



## Strategic human resource management: The evolution of the field

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### ABSTRACT

This review takes an evolutionary and chronological perspective on the development of strategic human resource management (SHRM) literature. We divide this body of work into seven themes that reflect the directions and trends researchers have taken over approximately thirty years of research. During this time the field took shape, developed rich conceptual foundations, and matured into a domain that has substantial influence on research activities in HR and related management disciplines. We trace how the field has evolved to its current state, articulate many of the major findings and contributions, and discuss how we believe it will evolve in the future. This approach contributes to the field of SHRM by synthesizing work in this domain and by highlighting areas of research focus that have received perhaps enough attention, as well as areas of research focus that, while promising, have remained largely unexamined.

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### 1. Introduction

Boxall, Purcell, and Wright (2007) distinguish among three major subfields of human resource management (HRM): micro HRM (MHRM), strategic HRM (SHRM), and international HRM (IHRM). Micro HRM covers the subfunctions of HR policy and practice and consists of two main categories: one with managing individuals and small groups (e.g., recruitment, selection, induction, training and development, performance management, and remuneration) and the other with managing work organization and employee voice systems (including union-management relations). Strategic HRM covers the overall HR strategies adopted by business units and companies and tries to measure their impacts on performance. Within this domain both design and execution issues are examined. International HRM covers HRM in companies operating across national boundaries. Since strategic HRM often covers the international context, we will include those international HRM articles that have a strategic focus.

While most of the academic literature on SHRM has been published in the last 30 years, the intellectual roots of the field can be traced back to the 1920s in the U.S. (Kaufman, 2001). The concept of labor as a human resource and the strategic view of HRM policy and practice were described and discussed by labor economists and industrial relations scholars of that period, such as John Commons. Progressive companies in the 1920s intentionally formulated and adopted innovative HR practices that represented a strategic approach to the management of labor. A small, but visibly elite group of employers in this time period sought to replace the traditional commodity/command and control system of management with a different approach that emphasized competitive advantage through unity of interest, cooperation, and investment in labor as a human resource. Thus, strategic human resource management is not a new idea, but, rather, as this article explains, it is a domain that has evolved to provide an important and useful perspective on the role of HR.

This review takes a theme-based and evolutionary perspective on the development of SHRM literature. We divide the SHRM literature into seven themes that reflect the chronology, directions, and trends researchers have taken over approximately thirty years of research on the topic. The review of the literature is selective—focusing on what in retrospect appear to be articles that had

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significant influence on the development of the field. We trace both how the field has evolved to its current state as well as how we believe it will evolve in the future. This article offers several contributions to the field of SHRM. First, it suggests a way to integrate the research done to date. Second, it underscores areas where research questions and topics build upon each other, and encourages a more comprehensive perspective on SHRM. Third, it highlights areas of research focus that have received perhaps enough attention and points out areas of research focus that, while promising, have remained largely unexamined. Finally, the article provides an overview of where we are in our understanding of SHRM that celebrates what has been accomplished and reminds us of the limitations.

## 2. Seven themes in SHRM

We identified seven themes across time in the SHRM literature: (1) explaining contingency perspectives and fit, (2) shifting from a focus on managing people to creating strategic contributions, (3) elaborating HR system components and structure, (4) expanding the scope of SHRM, (5) achieving HR implementation and execution, (6) measuring outcomes of SHRM, and (7) evaluating methodological issues. Each of these themes played a significant role in the evolution of the field.

During the embryonic stage of strategic human resource management, three research streams set the agenda. Initial studies emphasized contingency perspectives and fit in order to tie human resource policies and practices to various strategy elements. Over time, this stream of inquiry expanded to include competing frameworks for assessing fit and an assessment of different contexts as contingent factors. In a second line of inquiry, initial studies also wrestled with the emphasis of HR as a source of important strategic contributions versus a focus on people management. Over time this research stream expanded to include human and social capital contributions and HR in increasingly complex systems. These two streams have continued to shape the agenda for SHRM research since the early 1980s. A third area of interest during this developmental period concerned expanding the scope of SHRM activities beyond conventional organizational boundaries. Over time the focus of this stream shifted more toward international SHRM concerns.

Two additional themes emerged during the early 1990s. One stream of inquiry elaborates the structure and components of HR systems. The other line of research emphasizes the importance of effective execution of HR policies and practices and ensuring that the strategic intent is realized. Later in the 1990s, as the field became established, a greater concern with measuring the outcomes of SHRM activities emerged. Since 2000, as the field has matured, methodological issues and questions have gained increasing attention.

The following sections trace the progression in thinking across each of these themes. We highlight the major contributions and contributors to provide an overview of development of the strategic human resource management field.

### 2.1. Theme 1: explaining contingency perspectives and fit

As is common throughout much of the organization sciences, HR scholars recognized that particular sets of HR practices were likely to yield better performance if they were matched with specific objectives, conditions, and strategic interests. Therefore, inaugural SHRM research often looked at contingent relationships and ways to achieve a fit between HR activities and desired strategic outcomes. In this section we describe how the concern with fit and contingency developed chronologically through the past three decades.

In the early 1980s, Miles and Snow (1984) proposed a strategy typology (Defenders, Prospectors, Analyzers, and Reactors) that showed how specific sets of HR practices could be matched to each strategy. This perspective on SHRM would later be described as a contingency approach, meaning that the choice of a particular set of HR practices is dependent upon an organization's strategy.

In a similar vein, Schuler and Jackson (1987) asserted that different strategy types (cost reduction, quality improvement, and innovation) require different types of employee role behaviors, which they specified. Further, they argued that once the desired employee role behaviors have been identified to fit the strategy, HR practices should be used to ensure those behaviors take place. This is the earliest article that expressed what is now more commonly referred to as the behavioral perspective of SHRM.

Lengnick-Hall and Lengnick-Hall (1988) proposed that for human resources to affect strategy there needs to be a fit between an organization's business strategy and its HR strategy (another contingency perspective). However, while asserting the importance of fit, they observed that fit is not always desirable, especially during times of transition. They suggested that fit be considered the opposite end of the continuum from flexibility, and that firms explicitly choose a position along the continuum to coincide with their assessment of upcoming competitive conditions. Additionally, they proposed a reciprocal interdependence between strategy and HR, whereby human resources should be considered in both strategy formulation as well as strategy implementation.

Baird and Meshoulam (1988) expanded the notion of fit to incorporate both external and internal components. External fit is aligning a firm's HR practices with its strategy, whereas internal fit is aligning a firm's HR practices with one another (i.e., mutually reinforcing each other). Additionally, they proposed that the fit between HR practices and strategy will change as an organization advances through its life cycle stages.

Jackson, Schuler, and Rivero (1989) demonstrated an empirical relationship between organizational context characteristics (industry sector, innovation strategy, manufacturing technology, organizational structure, organizational size, and unionization) and HR practices. They found both interorganizational differences in HR practices and intraorganizational differences (managerial/hourly). This article represents one of the earliest empirical demonstrations that strategy is related to HR practices, and that multiple HR systems exist within a single organization.

In the early 1990s, Milliman, Von Glinow, and Nathan (1991) expanded on the fit concept and applied it in a strategic international human resource management (SIHRM) context. They proposed four types of fit: (1) fit between the IHRM functions

and the organizational life cycle stage, (2) fit internally within various human resource functions, (3) fit between the human resources practices and the firm's cross-national and cross-cultural environment, and (4) fit between the human resource functions of the corporate and foreign subsidiary levels. Additionally, they reintroduced the concept of HR flexibility as the firm's ability to adapt effectively and in a timely manner to a changing organizational environment. Fit and flexibility was later the focus of an influential follow-up article by [Wright and Snell \(1998\)](#).

[Mesch and Perry \(1995\)](#) assessed the differences between two HR systems (bureaucratic vs. SHRM) authorized by Titles 5 and 38 of the U.S. Code used by organizations in the U.S. government. The bureaucratic versus SHRM systems were assessed on their ability to produce certain individual and organizational outcomes. The bureaucratic model is akin to the control HR system, while the SHRM model is similar to the commitment HR system identified by [Arthur \(1994\)](#). No significant differences were found between the two HR systems in terms of their impact on individual and organizational outcomes in this government sample. This research is noteworthy as one of the first SHRM studies conducted in a public sector organization.

[Jackson and Schuler \(1995\)](#) made a significant contribution to the SHRM literature by identifying the important components of organizational environments. Organization environments were divided into internal and external categories. Important components of internal organizational environments include: technology, structure, size, life cycle stages, and business strategy. Important components of the external organizational environment include: legal, social, and political environment; labor market conditions, including unionization; industry characteristics; and national culture. Their framework provides researchers with a comprehensive perspective on important contextual factors affecting HR systems in organizations.

In a novel SHRM study, [Wright, Smart, and McMahan \(1995\)](#) used a sample of NCAA basketball teams to assess whether coaches' preferred strategies affected recruit characteristics, and whether implementing the coaches' preferred strategies affected team performance. Results showed support for both relationships, providing some early empirical evidence for the contingency approach to SHRM.

[Delery \(1998\)](#) critiqued the literature on fit in SHRM focusing primarily on horizontal fit. At the time this article was published, he noted that there was virtually no support for either vertical or horizontal fit—two key constructs that had emerged in the SHRM literature earlier. He identified weaknesses of previous studies (construct validity issues related to levels of analysis, inappropriate use of cluster analysis, limited dependent variables—failure to consider more than bottom line performance) as well as directions for future research (studying negative synergistic effects, better theory development overall to deal with construct validity issues, and designing studies with larger sample sizes). Unfortunately, many of the issues [Delery](#) identified then remain problematic today.

In a follow-up to [Delery \(1998\)](#) years later, [Kepes and Delery \(2007\)](#) proposed four types of internal fit based upon a multi-level conceptualization of HR systems: (1) within-HRM system vertical fit, (2) inter-HRM activity area fit, (3) intra-HRM activity area fit, and (4) between-HRM system fit. Within-HRM system vertical fit is the degree of fit between different HRM activities on different levels of abstraction (e.g., fit between compensation policies, practices, and processes). Inter-HRM activity area fit is that between different HRM activity areas (e.g., between selection and compensation). Intra-HRM activity area fit is the alignment between specific HRM activities within a certain set of HRM activities (e.g., HRM practices within the selection area). And, between-HRM system fit is the fit between one HRM system and another within the same organization (e.g., between knowledge-based workers and job-based workers).

As the 1990s progressed, scholars built on earlier work and extended their reach more deeply into the strategy literature. [Boxall \(1998\)](#) made arguments similar to [Barney and Wright \(1998\)](#) to explain how the resource-based view of the firm could be applied to SHRM. [Boxall](#) defined the construct of human resource advantage as consisting of two components: human capital advantage and organizational processes advantage. Human capital advantage results from having better people than competitors, while organizational processes advantage results from having better ways of working than competitors. [Boxall](#) also asserted that the challenges of human resource advantage change across different stages of an industry life cycle.

