An aspirational framework for strategic human resource management

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PLEASE SCROLL DOWN FOR ARTICLE
An Aspirational Framework for Strategic Human Resource Management

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Abstract
The field of strategic human resource management (HRM) has a long and rich tradition. As a prelude to our description of the field’s history, we provide an expansive definition of strategic HRM scholarship and offer an aspirational framework for strategic HRM scholarship that captures the multidisciplinary nature of the field. We then systematically review and critique three decades of strategic HRM theory and research, paying particular attention to the value of HRM systems as management tools for influencing a wide variety of outcomes of concern to internal (employees and their managers) and external (owners, customers, society, other organizations) stakeholders. In support of continued advancement of the empirical knowledge base of strategic HRM, we encourage new research that embraces systems thinking, more fully addresses the concerns of multiple stakeholders, and strives for greater

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practical usefulness by addressing significant problems such as managing innovation and environmental sustainability.

Introduction

For three decades, strategic human resource management (HRM) has captured the attention of scholars around the world and grown into an established domain of inquiry. Yet the broad aspirations apparent in the field’s early seminal works have yet to be realized as the seeds of important conceptual ideas have been neglected, perhaps because rigorous empirical tests of the field’s complex core concepts have proved extremely difficult to conduct. To encourage continued advancement of strategic HRM, we offer an expansive definition of strategic HRM and an aspirational framework that encompasses the broad scope imagined by the field’s pioneers. Then, we review strategic HRM’s evolution, describing its first decade of infancy and then two decades of empirical maturation. After summarizing the accrued empirical evidence and identifying gaps between the empirical work and our aspirational framework, we conclude by offering suggestions for new research that aligns aspirations with achievements.

What is “Strategic HRM”? An Aspirational Framework

Human resource (HR) professionals use the term “strategic HRM” broadly to signal their belief that effective HRM contributes to business effectiveness. Presumably, this is achieved by HR professionals who work in close partnership with line managers and have “a seat at the table” when business decisions are made. Many HRM scholars share this basic understanding of what “strategic HRM” means. Although the meaning of strategic HRM has varied across time, between cultural contexts, and as reflections of the diverse disciplinary identities of strategic HRM scholars, the field is unified by the assumption that new insights about managing people at work can be gained through research that treats the many activities involved as an integrated HRM system which, if properly designed and linked to the broader context, yields beneficial outcomes. Thus, we define strategic HRM scholarship as the study of HRM systems (and/or subsystems) and their interrelationships with other elements comprising an organizational system, including the organization’s external and internal environments, the multiple players who enact HRM systems, and the multiple stakeholders who evaluate the organization’s effectiveness and determine its long-term survival.

Consistent with our definition of strategic HRM, we offer Figure 1 as an aspirational framework for scholarly investigation. The framework is aspirational because it captures a multitude of elements strategic HRM scholars recognize as important, notwithstanding the impossibility of incorporating all of these elements in any particular theoretical or empirical piece of work.
Focus on HRM Systems

Following Ackoff (1981), strategic HRM scholars view organizations as complex systems of interrelated elements, such that each element influences the system’s functioning and is affected by other elements in the system. Although composed of discrete, identifiable elements, emergent properties create synergies among the elements to yield a whole that is more than the sum of its parts. The primary elements comprising an HRM system include (a) overarching HRM philosophies, which specify the values that inform an organization’s management approach; (b) formal HRM policies, which are statements of the organization’s intent, serving to direct and partially constrain the behavior of employees and their relationship to the employer; (c) actual HRM practices, which are the daily enactment of HR philosophies and policies, and (d) the associated technological and social processes through which HRM
philosophies, policies, and practices are established, modified and terminated (cf. Schuler, 1992).

Managers, HR Professionals, and Employees Together Enact HRM Systems

The interdependence that characterizes elements of an HRM system extends to the organizational players who enact the system through their daily work. HRM systems come alive in social interactions among organizational members, including those involved in formulating, communicating, and responding to elements of the HRM system. This set of players—HR professionals, line managers, and target employees—is sometimes referred to as the “HR Triad” (Jackson & Schuler, 2003). Traditionally, HR professionals designed formal HRM policies in response to business plans, supervisors transformed policies into daily practices, and employees reacted to how they were treated. But these roles are changing: HR professionals have become more actively involved in the business planning process; formal policies have become more subject to interpretation by individual managers as they strive to respond to specific and rapidly changing situations; and high-talent employees often negotiate personalized employment contracts and working conditions.

