Strategic Human Resource Management as Ethical Stewardship

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ABSTRACT. The research about strategic human resource management (SHRM) has suggested that human resource professionals (HRPs) have the opportunity to play a greater role in contributing to organizational success if they are effective in developing systems and policies aligned with the organization's values, goals, and mission. We suggest that HRPs need to raise the standard of their performance and that the competitive demands of the modern economic environment create implicit ethical duties that HRPs owe to their organizations. We define ethical stewardship as a model of governance that honors obligations due to the many stakeholders and that maximizes long-term organizational wealth creation. We propose that if HRPs adopt an ethical stewardship framework and the qualities of transformative leaders, they will be more aware of their ethical duties to their organizations and more effective in helping their organizations to create increased wealth, achieve desired organizational outcomes, and establish work environments that are more satisfying to employees.

KEY WORDS: strategic human resource management, ethical stewardship, transformative leadership, roles of human resource professionals, ethical duties in human resources, employee commitment

Research about the strategic role of human resource management (HRM) has exponentially increased over the last decade (Hartel et al., 2007), with scholars and practitioners acknowledging the critical importance of ethical issues in HRM as key factors in aligning and guiding organizational success (Hernandez, 2008; Werhane et al. 2004). Scholars have also noted that the strategic focus of human resource systems is more effective when aligned with an organization's mission, purposes, values, and structure (Becker and

Gerhart, 1996; Becker and Huselid, 2006; Huselid and Becker, 1997). This article examines the ethical duties associated with the implementation of HRM systems in helping organizations to achieve their potential (cf. Payne and Wayland, 1999) and identifies the leadership roles which make up an ethical stewardship approach to organizational systems.

We begin by citing the strategic human resource management (SHRM) literature to provide a contextual framework for examining the importance of the alignment and congruence of HRM systems (Becker and Huselid, 2006; Pfeffer, 1998) with the strategic goals of an organization (Becker et al., 2001). We then examine the nature and duties of ethical stewardship (Caldwell et al., 2008) related to the effective governance of organizations. Integrating the importance of SHRM with this framework of ethical stewardship, we identify important but sometimes implicit leadership roles that human resource professionals (HRPs) ought to contribute in optimizing the ability of their organizations to achieve that long-term wealth creation (Senge, 2006). We conclude by identifying the contributions of our article and offer comments about the importance of ethical leadership in creating the work systems, cultures, and the high level of employee commitment that are essential for organizations in today's global workplace (Pfeffer, 1998, 2007).

Strategic human resource management

Understanding of the important role of SHRM in the modern organization provides an important context to understanding the ethical duties owed by HRPs. The most effective HRPs add value to their organization's effectiveness by linking people, strategy,

values, and performance (Becker et al., 2001). This linking of an organization's overall strategy with aligned human resource systems is critical to the maximization of performance outcomes (Ulrich and Brockbank, 2005) in a world that is increasingly dependent upon the initiative, creativity, and commitment of employees to succeed (Covey, 2004; Senge, 2006). A growing body of empirical evidence has suggested that aligned systems in combination create superior organizational outcomes as compared to the implementation of individual human resource practices, although many scholars note that an incremental approach is more likely to occur (Pfeffer, 1998; Sun et al., 2007). However, the goals of effective organizations are not simply instrumental or outcome oriented. Great organizations are also normative, or value-based, and achieve their greatness because of their commitment to values and principles which guide employees (Collins, 2001; Collins and Porras, 2004) and which create strong and effective employee cultures (Schein, 2004).

Becker and Huselid (1999) noted that integrating key human resource functions to reframe an organization's internal environment results in significantly higher organizational outcomes and financial performance that is superior to what firms can attain by implementing individual human resource program elements piecemeal. The three key functions that Becker and Huselid (1999) cited as most important were (1) a management culture aligned with the corporate strategy; (2) operational and professional excellence in conducting key tasks; and (3) a human resource structure focusing on human resource managers as business partners to other departments. These three organizational factors are interrelated (Becker and Huselid, 1999; Paine, 2003) and organizational cultures can enrich human lives as well as increase profitability (Cameron, 2003; Senge, 2006).