[Wright and Snell \(1998\)](#) added to our understanding of the concepts of fit and flexibility earlier proposed by [Lengnick-Hall and Lengnick-Hall \(1988\)](#) and [Milliman et al. \(1991\)](#). They asserted that strategy should fit with three generic conceptual variables: HRM practices, employee skills, and employee behaviors. They defined flexibility as the extent to which the firm's human resources possess skills and behavioral repertoires that can give a firm options for pursuing strategic alternatives in the firm's competitive environment, as well as the extent to which the necessary HRM practices can be identified, developed, and implemented quickly to maximize the flexibilities inherent in those human resources. They further distinguished between the resource flexibility of HRM practices (the extent to which they can be adapted and applied across a variety of situations) and the coordination flexibility of HRM practices (how quickly the practices can be re-synthesized, reconfigured, and redeployed). [Wright and Snell](#) argued that organizations should promote both fit and flexibility as they are complementary rather than orthogonal.

[Cabrera and Bonache \(1999\)](#) focused on the need to align an organization's culture with its strategy. As they and others (e.g., [Barney, 1986](#)) noted, a culture will be an asset for an organization if it encourages behaviors that support its intended strategy. They argue that a strong strategic culture can be created through two processes: planning HR practices that are aligned with the organization's strategy to promote the desired behavioral norms, and deliberately selecting candidates who share the desired values. The importance of culture as a mediating variable in the SHRM-performance "black box" has received continuing attention (e.g., [Ostroff & Bowen, 2000](#)).

These issues of fit and flexibility continued to grow and become more complicated in the new century. [de Pablos \(2005\)](#) argued that to create a sustainable competitive advantage, organizational flexibility (both resource and coordination) and fit (both internal and external) must be achieved simultaneously to create a firm that renews itself and can respond quickly to environmental demands. From this perspective the notion of HR contingencies has evolved from making specific choices to accommodate

particular conditions to maintaining versatility by cultivating a repertoire from which to choose in order to adjust to shifting conditions.

Lepak, Marrone, and Takeuchi (2004) provided a framework for investigating the relativity of HR systems across organizations. They noted that different business strategies lead to different ways of structuring organizations, the different use of technologies, etc. Consequently, organizations require different approaches to organizing tasks and therefore different required employee behaviors. Relativity of HR systems refers to the diverse ways of recruiting, selecting, and rewarding employees which necessitates different HR philosophies and policies. They proposed that desired employee contributions determine which set of HR policies are feasible in a particular situation, whereas HR philosophy determines specific choices of HR policies within organizations.

Werbel and DeMarie (2005) used a strategic contingency framework to show how person–environment fit relates to organizational competencies that support corporate strategy. They proposed that person–environment fit is a linking pin between vertical and horizontal alignment in SHRM. Moreover, they proposed vertically linking HR systems with corporate strategies through organizational competencies and horizontally linking HRM practices to promote those distinct organizational competencies as means to enhance performance.

More recently, Richard, Murthi, and Ismail (2007) examined the impact of a diversity HR strategy in manufacturing versus service-oriented industries, and in munificent versus resource-scarce environments. They conducted a firm-level, 6-year longitudinal study and found a U-shaped relationship between racial diversity and productivity which was stronger in service-oriented versus manufacturing-oriented industries and stronger in more stable versus more volatile environments. Additionally, they found support for a positive and linear relationship between racial diversity in human resources and organizational performance (as measured by Tobin's *q*) that was stronger in munificent versus resource-scarce environments.

### 2.1.1. Settings as contingencies

As the SHRM field developed, scholars began to consider the differences embedded in different settings. Manufacturing and service organization distinctions were investigated first. This was followed by an examination of distinctions between public, non-profit, and private organizations. Third, differences between IPO contingencies and those in established firms were investigated. Finally, high reliability organizations were investigated as a special category of firms.

Batt (2000) initiated an examination of the context as an important contingency and argued that the relationship between the front-line employees and customers is what distinguishes service sector from manufacturing operations. She further proposed that in service organizations where customers are segmented (i.e., division of customers into homogenous groups in order to match the portfolio of products and services to them), HR practices also need to be geared toward segmenting employees that provide those services to different groups. For example, high performance work systems would only be used on employees who provide service to higher value-added customers. Batt found support for this pattern in a random sample of 354 call centers in the U.S. telecommunications industry.

Continuing along this track, Skaggs and Youndt (2004) used a sample of 234 service organizations and found strong empirical support to indicate that strategic positioning (i.e., customer co-production, customer contact, and service customization) is in fact related to human capital and that the proper fit (i.e., the contingency perspective) among these variables affects firm performance. Their study showed that the strategic positioning of service production determines the level of uncertainty arising from the client–firm interaction, and therefore the human capital required to handle this uncertainty. Their results suggest that when human capital is fit to the organization's strategic positioning, positive organizational performance results.

Teo (2000) examined the adoption of SHRM in public sector organizations in Australia. He found that commercialization of public sector organizations provided the stimulus for adopting SHRM. Commercialization also led to the human resource function achieving strategic status within the business planning process. His findings are similar to results of studies of emerging economies, such as China (e.g., Wei & Lau, 2005), where the privatization of public sector organizations leads to greater adoption of SHRM practices.

Rodwell and Teo (2004) examined the adoption of SHRM by for-profit and nonprofit knowledge-intensive health services organizations in Australia. They found a positive and significant relationship between SHRM and organizational performance for both for-profit and nonprofit firms. By building an external orientation to customers' demands and a commitment to employees, these organizations were able to develop human capital-enhancing HRM practices.

Teo and Crawford (2005) conducted a case study on a public sector organization in Australia undergoing a transformation to a commercialized and corporatized entity. They found that the HRM function evolved into a more consultative and strategic role as a result of the change. Thus, SHRM plays a transformative role for the HR function in public sector organizations.

Daley and Vasu (2005) examined the extent to which SHRM is perceived to affect outcome assessments (or performance measurements) for welfare reform. While SHRM practices were found in a sample of North Carolina social service organizations, they only had a moderate impact on welfare reform outcomes such as decreasing the number of people on welfare, putting people receiving welfare to work, and collecting additional child support payments. The researchers questioned the use and effectiveness of SHRM in the multivalued public sector.

Welbourne and colleagues extended the exploration of context influences on SHRM by examining initial public offerings (IPOs). Since most prior SHRM research had taken place in mature organizations, this added a new dimension to questions of contingency and fit. Welbourne and Andrews (1996) used population ecology theory to determine the relationship between HRM and organizational performance in IPOs. They found that human resource value (the degree to which a company values employees as a specialized asset) and organization-based rewards (rewards based on organizational performance) predict investor reactions to an initial public offering. Further, they found that organization-based rewards had a negative effect on initial performance but positive effect on organizational survival.

Welbourne and Cyr (1999) examined the effects of senior HRM executive presence on two measures of firm performance: long-term stock price and earnings performance. They found that smaller, fast-growing IPOs (initial public offerings firms) reap the most gain from having senior human resource executives. These findings run counter to conventional wisdom that HR expertise is not needed in firms until they have reached some threshold of number of employees.

In a follow-up to Welbourne and Andrews (1996), Andrews and Welbourne (2000), using the theory of upper echelons, found in two different samples of IPO firms that those firms who had CEOs with financial backgrounds—as expected—had lower levels of human resource value (the degree to which a company values employees as a specialized asset). However, surprisingly, firms that had CEOs with financial backgrounds did not maximize short-term gains.

Cyr, Johnson, and Welbourne (2000) tested whether or not venture capitalist backing affects the likelihood that IPO firms will report having a vice president of human resources. They found that venture capitalists do play a role in influencing the portfolio firm to approach HR more strategically by adding a VP of HR, but that having a VP of HR in venture capital-backed firms does not necessarily lead to improved performance.

Finally, Erickson and Dyer (2005) considered SHRM in high reliability organizations (i.e., those that strive to achieve virtually problem-free performance under the most trying of circumstances, such as nuclear power generation plants and naval aircraft carriers). Their work offered another contingent consideration for designing strategic human resource practices. Using the behavioral approach to SHRM, the researchers identified a set of eight reliability-oriented employee behaviors (ROEBs) likely to foster organizational reliability and suggested that they are especially valuable to reliability-seeking organizations that operate under exceptionally challenging conditions. They also developed a reliability-enhancing human resource strategy (REHRS) likely to facilitate the manifestation of these ROEBs.

### 2.1.2. Competing frameworks

Three different patterns of assumptions emerged during the 1990s, and Delery and Doty (1996) provided a useful scheme for categorizing these major SHRM theoretical perspectives. The universal perspective argues that some HR practices have a positive effect on organizational performance across all organizations and under all conditions. Which HR practices are universal (e.g., Pfeffer, 1998) has remained a source of debate. Essentially, this position argues that there is no need for fitting HR practices to a particular strategy or a particular organizational context. The configurational perspective argues that unique patterns of HR practices have a positive effect on organizational performance. Additionally, the assumption of equifinality means that more than one configuration may be effective in any given setting. Using a stratified sample of 1050 banks, Delery and Doty (1996) found relatively strong support for the universalistic perspective as well as some support for both the contingency and configurational perspectives. These two perspectives contrast with the contingency perspective discussed previously.

Youndt, Snell, Dean, and Lepak (1996) compared the universalistic with contingency perspectives of SHRM in a study conducted using a sample of 97 plants in a manufacturing setting. Results supported the contingency approach. They found that an HR system focused on human capital enhancement in organizations pursuing a quality enhancement strategy related to multiple dimensions of operational performance. The researchers argued that a universalistic and contingency perspective are not necessarily mutually exclusive, an assertion that others (e.g., Boxall & Purcell, 2008) have also made. In other words, universal “best practices” provide a solid foundation of SHRM activities, but to achieve a higher level of performance, contingent factors should be considered.

Boxall and Purcell (2000) weighed in on the debate between best fit (i.e., the contingency perspective) and best practices (i.e., the universalistic perspective). They concluded that there is little evidence to support the universalistic perspective. However, they encouraged a broader view on contingency theory than had been examined previously. Additionally, they argued that the resource-based view of the firm had been useful in SHRM research, and encouraged researchers to investigate how HR activities could influence knowledge creation and organizational renewal.

Using a sample of 286 Japanese affiliates operating in mainland China and Taiwan, Takeuchi, Wakabayashi, and Chen (2003) found support for a configurational hypothesis (i.e., that each HRM technique could be used in a way that was symmetrical to the process for enlarging the capacity of corporate organizational learning) predicting the financial outcomes of an affiliate's performance. Chang and Huang (2005) also tested universalistic and contingency approaches to SHRM using a sample of 235 Taiwanese firms. They found no support for the universalistic perspective, but they found that an innovative product market strategy did moderate the relationship between HR practices and organizational performance.

Michie and Sheehan (2005) tested the universalistic, contingency, and configurational perspectives on a sample of UK manufacturing and service-sector firms. They found that the relationship between HR policies and practices and performance is dependent upon business strategy (the contingency perspective) and that companies pursuing an integrated approach to HR along with an innovator/quality-enhancer focus within their business strategy perform best. Interestingly, the use of external flexible labor (contingent workers) reduced the effectiveness of HR, especially for those firms pursuing an innovator/quality-enhancer approach.