Contextualized HRM

Organizations are dynamic entities that must balance the often competing demands for responsiveness to forces in the external environment with the challenge of maintaining adequate internal coherence and stability. Constantly in flux, an organization’s external and internal environments create a dynamic context for the development, evolution, and demise of HRM policies and practices. Strategic HRM scholars typically acknowledge that HRM systems cannot be fully understood without considering their interrelationships with other elements of an organization to which it is inextricably bound. Likewise, interdependencies bind HRM systems to the external environment in which they are embedded. Thus, strategic HRM is inherently contextualized and dynamic.

Multiple Stakeholders Evaluate Effectiveness

Prior to the emergence of strategic HRM, HRM “effectiveness” was evaluated against technical criteria that had been established by the profession (e.g. validity), social criteria embodied in laws and regulations (e.g. fairness), and individual employee reactions (e.g. job satisfaction and job performance). The strategic HRM perspective shifted attention to effectiveness criteria used by other stakeholders. So far, the concerns of owners and investors have received the most attention, but the views of customers, members of the broader society, line managers, and other organizations are recognized as potentially relevant, also. The ways in which HRM systems affect the full array of stakeholders,
shown in Figure 1, are not yet fully understood, but interest in this issue appears to be increasing. We return to this point later in our discussion of future directions for strategic HRM scholarship.

**Evolution of Strategic HRM as a Field of Inquiry**

The aspirational framework shown in Figure 1 combines the field’s early conceptualization and today’s scholarship. Our review of recent empirical work, presented in the next section of this article, clearly reveals a significant gap between the visions of strategic HRM’s early pioneers and the field’s current trajectory—a gap that we hope will be closed in the years ahead. To understand this gap requires understanding strategic HRM’s early evolution.

Strategic HRM scholarship is closely related to and extends work in many other fields, including industrial–organizational psychology, personnel management, industrial relations, and HRM. Strategic HRM is most clearly differentiated from these related fields by its close ties to the field of strategic management. With organizations facing an environment characterized by hyper-competition, globalization, volatility, uncertainty, and unpredictability, management scholars realized that business decisions should reflect an understanding of the interdependencies that link organizations and their external environments (Pfeffer & Salancik, 1978). Early on, strategic management was premised on the notion that organizational effectiveness follows from achieving the best fit between an organization and its external environment. As strategic management scholarship blossomed, three theoretical perspectives dominated: industrial–organizational economics (Porter, 1980), the resource-based view (Penrose, 1959), and stakeholder theory (Freeman, 1984). From these three perspectives, strategic HRM has borrowed the central concepts of environmental analysis, organization–environment fit, competitive advantage, strategy formulation and implementation, as well as physical, organizational, and human resources (specifically, competencies, general management capability, and leadership; and stakeholder management, respectively). Today, the field of strategic HRM has a unique identity, but its heritage as a child of strategic management is evident.

**Birth of Strategic HRM**

Some authors (Kaufman, 2012; Lengnick-Hall, Lengnick-Hall, Andrade, & Drake, 2009) have argued that the intellectual seeds of strategic HRM were planted at the beginning of the twentieth century by labor economists and progressive industrial relations scholars. Such assertions may be justified, for truly new ideas are rare. Nevertheless, most strategic HRM scholars and a recent citation analysis (Kašić & Batistić, 2012) place the field’s birth several decades later, shortly after the emergence of the strategic management perspective.
Although they were built upon earlier discussions that viewed employees as among the key resources for which managers were responsible (Bakke, 1958; Drucker, 1954), the earliest, widely cited contributions to strategic HRM were published in the 1980s.

Reflecting the job-related activities of HR professionals and consultants, Walker (1980) offered a pragmatic description of how HR planning could be used to ensure that HRM policies and practices were aligned with an organization’s business strategy. The following year saw an article describing a strategic perspective for diagnosing and auditing a firm’s HRM function (Devanna, Fombrun, & Tichy, 1981). Then, in 1983, Tichy, as editor of the journal HRM, announced a new direction for that journal’s future. Summarizing discussions that took place during a conference that brought together researchers, HR professionals, line executives, and strategic planners, he observed:

It was clear that no longer were we asking the question: Are human resources important? Rather, the question for the 1980s is: How will we integrate human resource issues into the strategic management of the firm? (Tichy, 1983, p. 3)

Articles based on the conference filled a double issue of the journal and included discussions by scholars such as Galbraith (1983), Kanter (1983), and Schlesinger (1983) as well as comments from executives from several major US companies.