Empirical evidence by an award-winning HRM study (Huselid, 1995) demonstrated that high performance HRM systems had a significant positive impact upon overall financial performance, productivity, and turnover. Pfeffer (1998) has provided a comprehensive body of business evidence citing studies that demonstrate that strategically crafted HRM systems can generate organizational wealth when effectively integrated with organizational goals. More importantly, Pfeffer's research and that of other scholars provides valuable insight about *how to*

implement those systems. Pfeffer (1998, p. xv) noted that ''enormous economic returns (can be) obtained through the implementation of what are variously called high involvement, high performance, or high commitment management practices.''

Unfortunately, many HRPs and organizational leaders have consistently lacked the know-how to design and implement systems and policies that mesh with organizational goals. 2005). As Pfeffer (1998, p. 14) and Kouzes and Posner (2007, p. 75) have emphasized in their discussions of the roles of organizational leaders, the key to effective organizational change is execution. Becker and Huselid (2006, p. 99) called HR architecture, ''the systems, practices, competencies, and employee performance behaviors'' of SHRM a key element to ''building sustainable competitive advantage and creating above-average financial performance.'' Ulrich and Beatty (2001, p. 293) have explained that the critical contribution made by human resources in accomplishing strategic goals required that they fill the roles of coach, architect, facilitator, conscience, and contributing leader – rising from the status of subservient ''partners'' to substantial ''players.'' In order to achieve that higher level of status and impact, Beer (1997, pp. 49–51) noted that a successful transformation of the human resource function focused on three key change factors:

> *Focus on cost-effectiveness*: Reframing the human resource function to deliver services at a reduced cost made the HRM function more financially accountable.
>
> *Merger of the HRM function with the strategic role*: Aligning core processes – the key tasks performed by organizations – so that when systems mesh rather than conflict the entire organization is able to utilize people efficiently and effectively.
>
> *Development of new knowledge*: Empirical studies (e.g., Collins and Porras, 2004) confirmed that organizational culture, financial performance, and goal achievement were interdependent elements of successful organizations – and that valuing people and treating them well improved the bottom line.

Successful SHRM ''involves designing and implementing a set of internally consistent policies and practices that ensure that employees' collective

knowledge, skills, and abilities contribute to the achievement of its business objectives'' (Huselid et al., 1997, p. 172). If HRPs lack the knowledge and skill to craft these policies and practices and implement them in their organizations, then they fail to honor their professional duties and ethical obligations to the organizations they serve.

Historically, HRPs have traditionally played the role of internal service provider and deliverer of programs for operating departments (Beer, 1997; Lawler III, 2008). Organizational leaders and HRPs have apparently been slow to either understand the benefits of implementing high performance and high commitment systems, or they simply lack the skills required to implement such systems (Pfeffer, 1998). Pfeffer (1998, Part II) thoughtfully examines the consistent failure of HRPs and organizational leaders to apply the best thinking and empirical research that affirms proven principles of HRM, and clearly identifies the need for today's organizations to raise the standard of their performance in applying those principles. Yet the sub-optimization of organization performance persists and organization leaders miss opportunities to effectively serve their employees, shareholders, and society at large (Pfeffer, 1998, Chapter 1).

Increasingly, today's HRPs acknowledge that they can earn a place at their organization's strategic policy making table only if they understand how to measure the added value of employee contributions – the ''decision science'' of human resources – and help create organizational programs and systems that reinforce desired employee behaviors (Boudreau and Ramstad, 2005, p. 17). Clardy (2008) has suggested that to manage the core competencies and human capital of the entire firm, HRPs must clearly understand the strategic goals of the firm and must then play a key leadership role in taking advantage of those competencies. Despite this obligation, HRPs are often unprepared to help their organizations to optimize the use of human capital and today's organizations fail to perform effectively (Lawler III, 2008). This inability to respond to the needs of the modern organization is an implicit but often unacknowledged and unintended violation of the responsibilities and duties owed to the organizations that those HRPs serve (Hosmer, 2007).