Stavrou and Brewster (2005) using the CRANET data set (these data are derived from an international survey of HR practices that has been in place since 1990), found support for the configurational SHRM perspective with the identification of fifteen strategic HR bundles indigenous to the European Union. Additionally, they found that six of the bundles were positively related to organizational performance (the training bundle, the share-options bundle, the profit sharing bundle, the communication on finance bundle, the communication on organization of work bundle, and the wider-jobs bundle) and one was negatively related to organizational performance (the reductions-in-force bundle).

Orlitzky and Frenkel (2005) contrasted four different models (strategic HRM, organizational trust, labor process, and numerical flexibility) designed to explain high workplace performance. In the strategic HRM model, strategy drives HR practices which, in

turn, drives workplace performance. In the organizational trust model, management organizes production efficiently, and treats workers fairly and respectfully, resulting in a high level of organizational trust which influences workplace performance. In the labor process model, workers are basically coerced into high performance. And, the numerical flexibility model views a significant proportion of the labor force as a commodity, with management continually tailoring its supply to changing demand. This model assumes that effective matching will yield high workplace performance. Results of the study showed that all four models had some explanatory power, but the numerical flexibility model provided the best fit with the data.

Finally, [Martín-Alcázar, Romero-Fernández, and Sánchez-Gardey \(2005\)](#) attempted to make sense of the multiple perspectives on SHRM. They reviewed the major SHRM theoretical perspectives and provided a framework for integrating them: universalistic, contingency, configurational, and contextual (this last approach proposes an explanation that exceeds the organizational level and integrates the function in a macro-social framework with which it interacts).

## 2.2. Theme 2: shifting from a focus on managing people to creating strategic contributions

Early in the development of the HR field the emphasis was often focused on ensuring that employees had the ability and motivation to achieve established organizational goals and that there were sufficient workers with particular skills available to meet organization needs. With the introduction of strategic human resource management this focus shifted toward one of human capital contributions, strategic capabilities, and an organization's competitive performance. This shift signaled a dramatic change in the role and influences of human resource professionals and adjusted the lens used to capture the expectations of human resource activities within organizations. SHRM argues that more than mechanical, administrative contributions are expected from HR professionals.

In what many consider the earliest SHRM paper, [Tichy, Fombrun, and Devanna \(1982\)](#) made the case for the role of the HR department in driving organizational performance. They argued: (1) that human resource activities have a major influence on individual performance and therefore productivity and organizational performance; (2) that the cycle of human resource activities is interdependent; and (3) that effective strategic management requires effective human resource management.

Shortly after that, [Evans \(1986\)](#) identified four strategic outcomes for SHRM: (1) equity and human relations, (2) competitive performance, (3) innovation and flexibility, and (4) interunit integration. Equity and human relations represents an internal focus, competitive performance represents an external focus, innovation and flexibility represents the organization–environment boundary focus, and corporate integration represents the interunit focus. While he didn't describe it this way, Evans was one of the first researchers to recognize the need for a “balanced scorecard,” or dashboard, approach to assessing SHRM outcomes. Many of these concepts would not be more fully developed until later years.

In the early 1990s, [Wright and Snell \(1991\)](#) applied open systems theory (inputs, throughputs, outputs) to SHRM and proposed that two major foci are competence and behavior. Competence (knowledge, skills, and abilities) management strategies consist of competence acquisition, competence utilization, competence retention, and competence displacement. Behavior management strategies consist of behavior control and behavior coordination. This article was one of the first in the SHRM literature to take what is now referred to as a human capital perspective.

The shift to an emphasis on human capital contribution was firmly established by [Wright and McMahan \(1992\)](#) who offered a definition of SHRM that has become widely accepted over the years. They defined it simply as “the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals” (p. 298). In this article, they also identified six theoretical models of SHRM: the behavioral perspective, cybernetic models, agency/transaction cost theory, the resource-based view of the firm, power/resource dependence models, and institutional theory. This article appeared at a time when the SHRM literature was evolving in a largely disjointed and atheoretical fashion. Following its publication, more attention was paid to building SHRM theory on the foundation of established theories from other fields.

### 2.2.1. The resource-based view of the firm and strategic contributions

Both [Wright, Dunford, and Snell \(2001\)](#) and [Boxall and Purcell \(2000\)](#) called for more research using the resource-based view of the firm as a theoretical basis. They noted the converging of the fields of strategy and SHRM via the resource-based view of the firm. And, as [Lengnick-Hall and Lengnick-Hall \(1988\)](#) had noted in their earlier SHRM review, Wright, Dunford, and Snell also observed that strategy researchers typically were not well-versed in the HRM literature, and HRM researchers were not well-versed in the strategy literature. They reiterated that both fields would benefit from greater interaction and cross-fertilization. In addition to taking stock of the theoretical development of SHRM, researchers also looked inward to examine issues regarding empirical SHRM research.

[Lado and Wilson \(1994\)](#) built upon both open systems theory and the resource-based view of the firm to show how HR systems can contribute either to sustained competitive advantage (by facilitating the development and utilization of organizational competencies) or to competitive vulnerability (by contributing to the destruction of organizational competencies and/or preventing the utilization of those competencies). This article represents one of the earliest applications of the resource-based view of the firm—a theory developed in the strategic management literature—to the SHRM field of study. Needless to say, the resource-based view of the firm has become the dominant theoretical paradigm in most recent SHRM literature.

[Kamoche \(1996\)](#) was another researcher who quickly saw the utility of applying the resource-based view of the firm to SHRM. He proposed a resource-capability view of the firm and asserted that the mutually reinforcing interaction between the stock of knowledge, skills, and expertise (resources) generates human resource competencies whose strategic value is realizable to the extent that they are linked with core competencies. Drawing on transaction cost theory, he identified circumstances surrounding

the generation and distribution of rents (payments made to a factor of production that are in excess of what is required to elicit the supply of that factor) arising from the use of human resource competencies.

Taylor, Beechler, and Napier (1996) drew upon both the resource-based view of the firm and resource dependence theory to develop a model of the determinants of SIHRM systems in multinational corporations. They posited that multinational corporations can take three approaches to managing their affiliates: exportive, adaptive, and integrative. An exportive approach is one in which the HR systems of the parent organization are replicated by the affiliate. An adaptive strategy is one in which the HR systems of the affiliate fit the local environment and may have no similarity with the parent organization. An integrative approach is one in which the transfer of HR practices flows back and forth between parent and affiliate, and affiliate to affiliate, with a goal of transferring the best practices throughout the corporation. The authors propose what conditions they believe will lead to the adoption of each strategy.

Barney and Wright (1998) also argued that the resource-based view of the firm could be applied to human resources and the HR function. Using the key components of the resource-based view (value, rareness, inimitability, non-substitutability, and organization), they explained how HR could be used to create competitive advantage. The HR function can create value by either decreasing costs or increasing revenues and it can acquire human resources with rare characteristics that are difficult to imitate. And, with the right organizational systems to get the most from its employees, the combination of factors can lead to competitive advantage.

Matusik and Hill (1998) extended the resource-based view and described how the HR practice of using contingent workers can contribute to an organization's knowledge resources and potentially to competitive advantage. They distinguished between public (resides in the public domain) and private (unique to the firm/firm specific) knowledge. And, while the use of contingent workers can add to an organization's knowledge resources, it can also be a pathway for leakage of private knowledge. This article represents one of the earliest views of SHRM from a knowledge-based perspective, an approach that has taken on greater importance recently.

Colbert (2004) considered the complex, living-systems extension of the resource-based view. The key features of complex systems are unpredictability, non-linearity, and emergent properties. This view of SHRM suggests that rather than testing effects of discrete HR practices (e.g. selection), researchers should focus on the processes by which the elements of the social system (e.g., intentions, choices, and actions of people in the system) mingle and interact. This perspective also argues for focusing on HR systems as a coherent whole, and on the HR principles level of the HR architecture (way of describing multiple HR systems within a single organization).

### 2.2.2. *Human resource practices and strategic contributions*

The increasing emphasis on strategic contribution was accompanied by a growing interest in linking HR activities to competitive performance. A large number of empirical studies have been published examining the relationship between HR practices/systems and organizational performance across a wide variety of settings. A series of studies soon offered a menu of HR practices that demonstrated important strategic outcomes. This line of inquiry continues to attract research attention.

Using a sample of 200 of the largest companies representing all major industries in Singapore, Khatri (2000) examined the links between strategy and HR practices, and HR practices and firm performance. Results showed that overall strategy affects HR practices, HR practices have a direct effect on organizational performance, and business strategy moderates the relationship between HR practices and organizational performance.

Richard and Johnson (2001) found that SHRM effectiveness significantly reduces turnover, which in turn increases overall market performance assessment. SHRM effectiveness can be understood in terms of building human resource complexities through innovations such as team based job designs, flexible workforces, and employee empowerment. Using a sample of banks in California and Kentucky, these researchers found that SHRM effectiveness as moderated by capital intensity (the amount of investment in physical assets) affected firm productivity and return on equity.

Ahmad and Schroeder (2003) examined the relationship between HRM practices and operations management across countries and industries. They found a relationship between Pfeffer's (1998) seven best HRM practices and organizational performance across three industries and four countries. This study provides an empirical validation of an ideal HRM system for manufacturing plants and provides overall support for Pfeffer's seven preferred HRM practices.

Harris and Ogbonna (2001) tested the relationship between SHRM and performance as mediated by market orientation (defined as collecting, disseminating, and responding to intelligence about the market). Using a sample of UK firms, the authors found support for their hypotheses. They found a direct link between market orientation and performance, and in addition, demonstrated that the association between SHRM and performance is mediated by a firm's market orientation. In this regard, SHRM can be seen as an antecedent to market orientation.

Huang (2000), using a sample of 315 Taiwanese firms, found evidence of reverse causation in the HR practices to firm performance relationship. He found that firms with higher levels of performance were more likely to adopt certain SHRM practices, such as planning, staffing, appraisal, compensation, and training and development. These firms also were more likely to integrate their HR functions with business strategies, to devolve HR activities to line managers, to adopt formal and explicit planning procedures and long-term planning, and to link their HR planning and business planning closely.

Vlachos (2008) used a sample of food managers in Greece to assess the relationship between HR practices (job security, selective hiring, self-managed teams and decentralization of decision making, compensation policy, extensive training, and information sharing) and organizational performance. He found a relationship between HR practice and organizational performance for all practices except job security.

Lepak, Taylor, Tekleab, Marrone, and Cohen (2007) tested the common assumption that high-investment HR practices are used almost solely for core employees and not with support employees. Using a sample of 420 organizations, the researchers did

not find support for the universal prediction that core employees always receive higher levels of high-investment HR practices within the same organization. And, while strategy and HR philosophy were positively related to the use of high-investment HR practices, they did not affect their use on core vs. support employees. However, they did find that core employees in manufacturing firms (in contrast to non-manufacturing firms) did receive higher levels of high-investment HR practices than did support employees.

