in a resource-based view of the firm (McGoldrick et al. 2001). What is evident from literature is that there is no agreement over the conceptual-theoretical identity of HRD and related purpose. The purpose is contingent upon both philosophical and theoretical perspectives (McGoldrick et al. 2001). It must be highlighted that dynamic capabilities are the abilities of an organization to achieve and create new competitive advantages, given its market positioning and unknown interdependent paths. The value created by competitive capabilities is the established resource structure, rather than the capabilities [Chaio et al., 2010]. This paper with the above proposed conceptual model goes a small way towards enhancing the research on SHRD using a dynamic capability framework. It is just a beginning in terms of using dynamic capabilities as a lens for understanding SHRD. The next stage in the research is to design an empirically testable method to use in gathering data to test the hypotheses proposed. Organisations will have to be engaged in SHRD activities to allow for a connection to be made between both SHRD and dynamic capabilities. Therefore, organisations with SHRD practices will have to be identified and tested using an empirical framework. It also needs to be noted that there are relationships between each of the dynamic managerial capabilities. They will not be highlighted as part of this papers’ research but future studies will include this element.
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