The HR professional as ethical steward

The role of the leader as a steward in the governance of organizations has received increasing attention in the post-Enron era (cf. Carroll and Buchholtz, 2007; Caldwell et al., 2008; Hernandez, 2008; Hosmer, 2007). In articulating the relationship that exists between organizations and their employees, Block (1993) described leaders as stewards who owed a complex set of duties to stakeholders. These duties achieve long-term wealth creation which ultimately benefits all stakeholders and honors the obligations owed by business to society (Caldwell and Karri, 2005; Solomon, 1992). DePree (2004, Ch. 1) and Pava (2003, Chapter 1) have described the duties of organizational leaders as ''covenantal'' in nature, suggesting that the relationship that organizations owed to employees was akin to both a contact and a sacred obligation.

Ethical stewardship has been defined as ''the honoring of duties owed to employees, stakeholders, and society in the pursuit of long-term wealth creation'' (Caldwell et al., 2008, p. 153). Ethical stewardship is a theory of organizational governance in which leaders seek the best interests of stakeholders by creating high trust cultures that honor a broad range of duties owed by organizations to followers (Caldwell and Karri, 2005; Pava, 2003). Covey (2004) has described the stewardship role as value-based, principle-centered, and committed to the welfare of all stakeholders. In pursuit of the best interests of each stakeholder, Covey has emphasized that the duty of leaders is to optimize outcomes, rather than settling for a compromise position that overlooks opportunities – a phrase Covey (2004, pp. 204–234) has described as ''Win–Win or No Deal.''

Both Block (1993) and DePree (2004) viewed the ethical obligations of organizations as neither idealistic nor soft. Block (1993, pp. 91–97) has argued that the responsibility of organizations was to fully disclose critical information and to clearly identify threats facing an organization as well as the accompanying implications of those threats upon employees. Block (1993, pp. 25–26) advocated treating employees as ''owners and partners'' in the governance process and emphasized that in the highly competitive global that relationship encompassed sharing honest and

extensive communication. DePree (2004, p. 11) emphasized that ''(t)he first task of the leader is to define reality'' – a reality that included an obligation to tell all of the truth to employees, rather than withholding key information that might treat the employees as mere hirelings or the means by which the firm achieved its goals.

The moral position of ethical stewardship is that organizational leaders have the obligation to pursue long-term wealth creation by implementing systems that strengthen the organizational commitment of each stakeholder (Caldwell and Karri, 2005). Ethical stewards in HRM demonstrate the insights of great organizations that transform their companies into human and humane communities which emphasize inclusion, shared partnership, empowerment, and leadership trustworthiness (Kanter, 2008). This transforming culture occurs when followers believe that systems will enable employees to achieve desired outcomes and that social contracts will be honored (Caldwell and Karri, 2005; Caldwell et al., 2008). Such a culture is also achieved by treating employees as ''yous'' or as valued individuals and organizational partners, rather than as ''its'' or a mere organizational commodity with a human form (cf. Buber, 2008).

Grossman (2007) has noted that the HR professional must become a steward in framing an organization's culture and in facilitating change. Although some scholars have advocated that HRPs become ethical advocates (Payne and Wayland, 1999), the scope of that advocating role and the ethical values to be incorporated therein have been a source of debate (Guest, 2007; Legge, 2000; Palmer, 2007; Schultz and Brender-Ilan, 2004). Nonetheless, human resource managers have not typically reported performing a major role as ethical educators within their organizations nor have they been successful when they attempted to perform that role (Coltrin, 1991). HRPs would benefit to understand that organizations owe a complex set of duties to multiple stakeholders, and that they must be accountable to help organizations understand the ethical implications of their actions (Hosmer, 2007). In providing a glimpse into the ethics of management and the duties of organizations to society, Hosmer (2007) is just one of many ethics scholars who have addressed the responsibilities of organizational leaders to constantly examine the moral calculus of leadership in evaluating consequences of a firm's behaviors to diverse stakeholders.