Recent studies have continued to examine the relationship between SHRM and competitive performance. [Nikandrou and Papalexandris \(2007\)](#) examined SHRM practices that distinguish top-performing firms from others regarding management of people in mergers and acquisitions using the CRANET data. They noted that for economic synergies to be realized, human synergies must be achieved first and HRM has a vital role to play in the process. The researchers found that successful companies had increased HR involvement in strategic decisions, formalized HR practices, built organizational capability through training and development activities, devolved HR activities to line managers, and emphasized internal labor market opportunities.

### 2.2.3. Human capital and strategic contributions

[Huselid, Jackson, and Schuler \(1997\)](#) took a different point of view on SHRM by focusing on the capabilities of HR managers. They contrasted technical (recruiting, selection, performance measurement, training, and the administration of compensation and benefits) vs. strategic (designing and implementing a set of internally consistent HR practices that ensure a firm's human capital contributes to the achievement of its business objectives) HR manager capabilities and their impact on firm performance in a sample of 293 U.S. firms. Results showed that technical HRM effectiveness was not related to firm performance. However, strategic HRM effectiveness was related to employee productivity, cash flow, and market value. This is one of the few studies that examined the human capital of the HR department.

In a related study, [Green, Wu, Whitten, and Medlin \(2006\)](#) used a sample of 269 HR professionals from large manufacturing firms. They found that SHRM was related to HR professionals' individual performance, organizational commitment, and job satisfaction. Additionally, they found a positive and significant relationship between SHRM and organizational performance.

Issues of human capital and organization performance were examined in a groundbreaking study by [Hitt, Bierman, Shimizu, and Kochhar \(2001\)](#). They assessed the direct and moderating effects of human capital on service firm performance (their sample consisted of 93 law firms). They found that human capital has a curvilinear (U-shaped) effect on performance, and leveraging human capital (accomplishing work using fewer partners and more associates) had a positive effect on performance. They also found that human capital had a moderating effect on the relationship between strategy and firm performance (supporting the contingency perspective of SHRM).

In a related study, also using law firms as the focus of the analysis, [Kor and Leblebici \(2005\)](#) found that firms profited separately from expert human-capital leveraging strategies or service and geographical diversification strategies, but that when these strategies were pursued simultaneously—and at high levels—interaction effects had a negative impact on firm profitability. Additionally, they found that when associates (in the law firms) were developed internally as firm-specific human capital, they fit better with high levels of expert human capital leveraging. Despite the fact that lateral hiring can build new knowledge bases and take advantage of growth opportunities, pursuing both expert human capital leveraging and lateral hiring of associates resulted in lower firm profitability.

Using data from the Berkeley Competitive Semiconductor Manufacturing Program, [Hatch and Dyer \(2004\)](#), found that investments in human capital had a significant impact on learning and firm performance. They found that three factors (human capital selection, development through training, and deployment) significantly improved learning by doing, which in turn improved performance. However, they also found that acquiring human capital with prior industry experience from external sources significantly reduced learning performance. Moreover, firms with high turnover performed poorly in comparison to their rivals due to time-compression diseconomies and failure to protect firm-specific human capital from imitation.

[Carmeli and Schaubroeck \(2005\)](#) examined the multiplicative interaction between perceived human resource capital and distinctive value derived from HR capital in two data sets from private and public-sector organizations in Israel. They found that having higher levels of human capital was strongly associated with performance only when top managers perceived that these resources provided distinctive value in terms of being highly valuable, inimitable, rare, and nonsubstitutable, thereby reinforcing links with the resource-based view of the firm.

Drawing from theory developments in other discipline areas, [Lewis and Heckman \(2006\)](#) provided a decision-theoretic framework for a systems analysis of talent decisions (i.e., human capital) throughout the organization. They argued for system optimization by determining the set of HR practices applied across linked talent pools that result in achieving the strategic goal. However, they noted that it may be the case that achieving system optimization requires sub-optimizing some talent pools or decisions while optimizing others. Their conceptual framework provides the type of bridge between academic SHRM research and practical SHRM applications that [Becker and Huselid \(2006\)](#) encouraged.

### 2.2.4. Social capital and strategic contributions

Social capital theory offered an additional lens for examining SHRM and strategic contributions. [Leana and Van Buren \(1999\)](#) were among the first researchers to explore the role of SHRM in creating social capital. They defined organizational social capital as a resource reflecting the character of social relations within the firm. It is realized through members' levels of goal orientation and shared trust, which create value through the facilitation of successful collective action. Employment practices that promote stable relationships, strong norms, and specified roles create organizational social capital, which yields both benefits and costs. Benefits include: commitment justification, work flexibility, collective organization, and intellectual capital. Costs include: maintenance

costs, foregone innovation, and institutionalized power. Social capital in conjunction with human capital is considered by many to be the basis for intellectual capital, an important construct in the growing knowledge-based view of the firm (e.g., Grant, 1996).

Issues of social capital also were addressed by Collins and Clark (2003). They examined top management teams' social networks as a source of competitive advantage in high technology firms. They hypothesized that a set of network-building HR practices (mentoring, incentives, and performance appraisal) would encourage the development of business relationships and that top management team networks would mediate the relationship between HR practices and firm performance (as measured by sales growth and stock performance). Using a sample of 73 technology firms, they found support for their predicted relationships.

In another article addressing issues of social capital, Evans and Davis (2005) developed a theoretical framework showing how high performance work systems (HPWS) positively influence the internal social structure by facilitating network ties, generalized norms of reciprocity, shared mental models, role making, and organizational citizenship behavior. Financial performance is positively affected by HPWSs through administrative efficiency. Sustainable performance is positively affected by HPWSs through the flexibility that arises from the coordination and exploitation of knowledge resources.

Some researchers have proposed a multidimensional construct called intellectual capital that subsumes both social capital and human capital and introduces the additional element of organizational capital. For example, Youndt and Snell (2004) proposed intellectual capital (human, social, and organizational) as a mediating variable in the relationship between HR systems and organizational performance. Their sample consisted of 208 organizations that had more than 100 employees. They found that selection and training and development were related to human capital, the use of collaborative HR activities was related to social capital, and accessible information systems along with HR activities that encourage knowledge documentation were related to organizational capital. Human capital and social capital had strong relationships with organizational performance. The researchers concluded that the hypothesized mediated relationship was supported.

The implications of this theme are particularly important in terms of recasting the role of HR professionals and HR activities within organizations. The move from managing people to making direct contributions to a firm's competitive position has raised the visibility and influence of HR in the 21st century.

### 2.3. Theme 3: elaborating HR system components and structure

A third major theme in the SHRM literature examines the elements and structure of HR systems. Many of the questions raised in the exploration of contingency factors and efforts to fit specific aspects of HRM systems to particular organizational outcomes or processes led to the conclusion that HR policies and practices are complex and interdependent processes that should not be considered independently but, rather, should be examined as subsystems or bundles. This led to a variety of efforts both to unpack HR systems into elements that could be examined in greater detail and subsequently blended into unique configurations and to view HR activities as integrated systems.

In an early effort to examine the inner workings of an HR system, Schuler (1992) identified the structure and components that comprise it: philosophy, policies, programs, practices, and processes. An HR philosophy is how the organization regards its human resources, what role they play in the success of the overall business, and how they are to be treated and managed. HR policies provide guidelines for action on people-related business issues and for the development of HR programs and practices based on strategic needs. HR programs are coordinated HR efforts specifically intended to initiate, disseminate, and sustain strategic organizational change efforts necessitated by the strategic business needs. HR practices include customary behaviors that support strategic needs. Finally, HR processes is how all other HR activities are identified, formulated, and implemented. Kepes and Delery (2006) have more recently used this model of HR system components for developing the concept of multiple internal fits.

#### 2.3.1. HR bundles and high performance work systems

Arthur (1994) published one of the earliest empirical studies examining HR systems. Using a sample of steel minimills operating under two different HR systems (control vs. commitment), Arthur found that commitment HR systems in contrast to control systems, resulted in higher productivity, lower scrap rates, and reduced turnover. Further, he found that the impact of turnover on manufacturing performance was moderated by the type of HR system. This article marked the beginning of a stream of research on HR systems and the search for "bundles" of HR practices and high performance work systems (HPWS) that influence organizational performance.

Dyer and Reeves (1995) set the stage for the more integrative perspective on HR systems. They took stock of the SHRM literature to date and noted that bundles or configurations of HR practices may be more important than single activities. Coincidentally, in the same year, two of the most significant SHRM empirical studies examining HR bundles were published, one by Huselid (1995), and the other by MacDuffie (1995).

Using a sample of 1000 firms, Huselid (1995) examined the relationship between high performance work systems (HPWSs) and firm performance. High performance work systems were defined as those including comprehensive employee recruitment and selection procedures, incentive compensation and performance management systems, and extensive employee involvement and training. Huselid found that the relationship between HPWSs and corporate financial performance was mediated by turnover and productivity. HPWSs reduce turnover and increase productivity, thus having a positive effect on corporate financial performance.

MacDuffie (1995) used a 1989–1990 survey of 62 international automotive assembly plants to test whether HR bundles affected plant productivity and quality. HR bundles were defined as interrelated and internally consistent HR practices. These HR bundles were hypothesized to create multiple, mutually reinforcing conditions that support employee motivation and skill acquisition. He also hypothesized that an HR bundle or system must be integrated with the firm's overall business strategy to be effective (i.e., the

contingency perspective). Macduffie found support for the effect of HR bundles on plant productivity and quality. Furthermore, he found that flexible production plants consistently outperformed mass production plants.

Shih, Chiang, and Hsu (2006) examined the impact of HPWSs on organizational performance. Using a sample of publicly listed firms in Taiwan and MNCs with branch offices in Taiwan, they found that better performing firms invested in more sophisticated HRM practices, which further enhanced organizational performance (a reciprocal causal relationship). Thus the importance of HR bundles continued to receive support.

High performance work systems continue to generate interest with SHRM researchers. For example, Macky and Boxall (2008) examined the relationship between HPWSs and employee attitudes. They found that HR practices normatively associated with HPWSs have an additive, positive relationship with the employee work attitudes of job satisfaction, trust in management, psychological identification with their organizations, and intention to remain employed with their organizations. While they did not collect either labor productivity or financial measures of organizational performance, these researchers advanced our understanding of what likely mediates the relationship between HPWSs and organizational performance.

### 2.3.2. HR system architecture

It became clear to many researchers that organizations rarely have a single HR system that covers all employees. In fact, most organizations have at least two systems (e.g., managerial and hourly). The term HR architecture has become widely accepted as a way of describing multiple HR systems within a single organization.

Tsui, Pearce, Porter, and Tripoli (1997) were among the first to develop the idea that individual organizations may have multiple HR systems, and that these HR systems may yield different outcomes. The researchers identified four different types of employee–organization relationships. In a quasi-spot contract, the employer offers short-term, purely economic inducements in exchange for well-specified contributions from the employee. The mutual investment relationship involves some degree of open-ended and long-term investment in each other by both the employer and the employee. In the underinvestment relationship, the employee is expected to undertake broad and open-ended obligations while the employer reciprocates with short-term and specified rewards. In the overinvestment relationship, the employee is expected to perform well-specified job-focused activities, but the employer offers open-ended and broad-ranging rewards. Drawing on a sample of 976 employees in 85 different jobs across 10 companies, the researchers found that employees in both the overinvestment and mutual investment approaches had higher performance on core tasks, higher citizenship behavior, and higher affective commitment than employees in quasi-spot and underinvestment approaches.