Educational resources. Soon thereafter, several professors at the Harvard Business School designed a new HRM course for their core MBA curriculum, with the objective of integrating insights from their extensive managerial experiences and work from the fields of organizational behavior (OB) and development, personnel administration, and labor relations to offer new insights about HR strategy. A textbook developed for the course, immodestly titled Managing human assets: The groundbreaking Harvard Business School Program (Beer, Spector, Lawrence, Mills, & Walton, 1984) positioned HRM as a strategic activity that was the responsibility of general managers working in partnership with personnel specialists. Beer et al. emphasized the mutual, circular path of influence linking multiple stakeholders and HRM policies and practices: The interests of multiple stakeholders influence the design and modification of an organization’s HRM policies and practices, which in turn partially determine stakeholders’ satisfaction with the organization. Thus, organizational effectiveness requires balancing the sometimes competing and conflicting concerns of a diverse array of stakeholders. Instituting processes through which employees could exert influence over organizational practices was offered as a means to ensure the concerns of that important stakeholder group. At the same time, HRM policies and practices should fit or
match the organization’s internal environment (specifically, its workforce characteristics, business strategies, management philosophies, and interaction styles) and external environment (labor market conditions, unions, task technology, laws and social values). The configuration of these contextual conditions, they argued, give rise to alternative forms of HRM systems.

Following Ouchi (1980), Beer et al. discussed three alternative management approaches: bureaucratic, market, and clan. Although largely ignored until quite recently, Beer et al. also described the emergence of dual HRM approaches and subcultures within firms, with bureaucratic approaches applied to nonexempt employees and clan-like approaches based on trust applied to exempt managerial employees. Understanding the segmentation of employees into groups that are managed using different HRM systems remains a challenge for today’s strategic HRM scholars.

Coinciding with the publication of Beer et al.’s textbook, the first book of readings on “strategic HRM” appeared (Fombrun, Tichy, & Devanna, 1984). Besides presenting numerous company examples to illustrate the strategic role of HRM, the book editors (Devanna, Fombrun, & Tichy, 1984) described a “framework for strategic HRM” (see also Devanna et al., 1981). After crediting Galbraith and Nathanson’s (1978) discussion of strategy implementation as pointing to the importance of HRM activities in affecting a firm’s strategic mission, these authors described the correspondence between HRM activities and business functions at three levels: Operational-level HRM addresses day-to-day needs, corresponding with the daily management of tasks. Managerial-level HRM involves acquiring, retaining, and developing the people needed to implement the current strategy, corresponding with managerial responsibility for resource acquisition. Finally, strategic HRM involves addressing long-term business needs by achieving a fit between the organization’s future human resources, external conditions, and the organization’s strategy. This early framework situated the HRM system side-by-side with an organization’s mission, strategy, and structure—all of which were presumed to arise in response to economic, political, and cultural forces in the external environment.

Management practices. Reading the early seminal works of Walker (1980), Beer et al. (1984), Devanna et al. (1984), and Fombrun et al. (1984) makes it quite clear that the HR planning activities in several leading US companies, often aided by prominent management consulting firms, were the seedbed of strategic HRM scholarship (see also Burack, 1985; Dyer, 1985; Golden & Ramanujam, 1985; Gutteridge, 1983). In his preface, Walker explained that his ideas reflected his work with Towers, Perrin, Forster & Crosby (TPF&C) colleagues and clients. M. Beer (personal communication, August 7, 2012) recently said that his perspective on strategic HRM grew out of his work as an HR executive at Corning. Numerous authors in Fombrun et al.’s (1984) edited volume based their conceptual arguments on the strategic planning
practices used in firms such as General Electric, Chase Manhattan, Westinghouse, Honeywell, and General Motors.

At about the same time, IBM collaborated with TPF&C and Randall Schuler to conduct a worldwide study of executives, faculty, and consultants in 12 countries, asking them: Will human resources become an arena for gaining or losing competitive advantage? What concrete actions can be undertaken to create competitive advantage? What are the key priorities that will shape HRM in the future? Responses clearly documented an emerging role for HRM, which was becoming more strategic and future-oriented while working in greater partnership with line managers.

As the details of a strategic HRM framework were being worked out, the breadth of strategic HRM was being extended. Two valuable extensions were a discussion of how HRM activities could be used to facilitate the coordination and integration of supply chain partners (Schuler & MacMillan, 1984) and the challenges faced by multinational firms with increasingly global operations (Pucik, 1984).

**Gaining Academic Legitimacy**

Strategic HRM gained greater legitimacy as practice-based observations were blended with academic models of strategic management. For example, the conceptual work of Miles and Snow (1984) described a typology of HRM policies and practices configured to fit four business strategies (analyze, defend, prospect, react); they illustrated their typology using the case examples of Lincoln Electric, Hewlett Packard, and Texas Instruments. Miles and Snow were among the first to argue that HRM practices should be aligned with the other organizational activities and characteristics—especially the organization’s strategic decisions. Further, they argued, HR departments should “enhance substantially their capability to diagnose, design, and help implement different business strategies” (1984, p. 50).