If the HRP is to function as an ethical steward in the modern organization, she/he must combine a profound knowledge (Deming, 2000) of the operations of the firm, an understanding about how to implement systems by which organizations can maximize human performance (Becker and Huselid, 2006), an understanding of the empirical value and cost/benefit contribution of high performance systems (Pfeffer, 1998), and the ability to communicate effectively to top management and Boards of Directors in a convincing manner so that those policy makers will adopt policies and systems essential for creating integrated and effective HRM systems that support organizational goals (Lawler III, 2008).

HRPs and the duties of leadership

As organizational leaders HRPs have responsibilities that require insight, skills, wisdom, experience, and a profound knowledge of their organizations (Becker and Huselid, 1999). In this section of our article, we suggest that HRPs are ''transformative leaders'' (Bennis and Nanus, 2007) who honor a broad set of ethical duties in their role as ethical stewards.

The HRPs demonstrate principles of *transformational leadership* when they combine a commitment to helping both individuals and organizations to achieve unprecedented excellence (Kupers and Weibler, 2006). Dvir et al. (2002) found that transformational leaders had a positive impact on followers' development and performance and the accomplishment of organizational priorities, affirming Bass and Avolio's (1990, p. 22) claim that transformational leaders ''elevate the desires of followers for achievement and self-development while also promoting the development of groups and organizations.'' Citing the example of the U.S. Naval Academy graduate, Jim Schwappach, Kouzes and Posner (2007, pp. 118–119) describe Schwappach as a leader who was effective at listening deeply to others and involving others in developing solutions that empower employees while greatly increasing the effectiveness of an organization in accomplishing organizational goals. HRM practices that view employees as valued assets and contributors to the creation of strategic

competitive advantage empower people to enhance their potential to contribute to the organization's success while simultaneously improving employees' skill sets along the way (Becker and Gerhart, 1996; DePree, 2004). Empowering employees maximizes commitment and enables employees to become a source of strategic competitive advantage that competitors rarely can duplicate (Becker et al., 2001).

Becker et al. (2001, p. 4) have noted that "(w)e're living in a time when a new economic paradigm – characterized by speed, innovation, short cycle times, quality, and customer satisfaction – is highlighting the importance of intangible assets." The intangible human assets essential for sustaining competitive advantage depend on whether a firm's leadership understands how to integrate people into the achievement of organizational goals (Becker and Huselid, 1998, 2006). The ability of transformational leadership to simultaneously pursue both individual needs and organizational goals has long been considered a critical element of organizational success (Barnard, 1938), and is widely regarded as an important characteristic of high performance organizations (Cameron, 2003).

The HRPs also honor their duties to others when they apply principles of charismatic leadership. *Charismatic* leaders are ethical stewards to the degree that they personally inspire others to achieve worthy goals (Caldwell et al., 2007). Charismatic leadership is "an attribution based on follower perceptions of their leader's behavior", and reflects the followers' "perception of their leader's extraordinary character" (Conger et al., 2000, p. 748). House (1977) described charismatic leadership as being characterized by high emotional expressiveness, self-confidence, self-determination, freedom from internal conflict, and a conviction of the correctness of the leader's own beliefs. Kouzes and Posner (2007, p. 133) emphasized that inspiring leaders appeal to common ideals and animate an organization's vision in a way that resonates deeply within the hearts of others.

Charismatic leaders recognize that it is in resonating with people at the emotional level that creates the greatest personal commitment (Boyatzis and McKee, 2005). While writing of effective human resource leadership, Pfeffer (1998, p. 125) cited the case of Elmar Toime of the New Zealand Post who implemented high trust practices based upon close relationships with individual employees. Toime's

style demonstrates the influence of charismatic leadership in implementing human resource practices which transformed the New Zealand Post "from a typical government bureaucracy to a profitable state-owned enterprise and the most efficient post office in the world" (Pfeffer, 1998, p. 125).

The HRPs, who demonstrate the ability to create a personal charismatic connection with organizational employees, and who maintain that connection by honoring commitments, honor the duties of ethical stewardship by encouraging the hearts of employees (Kouzes and Posner, 2007, Chapters 11 and 12). That ability to create high commitment and high trust is at the heart of high performing organizations (Senge, 2006) and is a key responsibility of effective leadership.