Lepak and Snell (1999) proposed a typology of multiple HR systems based upon two dimensions: uniqueness of human capital (firm-specificity of skills) and value of human capital (strategic importance of skills). Jobs with high uniqueness and high strategic value are described as being in an internal development employment mode with an organization-focused employment relationship and a commitment HR configuration. Jobs with high uniqueness and low strategic value are described as being in an alliance employment mode with a partnership employment relationship and a collaborative HR configuration. Jobs with high strategic value and low uniqueness are described as being in an acquisition employment mode with a symbiotic employment relationship and a market-based HR configuration. Jobs with low uniqueness and low strategic value are described as being in a contracting employment mode with a transactional employment relationship and a compliance HR configuration. Lepak and Snell made the important observation that not all jobs and employees are equally valuable to an organization and that the use of multiple HR systems may reflect these differences and yield better outcomes. This typology has had considerable influence on subsequent SHRM research.

Lepak and Snell (2002) provided empirical support for their HR architecture typology (i.e., different HR configurations used for different groups of employees). With a sample of 148 firms, they surveyed 84 senior executives, 102 senior HR managers, and 48 line managers. Results showed that strategic value and uniqueness of human capital varied across the four employment modes.

In a follow-up study, Lepak, Takeuchi, and Snell (2003) surveyed senior executives and senior HR managers on their firms' use of each employment mode. Archival performance data were available on each of the companies in the sample making it possible to test HR practice and performance relationships. Results showed that the greater use of knowledge-based employment and contract work was positively associated with firm performance. They also found an interaction between knowledge-based and contract work with job-based employment to affect job performance. Additionally, results showed that technological intensity (level of sophistication and customization possible within the production process) moderated the relationship between knowledge-based employment and firm performance as well as job-based employment and firm performance.

Liu, Lepak, Takeuchi, and Sims (2003) extended the theoretical basis of the HR architecture by proposing specific leadership styles for each of the four employment modes: contracting, job-based, alliance/partnership, and knowledge-based. The contracting mode requires directive leadership, in which leaders try to establish followers as compliant subordinates by relying on such behaviors as command and direction, assigned goals, and punishments. The job-based mode requires transactional leadership, in which leader–follower relationships are based on series of exchanges or bargains between leaders and followers. The alliance/partnership mode requires transformational leadership, in which leaders stimulate followers to transcend their own self-interests for a higher collective purpose, mission, or vision. And, the knowledge-based mode requires empowering leadership, in which followers are targeted to develop their own self-control, are encouraged to participate in decision-making, and, to a large degree, charged to innovate and act on their own.

Palthe and Kossek (2003) developed a typology of organizational subcultures (employee-centered, profession-centered, task-centered, and innovation-centered). They argued that these subcultures should be matched with the four different employment modes (Lepak & Snell, 1999) to effectively translate HR strategy into HR practice. Thus, an employee-centered subculture is

matched with creating human capital, a profession-centered subculture is matched with acquiring human capital, a task-centered subculture is matched with contracting human capital, and an innovation-centered subculture is matched with creating human capital alliances.

Recently Kang, Morris, and Snell (2007) extended the HR architecture model into the realm of the knowledge-based view of the firm. After establishing that the two primary foci of knowledge-based competition are knowledge exploration and knowledge exploitation, they introduced a framework of relational archetypes (entrepreneurial and cooperative) derived from Nahapiet and Ghoshal's (1998) three dimensions of social capital: structural, affective, and cognitive. They overlaid the relational archetypes on the four categories of the HR architecture and proposed how firms can strategically manage their employees to create value.

Introducing a new perspective on components of HR systems, Kulkarni and Ramamoorthy (2005) proposed that the interplay among firm and usage specificity of human assets, potential for value creation, and types of uncertainty (competitive and behavioral) determines different modes of employment contracts. Human assets are defined as firm-specific if their value to one firm is greater than their value to all other firms. Human assets are considered usage-specific if their value decreases when a firm applies them differently or redeploys them in another activity. Two types of uncertainty are identified: competitive uncertainty refers to unpredictability regarding the actions of potential or existing competitors, whereas behavioral uncertainty is attributable to the opportunism or strategic behavior of the transacting parties. Kulkarni and Ramamoorthy's framework proposes eight different types of employment mode contracts in contrast to the four of Lepak and Snell (1999). Rather than viewing employment contract modes as tradeoffs between commitment and flexibility, these researchers see each dimension as a continuum, and the difference between two levels of a dimension may be a matter of degree rather than a clear dichotomy.

Research along this theme has followed two distinct yet related paths. Some of the work focused on looking inside HR systems to elaborate the component parts and to explain how different groupings yield different outcomes – the inside-out perspective (Wright, Snell, & Jacobsen, 2004). Other studies adopted more of an outside-in approach and articulated patterns across HR systems that lead to archetypes and commonalities.

#### 2.4. Theme 4: expanding the scope of SHRM

When HR activities emphasized managing employees to perform specific tasks and behave in certain ways, the focus was naturally on relationships and actions taking place within the host organization. However, as the emphasis shifted to strategic capabilities and competitive contributions, the relevant arena for action started to expand beyond a single business unit or firm or group of stakeholders.

##### 2.4.1. SHRM outside the focal organization

In one of the first efforts to expand the scope of SHRM, Schuler and MacMillan (1984) explained how the HR function could be deployed to affect competitive advantage, not only in the focal organization, but in its value chain as well. The concept of a value chain was first used by Michael Porter (1985), one of the leading strategy scholars. The value chain describes both upstream (suppliers) and downstream (distributors) relationships an organization has with other organizations. Some organizations are fully vertically integrated, creating their products or providing their services from beginning to end. Other organizations carve out only a piece of the value chain for themselves and rely upon other organizations to obtain their raw materials or to distribute their products or services. As Schuler and MacMillan asserted, a value chain provides an organization with several potential “strategic targets” for using an HR competitive advantage. And, depending upon which HR practices an organization excels at (“strategic thrusts”), there is an opportunity for affecting competitive advantage beyond an organization's own boundaries.

In a variation of this, Lengnick-Hall and Lengnick-Hall (1999) suggested extending the scope of HR activities into the value chain by including the customer as part of the HR domain. They explained how external customers can provide useful inputs for HR activities (i.e., job analysis information), participate directly in HR activities (i.e. selection decisions), and can be recipients of HR processes (i.e., receive training that makes them better co-producers). By extending the reach of HR policies and practices to include customers of the organization the strategic contribution of HR is likewise expanded.

In a similar vein, Tsui (1987) proposed a multiple constituency approach to SHRM, asserting that HR departments must meet multiple objectives, some of which are operational and some are strategic. Constituencies include both those within the organization (e.g., line managers) as well as those outside the organization (e.g., regulatory agencies). From this perspective a broad set of performance outcomes is considered relevant and interactions across policies and practices are often as important as the elements themselves. The multiple stakeholder approach has received renewed attention recently (Boxall & Purcell, 2008; Colakoglu, Lepak, & Hong, 2006).

In another approach that looks beyond the boundaries of a single organization, Gardner (2005) defined a new construct, human resource alliances (different from Lepak and Snell's (1999) use of the term), as a voluntary arrangement between two or more firms involving the exchange or sharing of resources or services for the purpose of improving the selection, management, and retention of employees. These alliances can take such forms as employee sharing, training and development partnerships, and quasi-internal labor markets. Gardner proposed a number of conditions in which organizations might enter into these types of relationships.

##### 2.4.2. SHRM in an international context

The next expansion of the scope of SHRM took factors influencing international business activities into account. As described previously, Milliman et al. (1991) were among the earliest researchers to examine strategic human resource management in an international context. Others soon followed their lead.

Schuler, Dowling, and DeCieri (1993) further developed the concept of strategic international human resource management. They proposed a framework of SIHRM that focuses on the strategic components of multinational enterprises: interunit linkages and internal operations. SIHRM adds the complexity of differentiation/integration in a multinational context to the mix of elements comprising the field of strategic human resource management.

Continuing this stream, Martin and Beaumont (2001) developed a process model of strategic HR change in multinational enterprises which identifies the key factors that lead to successful change outcomes. Building on Kostova's (1999) model and integrating institutional theory with strategic discourse, they identified three major stages in the strategic HR change process: habitualization (conception of the need for change and new programs), objectification (transition), and sedimentation (emergence of new strategic direction and discourse).

Minbaeva, Pedersen, Björkman, Fey, and Perk (2003) examined knowledge transfer and subsidiary absorptive capacity in multinational corporations (MNCs). Using a sample of 169 subsidiaries of MNCs, they conceptualized absorptive capacity as consisting of both employees' ability and motivation and found that both ability and motivation are needed to facilitate the transfer of knowledge from other parts of MNCs. They found that the greater the absorptive capacity of the subsidiary, the higher the level of knowledge transfer. This study reiterates the connection between HRM and knowledge-based sources of competitive advantage.

Björkman and Lervik (2007) identified factors influencing the transfer of HR practices to MNC units: implementation, internalization, and integration. They described the transfer of HR practices as a social process, the outcomes of which are influenced by governance mechanisms used by the MNC, characteristics of the subsidiary HR systems, the social relationship between the subsidiary and the MNC headquarters, and the transfer approach taken by management at headquarters.

Recent studies have extended the international perspective to examine the adoption of SHRM in emerging economies—in particular China and India. Using a sample of 600 Chinese firms, Wei and Lau (2005) examined three factors that lead to a firm's adoption of SHRM: market orientation, HRM importance, and HRM competency. As predicted, Chinese firms were more likely to adopt SHRM if they were more market-oriented (regardless of ownership structure), the HRM professionals were competent, and top management put a higher priority on HRM. Their study shed light on the adoption of SHRM in emerging economies.

Wang, Bruning, and Peng (2007) used a sample of 167 organizations in China to assess the relationship between organizational goal priorities (economic and humanistic) and the adoption of high-performance HR practices. They found no differences in economic goal priorities, but humanistic goals were emphasized most in foreign-owned enterprises, least in Chinese public-owned enterprises, and somewhere in between the two among privately-owned enterprises. There was not much difference in high-performing HR practices across all three types of organizations. Additionally, they found that the relationship between organizational goals and HR practices was strongest for private-owned enterprises, next strongest for foreign-invested enterprises, and weakest for public-owned organizations.

Som (2007) presented several propositions regarding the adoption of SHRM in India that he believes also may apply in other emerging economies. He proposed that the national environment (extent of unionization and sector characteristics, technological sophistication), organizational restructuring and ownership structure, legitimizing driver (use of international consultants), organizational culture, and the role of HR department, all have influenced the adoption of SHRM in India.