Strategic HRM became more firmly established with the publication of detailed descriptions of how HRM policies and practices could be used to support specific strategic objectives. For example, the influence of business strategies as partial determinants of workforce characteristics was examined by Schuler, MacMillan, and Martocchio (1985) and the specific HRM practices used by high- versus low-performing firms in declining industries was explored by Cook and Ferris (1986). Elaborating on the idea that firms in different circumstances might strategically choose HRM practices that best fit their specific conditions, Schuler (1986) discussed the workforce characteristics needed in entrepreneurial firms and presented a set of HRM “menus” to describe the numerous choices to be made when designing a set of HRM practices. For example, the design of staffing practices involves choosing the extent to which career paths are narrow versus broad career paths; the design of training
practices involves choosing the extent to which training emphasizes short-term versus long-term needs; and the design of compensation practices involves choosing the relative emphasis given to internal versus external equity. Like other foundational articles, Schuler (1986) noted that companies often do and should use multiple sets of HRM practices—i.e. multiple HRM systems—for different groups of employees. Thus, for example, the HRM practices for employees in a new venture or skunk works unit should be consistent with the firm’s unique expectations for employees in such units. These early works rejected the notion that firms could succeed by identifying and adopting universal “best practices”.

Next, following the publication of Porter’s (1985) influential treatise on competitive advantage, Schuler and Jackson (1987a) used a behavioral perspective grounded in role theory to propose the specific behaviors needed for three different strategies: reducing costs, improving quality, or innovating. The essence of strategic HRM, they argued, was to design HRM systems to elicit and sustain the particular employee behaviors required to implement the chosen strategy—logic now commonly referred to as the behavioral perspective of strategic HRM (Jackson, 2013). At the same time, clear differences in the priorities and effectiveness criteria used by the multiple stakeholders of an HRM system were documented (Tsui, 1987), which highlighted the complexity involved in developing, delivering, and managing HRM systems.

Gradually, theoretical and empirical articles appeared in the most prestigious scholarly publications. For example, Baird and Meshoulam (1988) argued that HRM activities evolve through developmental stages, as do organizations, and effectiveness is greatest when the developmental stage of HRM activities matches the organization’s developmental stage. In another conceptual contribution, Lengnick-Hall and Lengnick-Hall (1988) emphasized the process through which strategies and HRM activities become aligned. They critiqued the view that achieving alignment involves a top-down process in which HRM activities are reactions to strategic decisions and instead proposed that long-term effectiveness could be maximized by considering HRM issues during strategic planning.

In 1989, an empirical study reported results from a large-sample test of hypotheses derived from the emerging strategic HRM perspective (Jackson, Schuler, & Rivero, 1989). Organizational characteristics such as industry sector, the pursuit of innovation as a competitive strategy, manufacturing technology, and organizational structure were examined as predictors of numerous HRM practices in 267 organizations. In addition to finding support for several predicted inter-organizational differences in HRM practices, the study revealed large intra-organizational differences in HRM practices applied to managerial and hourly employees (see also Schuler & Jackson, 1987b).

Finally, it is noteworthy that the 1980s also spawned a growth in efforts aimed at measuring the financial costs and benefits of HRM practices and
employee behavior (Cascio, 1982). Sometimes referred to as “human resource accounting”, this stream of applied work continues to influence strategic HRM scholarship by promoting manager-friendly metrics, the use of which presumably helps bridge the ever-worrisome gap between empirical and practical advances.

Theoretical Foundations

As HRM developed, authors drew on an array of theoretical perspectives, including systems theory, role theory, resource-based theory, institutional theory, human capital theory, and social capital theory, among others (Jackson & Schuler, 1995; Kaufman, 2012; Lepak, Liao, Chung, & Harden, 2006; Spencer, 2013; Thompson, 2011). Space constraints make it impossible to review all of these theoretical influences here. However, it is worth noting that recent conceptual writings are more narrowly focused than earlier ones. Although conceptual models of strategic HRM embraced complex systems theory as the ideal theoretical platform (cf. Mayrhofer, 2004), much of the empirical research has ignored the environmental influences shown in Figure 1. Our overview of empirical studies, presented next, suggests that systems theory has proved more useful for its conceptual richness than for guiding empirical investigations.

Primary Findings Concerning Strategic HRM Research

After 30 years, substantial empirical evidence has accumulated concerning some of the relationships suggested by the aspirations framework shown in Figure 1. In contrast to prior narrative and empirical reviews of strategic HRM research (Batt & Banerjee, 2012; Combs, Liu, Hall, & Ketchen, 2006; Jiang, Lepak, Hu, & Baer, 2012b; Subramony, 2009), the purpose of our summary here is to shine light on the gap between all the possible topics for strategic HRM research suggested in Figure 1 and the smaller set of topics actually addressed by empirical research to date. Instead of asking “What has been learned?” we ask “What has been studied, what has been ignored, and what can be done next?”