In honoring ethical duties, HRPs are also principle-centered. *Principle-centered* leadership incorporates foundations of ethical stewardship to the degree that it seeks to integrate the instrumental and normative objectives of an organization while being congruent with universal principles demonstrated by effective leaders. Covey (1992, 2004) argued that leadership is the most successful when it adheres to a patterned set of well-accepted principles of effectiveness and respected moral values. According to Covey (1992, p. 31), principle-centered leadership is practiced "from the inside out" at the personal, interpersonal, managerial, and organizational levels. Principle-centered leaders earn trust based upon their character and competence (Covey, 2004). Kouzes and Posner (2003b, 2007) have noted that great leaders sustain their credibility based upon their consistency in modeling correct principles and in honoring values that demonstrate personal integrity.

The principle-centered leader recognizes that virtuous outcomes supersede adherence to rules (Kohlberg, 1985) and that moral purposes complement best practices in achieving stewardship goals (Caldwell and Karri, 2005). Principle-centered leaders model organizational values (Kouzes and Posner, 2007) and recognize that effective leadership is ultimately the integration of both ends and means (cf. Burns, 1978). In their classic study of the most successful businesses of the past century, Collins and Porras (2004, pp. 131–135) noted the emphasis that Procter and Gamble placed on creating a strong principle-based culture based on core values and a core ideology.

The HRPs honor the obligations of ethical stewards when they develop a knowledge of guiding principles that characterize great organizations (Pfeffer, 1998), and when they help organizations to create aligned organizational cultures that match actual behaviors with espoused values (Schein, 2004). This commitment to values and principles of principle-centered leadership is a key element in establishing and implementing human resource systems that earn employee commitment and trust (Covey, 2004).

The HRPs that demonstrate principles of servant leadership build trust and inspire the confidence of others. *Servant* leadership is at the heart of ethical stewardship (Caldwell et al., 2007) and exemplifies its depth of commitment to serving the individual. DePree (2004, p. 11), one of the most highly regarded advocates of servant leadership, opined that organizational leaders had the ethical responsibility to be ''a servant and a debtor'' to employees by establishing policies that demonstrate the organization's commitment to the welfare of each employee. Hamilton and Nord (2005, p. 875) describe servant leadership as ''valuing individuals and developing people, building community, practicing authenticity, and providing leadership that focuses on the good of those who are being led and those whom the organization serves.''

Greenleaf (2004, p. 2) emphasized that the great leader is a servant first because that commitment to serving others is his identity ''deep down inside.'' Servant leadership honors each individual as a valued end, rather than simply as a means to organizational outcomes (cf. Buber, 2008; Hosmer, 1995). The servant leader puts the needs, desires, interests, and welfare of others above his or her self-interest (Ludema and Cox, 2007, p. 343) while also honoring duties owed to the organization (DePree, 2004). Pfeffer (1998, pp. 91–92) noted that Herb Kelleher, the former CEO of Southwest Airlines, and Sam Walton, the founder of Wal-Mart, were both known for valuing employees as critical to the success of their organizations and for adopting a leadership philosophy incorporating principles of servant leadership. This valuing of employees at both Wal-Mart and at Southwest Airlines balanced a consideration for employees' welfare with a recognition that treating employees well increases their commitment in return.

The HRPs who demonstrate a commitment to the ''welfare, growth, and wholeness'' (Caldwell et al., 2002, p. 162) of stakeholders are servant leaders and ethical stewards. It is this commitment to stakeholder interests that makes leaders credible and trustworthy (Kouzes and Posner, 2003a). HRPs, who fail to create policies that demonstrate a commitment to serving employees, and who do not behave congruently with those values, undermine the trust of employees and inhibit the ability of organizations to maximize long-term wealth creation (Senge, 2006).