Recently, Wocke, Bendixen, and Rijamampianina (2007) used a cross-case study analysis to describe four approaches for configuring multinational corporate HR strategy. They identified two dimensions, level of abstraction and scope, which determine the four types of corporate HR strategy. Level of abstraction refers to the level at which the HR strategy is focused (e.g., recommendations, policies, operational-level procedures), whereas scope is the extent of HR management practices dealt with in the HR strategy (e.g., focus on two or three key areas vs. a comprehensive list of practices). The determinants of which type of corporate HR strategy is pursued include: the business model, the impact of national culture on the business model, and the role of an MNE's organizational culture in directing and controlling affiliates.

Akhtar, Ding, and Ge (2008) surveyed general managers and HRM directors in 456 Chinese companies on product/service performance and financial performance of their companies and a range of SHRM practices. They found that a set of HR practices (training, participation, reoriented appraisals, and internal career opportunities) affected both product/service performance and financial performance. Additionally, they found that employment security and job descriptions contributed uniquely to product/service performance, and that profit sharing contributed uniquely to financial performance.

Ngo, Lau, and Foley (2008) examined SHRM practices in China to assess their impact on firm performance and employee relations climate. They also tested whether firm ownership moderated the relationships. The researchers found that the levels of adoption of SHRM and HR practices were lower in state-owned enterprises than in foreign-owned or privately-owned enterprises. Furthermore, both SHRM and HR practices were found to have direct and positive effects on financial and operational performance, as well as employee relations climate. But, ownership only moderated the relationship for financial performance.

As the scope of SHRM continues to expand, the context for designing SHRM systems and assessing SHRM performance becomes more varied and more complicated. Not only should organizational differences be taken into account; cultural and economic systems differences also need to be considered in order to design effective SHRM policies and practices.

## 2.5. Theme 5: achieving HR implementation and execution

As the conceptual frameworks guiding SHRM became more intricate and more extensive, a growing concern with a firm's ability to actually achieve its intended HR practices and strategic results began to emerge. Truss and Gratton (1994) distinguished between intended business strategy and realized business strategy as well as intended human resource strategy and realized human resource strategy. The intended business strategy is that which articulates the strategic objectives pursued by the

organization. It may differ from the realized business strategy due to various contextual factors, unexpected challenges or changes in direction that inhibit its effective implementation. Likewise the intended human resource strategy may differ from the realized human resource interventions. The realized human resource interventions are those HR activities that take place within the organization, and they may or may not be in response to any articulated HR strategy. This distinction between intended and realized human resource strategy may account for some of the inconsistent findings in the SHRM literature which have often relied on intended HR strategies rather than human resource strategies that were actually implemented.

In 1999, the journal *Human Resource Management* published a series of SHRM case studies (Becker & Huselid, 1999) of leading companies: Lucent technologies (Artis, Becker, & Huselid, 1999), Quantum (Barber, Huselid, & Becker, 1999), Praxair (Harris, Huselid, & Becker, 1999), and Sears (Kirn, Rucci, Huselid, & Becker, 1999) which dealt directly with concerns over realized HR practices and actual results. Along with another article by Rucci, Kirn, and Quinn (1998) that provided a case study of Sears' employee–customer profit chain, these studies contributed extensively to identifying the causal sequence from mission and vision to operating level behaviors. The work at Sears has stimulated others (e.g., Kaplan & Norton, 2004) to develop causal strategy maps that link employee behaviors and HR practices to an organization's specific strategy. The concept of causal strategy maps has been developed primarily in the practitioner literature, but holds promise for enhancing our understanding of vertical fit (i.e., fit between an organization's strategy and human resources).

Along a similar track, a number of studies have focused on strategy implementation since Becker and Huselid's (2006) call for this type of research. For example, Boswell (2006) introduced a new construct—employee line-of-sight—that has implications for implementing SHRM. She defined this construct as consisting of two components: (1) understanding an organization's strategic objectives, and (2) understanding how to contribute to those objectives. The development of a measurement instrument and field test revealed that employee line of sight to an organization's objectives and/or how employees contribute to those objectives varies by hierarchical level, tenure, and number of positions held within the company. Employees higher in the organization who had longer tenure and held fewer positions within the company, had greater line of sight. Clearly, breakdowns in employee line of sight reduce the likelihood of effective SHRM implementation.

Khilji and Wang (2006) collected data to test whether there is a difference between what an organization intends to implement regarding HR practices and what actually gets done. Using a sample from the banking industry in Pakistan, these researchers conducted 195 interviews, obtained 508 questionnaire responses, and examined company documents. They found that implemented HRM was substantially different from intended HRM.

From a different perspective on the importance of execution, Sheehan, Cooper, Holland, and De Cieri (2007) examined the relationship between the human resource management function's access to avenues of political influence and perceived organizational performance. Using a sample of 441 Australian HR managers, the researchers found that CEO and organizational support for HRM (i.e., substantive value commitment) was more influential than HRM representation on the board of directors (i.e., symbolic value commitment) in determining HRM political influence. This study sheds light on what conditions are necessary for SHRM to be adopted and implemented effectively in organizations.

Differences in perceptions of SHRM among senior managers were also examined. Bartram, Stanton, Leggat, Casimir, and Fraser (2007) collected data on perceptions of SHRM from CEOs, HR directors, and other senior managers from 132 Australian public healthcare providers. They found significant differences in perceptions of SHRM and actual HR priorities among the three groups. Thus, implementation of SHRM may be affected by top management not all 'singing from the same page.' The researchers argue that until the facilitating and enabling role of HRM is understood and express links are made between HRM and the performance management expectations of staff in relation to achieving patient outcomes, HRM will continue to be seen as an administrative function vulnerable to financial constraint in difficult times. This study lends evidence to the classic complaint that HR hasn't successfully justified its strategic importance in many organizations. These recent studies have reinforced the importance of examining implementation factors as well as intentions and the need to measure realized strategic human resource management practices and their outcomes. This latter thrust leads directly to the next theme.

## 2.6. Theme 6: measuring outcomes of SHRM

Determining valid and appropriately representative measures of SHRM activities has been an underlying concern throughout the evolution of the field. Early in the development cycle, concerns with measuring outcomes were often mentioned, but rarely dealt with in any depth. As performance issues became more prominent across SHRM studies, and as concerns with realized outcomes became more widespread, efforts to determine what to measure and how to determine effective outcomes took center stage.

Rogers and Wright (1998) questioned the use of stock price and bottom line measures in studies examining the relationship between HRM and organizational performance. As a remedy, they proposed a performance information markets (PIM) system. PIMs allow researchers to assess the extent to which the firm satisfies stakeholders in different sorts of markets and allow stakeholders to evaluate both the organizational objectives and how well the organization is achieving them. Similar to a balanced scorecard approach (Kaplan & Norton, 1996) Rogers and Wright propose four performance information markets: the financial market, the labor market, the consumer/product market, and the political/social market. Use of an expanded view of organizational performance and its emphasis on different stakeholder perspectives has been echoed by many others as well (e.g., Boxall & Purcell, 2008). This approach clearly makes more sense for nonprofit and public sector organizations, where traditional financial measures of success are deficient criteria.

Kaye (1999) raised an important concern about SHRM. Does SHRM benefit employees as well as their organizations? Virtually all SHRM research takes the managerial/organizational perspective with an emphasis on the consequences for organizational

performance. Few, if any, question the impact of SHRM on individuals. Kaye suggests that SHRM may be improving the bottom line of companies, but may be hurting employees—especially when workers are viewed as commodities. As Kaye explains, a broadening of SHRM will be required. Ethical perspectives on SHRM are rare, and the field needs more examination of these issues.

Issues of organizational effectiveness were also examined by Panayotopoulou, Bourantas, and Papalexandris (2003). They applied the competing values framework (Quinn & Rohrbaugh, 1981) using a sample of 104 Greek organizations. The competing values framework provides multiple measures of organizational effectiveness, similar to Rogers and Wright's (1998) PIM model and Kaplan and Norton's (1996) balanced scorecard. They found that when HRM is consistent with the competitive strategy, it has significant effects on financial performance. Additionally, they found that market performance is positively influenced by HRM flexibility and negatively influenced by HRM control. But, if the external environment is complex, the most successful combination is control-internal orientation.

Way and Johnson (2005) proposed a different framework for examining the impact of SHRM. They asserted that organizational outcomes are a product of the interaction between the actual behaviors of human resources (HR outcomes) and the other functional resources and inputs deployed and used by the organization. Furthermore, the organization's other functional resources and inputs may be influenced by external stakeholders (e.g., suppliers, investors, etc.), such as when suppliers influence functional inputs and resources by failing to provide the resources necessary for the organization's human resources to produce the desired outcomes or by providing resources that enhance the efficiency with which human resources can produce the desired organizational outcomes. Their conceptualization offers a more realistic view of just how much impact SHRM can have on organizational outcomes by establishing boundary conditions within which SHRM operates. This is another example of the field maturing. Recognizing its limitations and articulating them lends credibility to the field, allowing it to set the agenda for discussion.

### 2.7. Theme 7: evaluating methodological issues

As the SHRM field matured, and some conceptual frameworks and theoretical assumptions became more fully established, important methodological concerns began to materialize. In 2000, a debate ensued over methodological issues that have plagued research on the relationship between HR systems and organizational performance. Gerhart, Wright, McMahan, and Snell (2000), kicked off this debate by asserting that SHRM researchers need to pay more attention to measurement error and construct validity issues. Using a study of 44 HR executives across 12 firms, they argued that an important component of measurement error—rater differences—had been ignored, and could lead to inaccurate inferences about the magnitude and causality of relationships between variables of substantive interest. Their criticism focused primarily on the use of single raters in providing HR and other organization-level constructs. They demonstrated how generalizability theory could be used to ameliorate this problem.

Huselid and Becker (2000) responded to the Gerhart, Wright, McMahan, and Snell (2000) article suggesting that the criticism was taken too far by calling into question prior empirical work on the relationship between HR systems and firm performance. They asserted that while reliability issues can be problematic in SHRM research—and should be addressed—focusing on increasing the number of raters only yields small potential improvements at a substantial cost in response rate. Huselid and Becker further argued that the measurement focus should be directed more at the omitted variables problem and what mediates the HR system to organizational performance relationship rather than the reliability of raters.

Gerhart, Wright, and McMahan (2000) responded to Huselid and Becker (2000) and did not back off either their analyses or conclusions about the measurement error issue previously identified. However, they did agree with Huselid and Becker that the research process involves tradeoffs, and that no single study can provide the final judgment on a line of inquiry.

Wright et al. (2001) presented data from three additional studies that examined the impact of measurement error on the measurement of HR practices. Results of all three studies provided additional evidence that single respondent measures of HR practices contain large amounts of measurement error. While this debate was not resolved—and may never be resolved—it does highlight that SHRM research involves choices, both strategic and tactical, and that these choices have implications for the interpretation of results and the accumulation of knowledge (Sackett & Larson, 1990).

Later during this period, Wright, Snell, and Dyer (2005) used data from 45 business units and correlated HR practices with past, concurrent, and future operational performance measures. They found that correlations with performance measures at all three times are both high and invariant, and controlling for past or concurrent performance nearly eliminated the correlation of HR practices with future performance. Their results provided cautionary evidence to SHRM researchers about making causal inferences regarding the relationship between HR practices and organizational performance.