Our search identified 154 empirical studies that examined HRM systems, which refer to bundles of HRM practices rather than individual HRM practices, using quantitative methodologies and published in peer-reviewed, English-language journals between 1992 and 2013. We identified studies for inclusion by searching academic databases (Business Source Premier, PsycInfo, Web of Science, and Google Scholar), examining citations included in previous review articles, and soliciting contributions via the listserv of the HR Division of the Academy of Management. Our summary relies on Figure 1 as an organizing framework, as follows: First, we consider studies that examined aspects
of the external and internal environments as antecedents of HRM systems. Second, we consider studies relating HRM systems to outcomes for various stakeholders. Next, we describe research that delves more deeply into the explanatory processes; specifically, we consider efforts to understand mediated relationships that link HRM systems, proximal outcomes for internal stakeholders (employees and managers), and more distal outcomes for external stakeholders (customers, owners/investors, other organizations, and society). Finally, we summarize contingency studies in which environmental conditions are viewed as potential constraints on or liberators of the beneficial effects of HRM systems. Throughout our discussion, we strive to map the evidential terrain of the field in order to identify unexplored paths for future research.

**Types of HRM Systems**

The summary tables accompanying our narrative sort studies according to the “types” of HRM systems measured, relying on authors’ labeling of these systems. When measuring HRM systems, investigators typically ask HR professionals or line managers to complete surveys to describe the HRM policies or practices of their organizations. That is, respondents are asked about specific elements of an HRM system. The most commonly used surveys assess the extent to which these elements emphasize high performance, high commitment, or high involvement. In addition to the general managerial objectives implied by these labels, some scholars have developed measures of HRM systems aimed at more specific strategic objectives, such as human capital enhancement (Youndt, Snell, Dean, & Lepak, 1996), network-building (Collins & Clark, 2003), customer service (Chuang & Liao, 2010), knowledge-intensive teamwork (Chuang, Jackson, & Jiang, in press; Jackson, Chuang, Harden, & Jiang, 2006), and HR flexibility (Chang, Gong, Way, & Jia, 2013); we refer to these as strategically targeted HRM systems. We use the label unspecified to refer to HRM systems for which authors provided no specific label, while noting that items used to assess unspecified HRM systems were similar to items used to measure high-performance, high-commitment, and/or high-involvement HRM systems.

**Antecedents of HRM Systems**

Strategic HRM scholarship arose as large successful companies sought better alignment between their unique circumstances and their HRM systems. As they globalized, merged with other firms, and integrated diverse operations, executives encountered a wide variety of approaches to managing employees leading them to wonder: Is a pattern discernible amidst the variety? A few HRM scholars sought to answer this question by searching for empirical relationships between HRM systems and characteristics of the internal
(organizational) environment, including business strategy, organization culture, various aspects of organizational biographies, and organization structure. Table 1 summarizes the relationships investigated in 30 empirical studies of antecedents of HRM systems.

**Business strategy.** Strategic HRM pioneers argued that effective organizations develop HRM systems in their efforts to implement specific business strategies. Several studies offer some support for this argument. Drawing on Porter’s (1980) business strategy typology, Arthur (1992) found that pursuit of differentiation strategies was associated with the use of high-commitment HRM systems. Other studies have reported that differentiation strategies were associated with the use of high-performance (Chen, Lawler, & Bae, 2005; Lawler, Chen, Wu, Bae, & Bai, 2011) and high-involvement HRM systems (Camps & Luna-Arocas, 2009; Guthrie, Spell, & Nyamori, 2002). The role of differentiation strategies as the impetus for adopting HRM systems received only marginal support in Bae and Lawler (2000) and was not supported by Hsu, Lin, Lawler, and Wu (2007), however. Overall, the evidence tends to support the assumption that HRM systems co-evolve along with business strategies. Whether this happens through formal and systematic HRM planning (Jackson & Schuler, 1990) or through informal, iterative and self-correcting social processes is unknown, however.

**Organization culture.** An organization’s culture reflects deeply embedded values and beliefs, which are conceptually related to HRM philosophies, but such philosophies are a poorly understood element of HRM systems (Bowen & Ostroff, 2004). Not surprisingly, HRM systems are more likely to be found in organizations that value people and effective people management because they are recognized as potential determinants of organizational effectiveness (Bae & Lawler, 2000; Hsu et al., 2007; Orlitzky & Frenkel, 2005; Teo, Le Clerc, & Galang, 2011). More specifically, organizations that claim people-oriented and innovation values are more likely to have high-commitment HRM and less likely to adopt HRM systems that minimize labor costs (Toh, Morgeson, & Campion, 2008). Companies with cultures that emphasize cohesion, teamwork, and trust and value entrepreneurial and innovative behaviors are more likely to rely on HRM systems as they adapt to changing environments (Patel & Cardon, 2010; Wei, Liu, Zhang, & Chiu, 2008).