The HRPs are Level 5 leaders when they demonstrate their fierce commitment to the success of the organization while creating systems that recognize employee contributions and give credit to employees for achieving an organization's success. *Level 5* leaders demonstrate a leadership insight that willingly shares both power and the credit for accomplishments while accepting personal responsibility for organizational failures (Collins, 2001). In his study of great corporations, Collins (2001, pp. 17–40) found that the leaders of the organizations that evolved ''from good to great'' were typified by high commitment coupled with great personal humility. In discussing these Level 5 leaders, Marcum and Smith (2007) explained that Level 5 leaders avoided the counterfeit leadership qualities of egoistic self-interest that typified high profile leaders in many organizations. Collins (2001, p. 27) emphasized that Level 5 leaders were not ''I-centered'' leaders who pursued self-serving goals or who viewed themselves as the upfront personification of their organization's success. Instead, they tended to be described by those who worked with or wrote about them as ''*quiet, humble, modest, reserved, shy, gracious, mild-mannered, self-effacing, understated, did not believe his own clippings*; and so forth'' [Italics in the original] (Collins, 2001, p. 27).

Collins (2001, p. 30) reported that Level 5 leaders also possessed a ''ferocious resolve, an almost stoic determination to do whatever needs to be done'' to serve the organization and to make it great. Werhane (2007, p. 433) also noted that the most successful leaders in her study of effective women leaders were Level 5 leaders who ''seem to care more about the sustained success of their organization than their own legacy.'' Level 5 leaders are transformative in demonstrating humility about their own accomplishments, giving credit to others in their organization for success while accepting full responsibility for the

errors made by an organization and working unceasingly to address those errors (Collins, 2001, 2005). Citing the case of AES Corporation's CEO, Dennis Bakke, Pfeffer (1998, pp. 99–103) emphasized that effective organizations do not achieve short-term profitability by short-changing employees. Working for the long-term success of an organization and creating policies and systems that reward employees for laying the foundation to achieve long-term growth rather than a short-term appearance of growth takes courage and integrity in the face of pressures to achieve short-term results in today's distorted business environment (Pfeffer, 1998).

Human resource professionals act as both ethical stewards and Level 5 leaders when they create human resource systems and processes that are fully aligned with the normative and instrumental goals of the organization while giving employees credit for their role in the accomplishment of those goals (Caldwell et al., 2007). These aligned and congruent systems and processes balance the needs of the organization with a commitment to the best interests of its stakeholders (Pauchant, 2005) and create reward systems that also reward employees for contributing to organizational success.

When HRPs model the behaviors of covenantal leadership, they help organizations create new knowledge which enables firms to create and maintain competitive advantage and constantly improve. *Covenantal* leadership integrates the roles of the leader as a servant, role model, a source of inspiration and as a creator of new insight and meaning (Caldwell et al., 2007; Pava, 2003). Covenantal leadership encompasses the pursuit of a noble purpose, often described as rising to the level of a contractual or even a sacred duty (Barnett and Schubert, 2002; DePree, 2004; Pava, 2003). Covenantal leaders seek not only to enhance the skills and abilities of those with whom they associate, but also to "unleash the great human potential which is often dormant and silent" in organizations (Pava, 2003, p. 26). Striving to serve both individuals and the organization, sharing knowledge, inspiring by personal example, and learning with others, covenantal leadership is attuned to the importance of continuous learning (Pava, 2003).

Covenantal leadership incorporates ethical stewardship's commitment to creating new solutions to problems, creating new wealth and value, and working for the welfare of stakeholders (Caldwell et al., 2006). It is in this ability to help people to discover new truths and achieve the best within themselves at both the individual and organizational levels, enabling organizations to optimize wealth creation (Senge, 2006) and honor their role as covenantal leaders and ethical stewards (Caldwell and Dixon, 2007; Caldwell et al., 2007). Kouzes and Posner (2007, p. 317) cited the example of Bob Branchi, the Managing Director of Western Australia's largest network of automobile dealerships, in teaching a delivery driver that his value as an individual and his role in the organization were also important to the organization's success – thereby helping that individual not only to share in the organization's accomplishments but also to redefine himself.