Wright and Haggerty (2005) further encouraged SHRM researchers to consider time, cause, and individuals in future theorizing. They noted the temporal lag between when HR practices are implemented and when results are realized as one issue that should be incorporated in SHRM theories. Regarding causality, they noted their own research which suggests possibilities for reverse causation (i.e., organizational performance causes HR systems) that should be considered. And, finally, regarding individuals, they suggested more multi-level (individual, group, and organizational) theories of the relationship between HRM and economic performance (e.g., Ostroff & Bowen, 2000).

A new concern was introduced by Arthur and Boyles (2007) as well as Kepes and Delery (2006) who noted that a significant problem in SHRM research investigating the relationship between HR systems and organizational performance is in how researchers measure HR systems. Both sets of authors built upon Schuler's conceptualization of HR systems as consisting of hierarchically related levels of HR principles, policies, programs, practices, and climate (Arthur & Boyles) or organizational climate, HR system and philosophy, policies, practices, and processes (Kepes & Delery). Both sets of authors also observed that HR systems

typically are measured at only one level—HR programs. Both sets of authors argued for more comprehensive, multi-level measures of HR systems.

While Arthur and Boyles (2007) and Kepes and Delery (2006) focused on the independent variable in the relationship between HR systems and organizational performance, Colakoglu et al. (2006) focused on the dependent variable, performance. They noted that performance varies by how proximal it is to the intended impact of HR practices, the level at which it is aggregated, and the stakeholder groups whose interests are met. They argued, as have others in the past (e.g., Rogers & Wright, 1998; Tsui, 1987) that SHRM researchers need to examine organizational performance from a multiple stakeholder perspective. Colakoglu et al. (2006) asserted that relying on a single performance measure to assess the benefits or implications of HRM in different types of companies and in different contexts may mask the relative importance of different performance measures for those companies.

### 3. Discussion and synthesis

One way to examine the SHRM literature is to consider its chronological development. SHRM research published during the 1980–1990 period was primarily conceptual and theoretical. Several important theoretical foundations were established, the concept of SHRM was expanded to include other organizations, and SHRM was also expanded to include strategy formulation as well as strategy implementation. The existence of multiple HR systems within a single organization was demonstrated. And finally, the multiple constituency approach challenged more simplistic views of measuring the effectiveness of the HR function.

Research published in the early part of the 1990s laid the theoretical groundwork for later empirical research, which started to be published during this period as well. An important distinction between fit and flexibility was established that has had an enduring impact on the field. A set of theories from other literatures was identified as having the most utility for developing the new theories of SHRM. The important role of context (both internal and external) in SHRM research was specified. Looking at HR systems as bundles of HR practices was empirically demonstrated to have a positive effect on organizational outcomes. And, finally the distinction between intended and realized HR strategies was identified as a factor that could influence organizational outcomes. This period was noted for differentiation and elaboration of SHRM frameworks, concepts, and distinctions.

Work done during the later parts of the 1990s saw many advances in both the theoretical and empirical SHRM research. This period of SHRM research might be described as analogous to the adolescent period in human development—a time of fast growth and the beginnings of establishing a clear identity for the field of study. Important accomplishments included refinement in theoretical perspectives provided with the introduction of the universalistic, contingency, and configurational taxonomy for categorizing SHRM. Different types of fit and flexibility also were identified. Causal strategy mapping was introduced as a means for establishing the strategy to HR linkages (vertical fit). SHRM theory was further developed with the introduction of exportive, adaptive, and integrative approaches for parent–subsidiary relationships in multinational enterprises.

Application of the resource-based view of the firm from the strategy literature to human resources and the HR function became a dominant paradigm in the SHRM literature during the 1990s. The concept of competitive advantage was translated into the HR realm via the construct of human resource advantage. Additionally, knowledge (public vs. private) was introduced as a source of competitive advantage that organizations can use SHRM to exploit. SHRM research was expanded to encompass the human capital characteristics (technical vs. strategic) of HR departments as well as the impact of HR executives in entrepreneurial, fast-growing firms.

While financial measures of performance are important in assessing SHRM, broader perspectives on measures of organizational performance emerged during this period. In addition, the notion of multiple HR systems within a single organization (the “HR architecture”) was proposed, which has spawned much follow up research in later years. The concept of organizational social capital was introduced as well as how organizations might use HR practices to develop and use it for competitive advantage. Finally, the idea that HR systems affect organizational culture and that SHRM could be used to create a strategic culture were put forward. All of the above contributions set the stage for the next period in the evolution of SHRM. The field was ready to mature.

The period 2000–2005 saw advances in our understanding of SHRM along many fronts. Studies of the relationship between HR systems and organizational performance identified methodological issues such as the use of single raters, failure to account for omitted variables, and issues of causality as needing greater attention by SHRM researchers. Numerous studies provided accumulating evidence that there is in fact a relationship between HR systems and organizational performance. And, there was accumulating evidence during this period in support of contingency and configurational SHRM approaches.

The HR architecture that had been proposed previously was supported by empirical studies. Additionally, it was extended theoretically to account for leadership styles and organizational subcultures. Concepts of fit and flexibility were expanded with desired employee contributions and person–environment fit proposed as key determinants of HR philosophy and policies. A growing consensus emerged regarding the need for multiple measures of organizational effectiveness when evaluating the impact of SHRM. Additionally, system constraints (e.g., supply chain inputs) on SHRM’s potential impact on organizational effectiveness were identified. The combination of multiple measures of organizational effectiveness and system constraints provides a more realistic view of how much and what kind of impacts SHRM can really have on organizational performance.

Social capital and SHRM’s potential impact on top management teams received increasing attention. Additionally, the role of social capital in explaining HPWSs was proposed. Investments in human capital were shown to affect organizational learning and firm performance. Further, human capital was proposed as a mediator of the relationship between HR systems and organizational performance. The concept of leveraging was shown to be a way in which human capital could be amplified in order to positively affect organizational performance. SHRM in the service sector was shown to be different from SHRM in the manufacturing sector, differences in public sector SHRM and private sector practices were demonstrated, and differences in SHRM at different life cycle

stages were explored. Consequently, fit is needed among customers, required employee behaviors, and HR practices necessary to produce required employee behaviors.

We learned that introducing SHRM change in international organizations involves a process with several stages and that transferring knowledge among units in MNCs requires building absorptive capacity among subsidiaries. Moreover, in emerging economies, SHRM is more likely to be adopted by organizations with market-oriented ownership structures as opposed to state ownership. Finally, new frontiers of SHRM were introduced: complexity theory as an extension of the resource-based view of the firm, but with some interesting implications; SHRM in high reliability organizations as different from other organization types; and HR alliances as means for creating boundaryless organizations.

### 3.1. Current trends

The most recent period of SHRM research is characterized by a number of established ideas and issues either further examined or tweaked, and a few new ideas or avenues that offer promise for enhancing our knowledge of this field. First, evidence continues to accumulate that there is a relationship between HR systems and organizational performance, although the causal sequence may be more reciprocal than direct. Researchers also are taking a closer look at the focal constructs of HR systems and organizational performance. In contrast to early research in which these constructs were measured simplistically, new perspectives suggest a more complex view that teases out critical dimensions of each.

Second, international researchers are focusing on the interesting phenomenon of SHRM in countries with emerging economies. We are learning more about what conditions must exist for SHRM to be adopted. Evidence is accumulating that SHRM is more likely to be adopted by privately-owned or foreign-owned firms than in state-owned or public organizations in these economies. Additional contextual factors are also being examined.

Third, more attention is being paid to the frequently neglected topic of corporate level HR strategy. Identifying the constructs such as level of abstraction and scope offers promising directions for understanding this aspect of SHRM. Additionally, more research attention is being directed toward the transfer of practices between parent and subsidiaries in MNCs.

Fourth, SHRM researchers are beginning to focus more on implementation issues. There is a growing recognition that intended SHRM practices may be different from realized SHRM practices and to simply rely upon what is stated rather than what is actually in place may lead to ineffective implementation as well as ambiguous results in studies of the relationship between HR practices and organizational performance. The construct of employee line-of-sight to strategic objectives provides more insight into the implementation process. If employees don't understand or know how to contribute to strategic objectives, they are unlikely to be effective in doing so. Additionally, if there are different perceptions of SHRM among top management teams and senior managers, mixed or ambiguous messages may be communicated downward in the implementation of SHRM. And, while earning a seat at the executive table (i.e., board representation) may be desirable, CEO support and organizational support for HRM are more important in facilitating the political influence of HRM within organizations. Finally, more attention also is being paid to mergers and acquisitions and the role of SHRM in facilitating their successful implementation.

Fifth, the role of SHRM in knowledge-based competition is continuing to be examined and explored. Researchers are merging intellectual capital (human capital, social capital, and organizational capital) with organizational learning to develop models and frameworks for understanding this increasingly important area of study.

Sixth, human capital issues continue to grab the attention of SHRM researchers. Further understanding the decision making process in human capital investments, distinguishing between investments in core and support personnel, and gaining a better understanding of how human capital diversity affects organizational performance, are all making contributions to our understanding of this complex phenomenon.

### 3.2. A biological lens on SHRM research

As we know from biology, evolution is not always a smooth or an incremental process. This has certainly been the case with the evolution of the strategic human resource management field. We have seen periods of dramatic conceptual leaps as well as periods in which it seems that more questions were asked than were answered. We know, for example, that many kinds of fit between strategy and HRM are linked to effective performance. However, we still have much to learn about the particular elements in the 'black box'.

Biology also tells us that evolution occurs both because of developments internal to the organism and because of changes in the external environment and because of the interplay between the two. Over the past three decades, researchers in strategic human resource management have extended the range of factors considered relevant to SHRM interests, have enlarged the scope of issues that were explored, and have initiated links with other disciplines to enrich the repertoire of ideas in the field. In addition, related bodies of knowledge have also evolved and the intersections of SHRM with work in strategic management, international management, knowledge management, organization behavior, and many other fields have influenced the course of evolution in SHRM. Over the past several decades some of the themes that began as independent threads have become intertwined to create a more robust understanding of key phenomena. For example, issues of fit, components of HR systems, and expanding the scope of HR have become overlapping concerns that yield a richer understanding of the ways in which SHRM can influence organization performance.

Finally, patterns from biology suggest that evolution triggers some elements to become more pronounced, allows others to diminish, and overall contributes to an organism's hardiness and complexity. This has certainly been observed in the evolutionary

patterns of SHRM. For example, concerns with defining SHRM terminology have largely been resolved and a recognition that SHRM intersects with theoretical and empirical work in strategic management and other disciplines is widely accepted. Yet, questions regarding effective measurement of performance outcomes and articulating the most appropriate boundaries for SHRM activities have become more intense. Interest in understanding the role of human resources in the strategic accomplishments of a firm has grown as we learn more about the variety of ways that a firm's human talent can contribute to strategic objectives. Contingency approaches and refinements on our understanding of 'fit' have continued to flourish. Likewise exploration into the complicated relationship between HRM and organizational performance continues to drive SHRM research. While a concern with theory development and conceptualization is still strong, an increasing emphasis on empirical examination of various relationships has dominated recent contributions to the field.