The indelible imprints of founding chief executive officers (CEOs) on organization cultures are the stuff of great legends and many management books (Isaacson, 2011; Tedlow, 2006). Leader behaviors and leadership styles shape an organization’s culture, yet only a few studies have examined how leaders shape HRM systems. Some evidence indicates that firms led by CEOs with transformational leadership styles, HRM systems are more often in place (Zhu, Chew, & Spangler, 2005). One explanation for this observed
<table>
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<tr>
<th>Antecedents</th>
<th>High performance</th>
<th>High commitment</th>
<th>High involvement</th>
<th>Strategically targeted</th>
<th>Unspecified</th>
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<td>Culture/climate(^b)</td>
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<td>Organization biography(^c)</td>
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<td><strong>External environment</strong></td>
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<td>Market complexity/competition</td>
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<td><strong>Total no. of articles</strong></td>
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<td>30</td>
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Notes: Numerical values indicate the number of studies that examined the specified antecedents of HRM systems.

\(^a\)Includes differentiation, quality, innovation, low cost leadership, and strategic orientation.

\(^b\)Includes cultures emphasizing management HRM value, HRM systems’ connection with strategy, organizations’ attitudes toward employees, top management’s HRM value, HRM role in organizations, HRM department contribution, group-oriented culture, and CEO leadership style.

\(^c\)Includes ownership, managers’ education, experience, and capabilities.

\(^d\)Includes quality management, employees’ human capital, technology, cost of using HRM practices, organizational munificence and benchmarking, and employee types.
relationship is that transformational leaders are more aware of the value to be gained from practices that enhance the abilities and motivations of their employees; HRM systems that achieve these objectives may evolve as natural responses to the implicit management theories that guide such transformational leaders.

Organization biography. In addition to their leadership styles, managers shape organizations through specific management decisions. Such decisions may reflect prior experiences, which are translated into their approach to managing the workforce.

Manager characteristics. Managers’ human capital appears to influence their use of HRM systems. For example, managers with strong general and HRM-specific capabilities tend to adopt a broad range of HRM practices (De Winne & Sels, 2010; Thompson & Heron, 2005). The past career experiences of managers may also play a role, with managers replicating the HRM practices that are most familiar and widely used in the industry (De Winne & Sels, 2010). Conversely, international experiences may increase managers’ awareness of alternative approaches to managing HRs. For example, Lawler et al. (2011) found that subsidiaries with a higher proportion of managers with international experience were more likely to implement high-performance HRM systems.

Ownership. The growth of multinational enterprises has led some scholars to compare HRM systems in locally owned companies and subsidiaries of multinational firms. In Chinese and Spanish contexts, researchers found that high-performance HRM systems were more prevalent in foreign-owned or foreign-invested companies compared to locally owned companies because multinational firms tend to transfer HRM systems from their home countries to the local subsidiaries (Bayo-Moriones & Merino-Díaz de Cerio, 2001; Chen et al., 2005; Ngo, Lau, & Foley, 2008). In Australia, high-performance HRM systems were more prevalent in local companies compared to foreign-owned companies (Orlitzky & Frenkel, 2005). Although the authors framed these as studies about the role of company ownership, they also inform us indirectly about the potential role of country locations and cultures, which we consider in the next section. Other varieties of ownership—e.g. state-owned organizations versus privately held firms, or employee-owned versus publically owned—may also shape HRM systems, but such influences are not yet documented.

Surprisingly, the consequences of other major organization biographic events or attributes have received very little attention. Thus, although much has been written about managing layoffs, the effects of prior layoffs on HRM systems has not been studied. Nor did we find empirical investigations of
how merger-and-acquisition activities influence the evolution of HRM systems.

Institutional theory views organizations as social entities that respond to environmental pressures in order to gain legitimacy and ensure their survival. These dynamic processes provide explanations for the spread of HRM policies and practices throughout a population of organizations (Tolbert & Zucker, 1983; Zucker, 1987), the convergence (or divergence) of HRM systems found in firms in different countries (Brewster, Brookes, Croucher, & Wood, 2014; Farndale & Paauwe, 2007; Fenton-O’Creevy & Wood, 2007; Gilman & Raby, 2013), and the difficulties that arise as multinational firms attempt to transfer HRM systems from one subsidiary to another (Thory, 2008). Although the evidence is sparse, three characteristics of external environments have attracted some attention: industrial relations and unions; market conditions; and, country location.