Sung-Choon et al. (2007) have emphasized the vital role of knowledge creation in firms as an important element of the human resource architecture and have advocated the importance of adopting a learning organization culture to create a sustainable competitive advantage. HRPs become covenantal leaders when they focus on individuals, empower them to increase their level of commitment to themselves and to the organization, and create opportunities for creating new knowledge and insight that benefits both the organization and the individual (cf. Pava, 2003; Senge, 2006).

As HRPs adopt the characteristics of ethical stewardship, they help their organizations add value to the lives of individuals and organizations. Solomon and Flores (2003, p. 6) have called leaders who demonstrate high commitment to others and to their organizations "authentic" and praise the trustworthiness and integrity of those who lead unselfishly and effectively. Kolp and Rea (2005, pp. 154–158) have also cited the character of such leaders and have described their accomplishments as balancing "value and virtue" in creating cultures where employees feel empowered to take risks and achieve unprecedented results. HRPs who adopt the leadership behaviors of ethical stewardship understand the value of the individual as well as the organization while holding both people and the organization in high regard.

By integrating the best elements of leadership, HRPs honor their role as ethical stewards and contribute to the capability of their organizations while

profoundly benefiting the employees who work in those organizations. As contributors to the optimal strategic accomplishment of an organization's mission, HRPs who exhibit transformative leadership behaviors have the opportunity to serve the needs of a multiple set of stakeholders in honoring a broad range of ethical duties (Hosmer, 2007). HRPs can help organizations to build trust and commitment in the pursuit of long-term wealth creation (cf. Senge, 2006) as ethical stewards when they serve their organizations as transformative leaders.

Contributions of our article

Today's modern organizations desperately need leaders who they can trust if their organizations are to be successful in a highly competitive global market place (Cameron, 2003). Those leaders include highly competent, knowledgeable, and skilled HRPs who understand how to align HRM programs with corporate objectives and strategic plans (Becker et al., 2001). We argue that the leadership skills of these HRPs must encompass the moral perspectives of ethical stewardship and the unique contributions of transformative leadership.

We suggest that our article contributes to the SHRM literature in four significant ways.

1. *We affirm the importance of SHRM as a vital element of successful organizations when aligned with the overall goals, values, and priorities of that organization. We note, however, that many HRPs either fail to understand this strategic role of HRM or lack the abilities to align HRM systems to serve their firms.* Human resource management practices that are integrated in a manner that reinforces strategic objectives can play a major role in enabling organizations to utilize employees as the source of strategic competitive advantage (Hartel et al., 2007; Konzelmann et al., 2006). Although designing aligned human resource systems and framing a well-conceived strategy are important, it is in implementing these systems that a firm achieves desired organizational outcomes (Pfeffer, 1998; Sun et al., 2007). The failures of organizations to create aligned and congruent organizations with HR systems that mesh

with strategic objectives are well documented by management scholars (Lawler III, 2008; Pfeffer, 1998, 2007).

2. *We describe and clarify the role of SHRM as it relates to the principles of ethical stewardship and emphasize the implicit ethical duties owed by HRPs to their organizations.* Ethical stewardship is a philosophy of leadership and governance that optimizes long-term wealth creation and that honors duties owed to all stakeholders (Caldwell and Karri, 2005; Pava, 2003). As a framework that integrates both normative and instrumental ethical values (cf. Paine, 2003), the principles of ethical stewardship build both the trust and the commitment of followers (Caldwell et al., 2008). HRPs owe their organizations a set of obligations and duties that include helping the top management team to contribute to the strategic effectiveness of the firm while simultaneously meeting the needs of organizational members (Barnard, 1938; Becker and Huselid, 1999). Rarely are organizations able to earn the trust of employees if HRM systems and processes conflict with the strategic goals of the firm (Pfeffer, 1998). Congruent and effective leadership and consistent policies help organizations to obtain the commitment from employees which is the key to long-term wealth creation (Senge, 2006).