Moreover, partly in response to the prominence of the resource-based view of the firm, we are no longer asking whether human resources make a strategic difference but how these differences can be managed, augmented, leveraged, and preserved. The field is also more nuanced in its examination of SHRM. This seems consonant with a biological view of the field. We see tremendous diversity in nature as organisms adapt to different environments, and as different organisms adapt to the same environment in different ways. This is linked to equifinality. We draw distinctions in terms of geography, strategic orientation, public versus private, manufacturing versus service, large versus small, entrepreneurial versus mature, and strategies based on tangible assets versus intangibles such as knowledge work. The field is also concerned with understanding more varied outcomes of HR policies, practices, and beliefs as is reflected in multi-method assessments such as balanced scorecards, stakeholder perspectives, and performance information markets.

The diverse issues, approaches, root assumptions, and paradigms that populate the SHRM domain clearly make this field more complex, but as with biological diversity, variety is also a source of strength. As SHRM has grown, the role of HR in many firms has expanded and the contributions that HRM makes to organizational effectiveness is becoming more visible and more commonly recognized and appreciated. However, the expanding scope of the field is likely to be one item on the agenda for future research. While some scholars revel in the opportunities created by broad scope and nearly unlimited factors that could be considered relevant, others are likely to argue for paradigm convergence.

To continue to thrive, SHRM must remain sensitive to shifts in the business environment. For example, commercialization has been seen as the linking pin bridging the gap between SHRM in the private sector and SHRM in the public sector. In the future, other factors such as radical shifts in strategic orientation like what is taking place in the U.S. intelligence community (FBI, CIA, Homeland Security) or the increased reliance on knowledge work (designing policies for sustainable resource management and to combat global warming) may suggest new commonalities between effective public and private SHRM policies, practices, and orientations.

Along a different track, new paradigms in related fields are expected to influence research in SHRM. While the resource based view of the firm has certainly been adopted as a foundation for recent conceptualizations, SHRM scholars have only scratched the surface in applying this perspective. For example, if universal 'best practice' bundles of HRM policies and practices are identified, what can prevent them from being imitated by rivals and thereby lose their ability to promote competitive advantage? Or, if training and development practices are successful in reducing causal ambiguity surrounding pivotal organization routines and enabling them to be more readily replicated from one unit to another, do these training and development practices simultaneously make the routine more readily transferred beyond the firm's boundaries?

Following the concept of co-evolution, not only has SHRM evolved, SHRM has also shaped the development of the human resource management field in general and advances in other related fields as well. A better understanding of strategic issues provides a rich context for more micro HR research and source of common ground for international HR. Human resources are the root of intellectual capital, social capital, and organization culture which are receiving increasing attention in strategy and organization theory research. The measurement of SHRM outcomes are influencing measures of performance in finance and accounting literatures. We expect that as our understanding of strategic human resource management issues becomes deeper and broader, the implications of the field for other disciplines will continue to expand.

So, how will the field of SHRM evolve in the future? Which directions will it take? How can researchers focus their attention to move our knowledge to a higher level of understanding? We will address these issues next.

### 3.3. *An agenda for the future*

Much of the empirical SHRM research published to date can be described as coupling (Webb, 1968), and while it is potentially useful, it is not as likely to lead to breakthrough insights. Coupling research involves extending previous work by (a) using a different subject population, (b) using a different operationalization of one or more variables, (c) including different levels of a variable than were studied previously, (d) simultaneously examining two variables that have in the past only been studied independently, (e) including potential mediating and moderator variables, or (f) extending previous work in a variety of other ways (Sackett & Larson, 1990). Coupling is useful early on when a domain is just beginning to become established, but the marginal contribution is reduced once a baseline of understanding has been reached. A potential danger of coupling research is that weaknesses inherent in earlier work may be perpetuated, a criticism that has been leveled at some of the SHRM research examining the relationship between HR systems and organizational performance. Additionally, Sackett and Larson quote McGuire (1979) in observing the tendency for seminal innovative research to degenerate over time into "baroque conceptual distinctions and arcane elaborations." To help prevent that fate, we offer the following directions for future SHRM research.

We concur with others (e.g., Becker & Huselid, 2006), that more attention should be paid to implementation issues in SHRM, in particular issues of vertical and horizontal fit. We really don't know much about how organizations go about articulating their

strategies (e.g., Collis & Rukstad, 2008), and then fitting HR system components to these strategies. Kaplan and Norton (2004) have described a strategy mapping process that drills down to strategic job families, but leaves many loose ends on designing HR systems or specifying the HR architecture. And, while this prescriptive approach has appeal (i.e., it provides practical guidelines for implementation), little is known about its effectiveness or even use in SHRM. Even less is known about how to move in the opposite direction and convert HR capabilities into strategic competencies. A better understanding, through perhaps some qualitative research, of just how organizations link HR systems to strategies would be invaluable. Breakthroughs in this area likely will result from direct contact with organizations rather than studying existing literature. Contact with HR professionals also keeps the field of SHRM grounded and sensitive to the changing needs of practitioners (Cascio & Aguinis, 2008).

In the same vein, issues of horizontal fit remain challenging to study but deserve increased attention. There appears to be a growing consensus on what the elements of an HR system are (e.g., Arthur & Boyles, 2007; Kepes & Delery, 2006, 2007; Schuler, 1992); however measuring them and studying them remains problematic. Kepes and Delery (2006, 2007) have identified multiple internal fits that they propose must be achieved for horizontal alignment. Are all of them critical? And, as with other areas of SHRM research, studying internal fit may require distinguishing between intended and realized—in this case HR system components. An organization may have policies, programs, and practices that appear to fit from an objective, outside-observer perspective. However, how they are actually implemented may not be congruent with their intended purpose. For example, many organizations have pay-for-performance systems that are sabotaged by managers in implementation. Perhaps a better approach to measuring internal fit is by surveying employees regarding whether or not they receive consistent messages across the various levels of the HR system. As with vertical alignment, a better understanding of how organizations actually design such HR systems to achieve consistent messages would be invaluable. For such an important area of SHRM theory, we urge scholars to work to resolve these problems.

Another SHRM topic that deserves greater attention is corporate level strategy. Corporate level strategy refers to the overall strategy for a diversified company and is concerned with the mix of businesses the company should compete in, and the ways in which strategies of individual units should be coordinated and integrated. Business level strategy, on the other hand, refers to either the strategy of a single business firm or that of a strategic business unit within a diversified corporation. Virtually all of the research published to date has focused on business level strategy and SHRM. It makes sense to study the less complex phenomenon first, but the reality of many organizations today is that they pursue multiple strategies across multiple business units. What are the implications for SHRM of strategies such as, for example, related diversification versus non-related diversification? How can SHRM contribute to crafting the underlying commonalities that enable diversified firms to leverage their infrastructures and create synergies across products and markets?

One promising new area of SHRM research is that of leveraging human capital (e.g., Hatch & Dyer, 2004; Hitt et al., 2001; Kor & Leblebici, 2005). Leveraging human capital represents a means by which organizations can achieve competitive advantage through their human resources (Sirmon, Hitt, & Ireland, 2007). Prahalad and Hamel (1990) as translated into HR by Dess and Pickens (1999) identify six leveraging strategies: (1) concentrating—providing a strategic focal point for the efforts of individuals, units, and the entire organization, (2) accumulating—expanding and extending an organization's reservoir of experience and expertise, (3) complementing—blending and balancing resources that enhance their mutual value, (4) enhancing—augmenting resources by investing in their development and broad application, (5) conserving—recycling, co-opting, and shielding resources so that their value is leveraged to achieve economies of scope, and (6) recovering—expediting the rate at which benefits are experienced. Research to date has explored only one facet of the leveraging construct—complementing; research examining the other facets is needed.

The role of SHRM in knowledge management and knowledge-based competition deserves continuing attention by researchers. Lengnick-Hall and Lengnick-Hall (2003) argued for a changing role for HR to correspond to the new requirements of the emerging knowledge economy. Some research already has explored the transfer of HR practices across units (e.g., Björkman & Lervik, 2007). Researchers also have theorized about how SHRM may play a role in the larger issue of knowledge creation, storage, and dissemination in organizations (e.g., Kang et al., 2007). Kogut and Zander (1996) argued, for example, that a strong organization identity was instrumental in achieving both coordination and learning. HR's role in developing and institutionalizing an organization's identity is a likely crucial link between SHRM and potential competitive advantages through knowledge. Similarly, Collins and Smith (2006) demonstrated that HR practices influence an organization's social climate, which in turn, shapes knowledge exchange and combination and leads to better organization performance. Similarly, Minbaeva et al. (2003) looked at the relationship between HR practices and absorptive capacity and found that absorptive capacity facilitates knowledge transfer among MNCs. Clearly, one fruitful avenue for SHRM research is at the intersection of knowledge based advantages and human resource systems. More work in this area is needed—a forthcoming special issue of the journal Human Resource Management is devoted to this topic.

Ever since Schuler and MacMillan's (1984) groundbreaking article discussing SHRM applied to the supply chain, little research has addressed this important topic. And while Way and Johnson (2005) discuss the role of external stakeholders, this area seems to have been neglected. Do organizations in a supply chain coordinate their HR activities in a way that benefits the entire "ecosystem"? Do supply chains that have a SHRM focus gain a competitive advantage over supply chains that have little or no coordination among HR activities across member organizations? Conversely, do SHRM practices that reflect a supply chain orientation (Min, Mentzer, & Ladd, 2007) enable a firm to gain competitive benefits from others in the value chain? These are only some of the interesting questions for which we need research. Another forthcoming special issue of Human Resource Management will be devoted to this topic.

Another important issue that was raised in prior research (Kaye, 1999) but has not received sufficient attention concerns the ethical implications of SHRM. While SHRM research has drawn substantially from the resource-based view of the firm to

emphasize the strategic and the resource factors in SHRM activities, at times it appears that the 'human' element has been neglected. More study is needed to assess the impact of diversified HR practices for distinct groups of employees, the fatigue effects associated with a focus on continuous learning and continuous improvement, seeing employees as resources to be leveraged rather than resources to be nurtured, and a number of other related concerns that arise from a limited understanding of the boundaries for popular SHRM practices.

Finally, multilevel theory seems particularly appropriate for studying SHRM issues. Ostroff and Bowen (2000) proposed an interesting model that to date has not been tested. Ployhart and colleagues (Ployhart, 2006; Ployhart, Weekley, & Baughman, 2006) have demonstrated how staffing strategies can be examined across multiple levels. Additional research like theirs should shed light upon the more complex interactions that take place within organizations leading to effects on organizational performance.

#### 4. Conclusion

Unlike some topics (e.g., total quality management, business process reengineering) that have obtained faddish status in human resource management over the years, strategic human resource management has achieved staying power. Few today would argue that it is an important and established field of study. As SHRM continues to evolve, the challenge will be to fill in gaps in knowledge that have previously been identified, as well as break new ground in ever changing and dynamic environments.

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