**Industrial relations and unions.** Institutional theory has been particularly influential amongst scholars of industrial relations in the USA and the UK (Kochan, McKersie, & Cappelli, 1984; Poole, 1986), and through them institutional theory has been gradually absorbed into strategic HRM (Batt & Banerjee, 2012). Within the USA, a prevailing assumption has been that unions resist the introduction of innovative HRM practices such as high-performance work systems because such management approaches undermine the traditional role of unions. But some prominent union relations scholars have argued such HRM systems are compatible with the interests of managers and employees alike and should result in mutual gains (Kochan & Osterman, 1994).

How unionized employees respond to HRM systems varies around the world. Doellgast (2008) found that union presence and high-involvement HRM systems were negatively related in American call centers but positively related in German call centers. Lawler et al. (2011) found no relationship between the proportion of union members and the use of high-performance HRM systems in subsidiaries of American multinational firms. Liu, Guthrie, Flood, and MacCurtain (2009) tried to reconcile the debate between the two perspectives by showing that unionization inhibited the adoption of high-performance HRM systems when employment security was low (as in the USA), but the negative relationship was dramatically weaker when employment security was higher (as it has been in many European countries, for example). Studies such as these clearly suggest the value of the institutional perspective for examining variations among the HRM systems adopted by firms.

**Market conditions.** Dynamic market conditions characterized by high levels of complexity and competition put pressure on companies to continually improve productivity and respond to customers’ demands. Such conditions appear to support the adoption and development of HRM systems: Firms
facing high levels of market competition, customer demandingness, and product/service complexity are more likely to implement high-performance HRM systems (Angelis & Thompson, 2007; Patel & Cardon, 2010; Rodwell & Teo, 2008).

**National culture (country location).** Country differences in the use of particular HRM practices are well documented, but similar comparisons of HRM systems are still rare. The globalization of national economies and the evolution of multinational enterprises spurred global diffusion of American-style HRM systems; nevertheless, local cultures and economic conditions appear to influence such cross-border migrations. Limited evidence indicates that high-performance HRM systems are more prevalent in organizations located in more developed countries and in countries with less restrictive labor legislation (Lawler et al., 2011). The important role played by local cultures was demonstrated in a study by Lertxundi and Landeta (2011), who found that organizations in countries with high individualism, low power distance, low uncertainty avoidance, and high masculinity were more likely to adopt high-performance HRM systems. Their findings were consistent with Lawler et al. (2011) as these cultural characteristics were closely associated with more developed countries (e.g., USA).

**Conclusion.** Early models of strategic HRM drew attention to the importance of context, arguing that an organization’s internal and external environments could and should shape the design of its HRM system; designing effective HRM systems required more than discovering the “one best way”. Nevertheless, subsequent empirical research usually relegated contextual characteristics to the status of mere “control variables”. Of the 154 studies we identified, only 30 examined environmental characteristics as antecedents of HRM systems. Thus, despite considerable inter-firm variability in the use of HRM systems, we understand little about when, where, and why HRM systems become established.

**Studies Relating HRM Systems to Stakeholder Outcomes**

Strategic HRM scholars have invested heavily in addressing the question: How do HRM systems influence the achievement of an organization’s primary objectives. Generally, published studies report that organizations with HRM systems in place also enjoy positive outcomes for a variety of internal and external stakeholders.

Table 2 shows the distribution of studies reporting relationships between HRM systems and several types of outcomes. To create Table 2, we sorted articles according to the stakeholders whose concerns were most clearly reflected by the outcome measured based on our own judgments. Here we
| Types of HRM systems<sup>a</sup> | Owners and investors | Profit, revenue, ROA, ROE, Tobin's Q | Sales/marketing indicators | Productivity | Customers | Innovation | Product quality | Customer service | Managers (operations) | Turnover<sup>c</sup> | Specific type of climate | Employee job performance and citizenship behavior | Absenteeism | Coordination/teamwork | Organizational capabilities<sup>d</sup> | Social capital | Employees | Psychological well-being<sup>e</sup> | Total no. of articles |
| High performance | 31 | 15 | 5 | 16 | 17 | 8 | 2 | 7 | 31 | 14 | 3 | 25 | 4 | 6 | 1 | 4 | 25 | 15 | |
| High commitment | 8 | 2 | 1 | 5 | 4 | 3 | 1 | 1 | 7 | 4 | 1 | 4 | 2 | 1 | 1 | 2 | 4 | 4 | |
| High involvement | 12 | 8 | 4 | 4 | 4 | 3 | 3 | 2 | 11 | 6 | 6 | 1 | 2 | 1 | 1 | 1 | 2 | 2 | |
| Strategically targeted | 9 | 3 | 1 | 3 | 5 | 2 | 1 | 8 | 6 | 12 | 1 | 1 | 2 | 2 | 2 | 1 | 17 | 15 | 15 |
| Unspecified | 19 | 14 | 3 | 10 | 8 | 5 | 2 | 1 | 20 | 36 | 3 | 9 | 8 | 8 | 8 | 2 | 48 | 34 |
| Total no. of articles | 77 | 40 | 14 | 38 | 36 | 17 | 7 | 11 | 76 | 36 | 3 | 9 | 19 | 9 | 8 | 8 | 2 | 48 | 34 |
### Table 2 (Continued)