3. *We identify the importance of the ethical duties inherent in best leadership practices as essential elements of the HRPs' responsibilities in honoring their organizational roles.* The leadership obligations and responsibilities of HRPs incorporate the best elements of transformational leadership, charismatic leadership, servant leadership, Level 5 leadership, and covenantal leadership. Each of these six leadership perspectives of leadership is normatively and instrumentally consistent with the scope and duties of SHRM (Pfeffer, 1998, 2007) and facilitate both social and financial outcomes of organizations (cf. Collins, 2001; Hosmer, 2007; Paine, 2003). These ethical responsibilities demonstrate the importance of aligned and congruent organizational systems and are consistent with the empirical evidence that affirms the importance of high performing organizations in creating

long-term wealth (Collins, 2001; Paine, 2003; Senge, 2006).

4. *We reinforce the importance of human resource professionals elevating their contribution to organizations professionally, ethically, and strategically.* HRPs have often been ineffective at contributing to the success of organizations because they have failed to demonstrate the requisite knowledge and skills to help organizations to achieve objectives that are vital to their role as business partners and major decision makers (Lawler and Mohrman, 2000). In today's highly competitive business environment, the role of employees has become increasingly important to achieving strategic competitive advantage, and the opportunity for organizations to create that advantage by unlocking employee potential is often the key difference for both competitive advantage and increased profitability (Pfeffer, 2007). HRPs who help create organizational cultures based on normatively virtuous principles can increase the ability of their companies to earn the high trust and employee commitment which leads to better quality, improved customer service, and increased profitability (Cameron, 2003). The roles of HRPs in organizations enable their companies to be more professional and more successful strategically while enabling the companies to honor the implicit ethical duties owed to employees.

The clear message of management scholars who study today's organizations is that "good" is not good enough and is, in fact, "the enemy of great" (Collins, 2001, p. 1). The challenge for today's leaders is to move from "effectiveness" to "greatness" (Covey, 2004, pp. 3–4) to optimize the potential of the modern organization.

Conclusion

Only when HRPs are perceived as competent and ethical will they be able to merit the trust of those organizational stakeholders with whom they work (Graham and Tarbell, 2006). Adopting the standards of ethical stewardship and the best practices of leadership may be a daunting challenge for HRPs.

Nonetheless, this challenge is consistent with the needs of organizations that must compete in an increasingly competitive world that is heavily dependent on the skills and commitment of employees to create value and long-term wealth (Covey, 2004; Pfeffer, 2007).

Although the role of HRM has changed substantially over the past 20 years, HRPs continue to have opportunities to broaden and strengthen their role in helping organizations maximize productivity, govern more ethically, and compete more effectively (Pfeffer, 2007). In understanding their role as transformative organizational leaders, HRPs have the obligation to prepare themselves to accomplish the goals of their organizations by honing their expertise about organizational goals, developing the skills of organizational members, and creating aligned systems that are critical to the success of modern organizations (Hosmer, 2007; Werhane et al., 2004). Such preparation demands that HRPs also develop insights about ethical and moral issues and that they set the example as ethical leaders (Kouzes and Posner, 2007; Pinnington, et al., 2007).

The willingness of organizations to pursue systematically the twin goals of achieving organizational mission and assisting employees to achieve their personal goals is an implicit obligation of ethical stewardship and organizational leadership (Barnard and Andrews, 2007; Caldwell et al., 2008). The resource-based view of the firm emphasizes the importance of meeting the needs of employees to retain them as a resource-based source of competitive advantage (Barney and Wright, 1998). Scholarly research about successful organizations has increasingly suggested that the most successful companies are those that balance *instrumental* or outcome-based and *normative* or value-based objectives (Cameron, 2003; Collins, 2001; Pfeffer, 1998). Measuring results and maintaining a commitment to people are well-respected elements of high performance systems that balance the instrumental and normative priorities of organizations (Pfeffer, 1998, 2007).

Organizations that integrate principles of ethical leadership with a strategic approach to HRM optimize the maximization of values and outcomes and achieve results which pay off long-term (Collins and Clark, 2003; Paine, 2003). By honoring their duties as ethical stewards and incorporating principles of transformative leadership, HRPs can make a major

contribution to their organization's financial success while helping their organizations honor the implicit duties owed to organization members (DePree, 2004; Paine, 2003).

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