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<tr>
<th>Outcomes b</th>
<th>Types of HRM systems a</th>
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<tr>
<td></td>
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<td>Relationships w/management f</td>
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<tr>
<td>Human capital</td>
<td>6</td>
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<td>Health and safety g</td>
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<tr>
<td>Fairness/justice</td>
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<tr>
<td>Employment security</td>
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<tr>
<td>Perceived overall performance h</td>
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</tr>
<tr>
<td><strong>Total no. of articles</strong></td>
<td>63</td>
</tr>
</tbody>
</table>

Notes: Numerical values indicate the number of studies that examined specific moderators of relationships between HRM systems and outcomes.

a Most articles focused on one type of the HRM system.

b Many articles reported results for more than one outcome.

c Includes objective turnover and turnover intentions.

d Includes HR flexibility, absorptive capacity, adaptive capability, organizational ambidexterity, corporate entrepreneurship, supply chain performance, and environmental proactivity.

e Includes affective commitment, job satisfaction, work engagement, job stress, strain, anxiety, and emotional exhaustion.

f Includes perceived organizational support, social exchange relationship with management, psychological empowerment, job discretion, and psychological contract.

g Includes safety, injuries, and accident rates.

h Includes studies that relied on subjective performance ratings, regardless of rater source.
first describe studies that address the relationship between HRM systems and the concerns of external stakeholders, for the strategic HRM perspective generally views evaluations by external stakeholders as the primary determinants of a firm’s long-term survival. Then, we consider outcomes relevant to internal stakeholders.

External stakeholders. Strategic HRM has invested considerable effort in studying relationships between HRM systems and outcomes for owners, investors, and managers: 77 of the 154 studies included in Table 2 considered outcomes of primary concern to owners and investors, and 76 considered outcomes of primary concern to managers. The concerns of employees have not been ignored, although their concerns and those of customers have attracted somewhat less attention.

Owners and investors. The relationship between HRM systems and financial performance has been the primary focus of strategic HRM research during the past three decades. Indeed, for some strategic HRM scholars, the field’s raison d’être is showing that HRM systems have positive consequences for the “bottom line”. Our reading of the evidence (77 studies) supports the conclusion drawn by others (Combs et al., 2006; Jiang et al., 2012b; Subramony, 2009): firms with coherent HRM systems outperform those without such systems on financial indicators of interest to owners and investors (e.g. return on equity, return on assets, Tobin’s Q, profit growth, stock return, etc.). The result has been replicated in many countries, including China, France, India, Ireland, South Korea, Spain, Thailand, Turkey, the UK, and the USA. If it is indeed true that HRM systems are good for financial performance of firms nearly everywhere, then the question of why such systems have not been adopted uniformly around the world becomes more pressing. For those whose focus is on improving outcomes for owners and investors, the next era of strategic HRM should perhaps be to understand and learn to overcome barriers to the worldwide diffusion of HRM systems.

Customers. In the strategic HRM literature, the concerns of customers are reflected in studies relating HRM systems to customer service as well as quality and innovation of products. Several studies reported that high-performance HRM systems or HRM systems intended to enhance customer service were positively related to customer service and customer satisfaction because these practices promote employees’ capabilities in providing customer service and support the development of organizational climates that emphasize the importance of customer service (Chuang & Liao, 2010; Liao, Toya, Lepak, & Hong, 2009). HRM systems also can benefit customers by improving product quality and other product attributes valued by customers (Chang et al., 2013; Patel, Messersmith, & Lepak, 2013; Wright, Gardner, Moynihan, & Allen, 2005). To date, most studies of customer outcomes have focused on
high-performance, high-commitment, and high-involvement HRM systems. However, recent research on service climate (Hong, Liao, Hu, & Jiang, 2013) suggests that more attention should be given to HRM systems aimed at customer service because HRM systems with the specific target may have a stronger impact on customer-related outcomes.

**Internal stakeholders.** Satisfied that HRM systems can positively influence the bottom line and customer satisfaction, scholars have begun to ask: What are the mediating processes through which HRM systems influence outcomes of interest to external stakeholders? This research directs attention to the relationships between HRM and the interests of both managers and non-managerial employees. According to the framework shown in Figure 1, HRM systems influence external stakeholders through their effects on employees and managers.

**Managers.** The concerns of managers are often assumed to align with those of owners and investors, but the extent to which this is true is likely to vary widely. Some HRM policies and practices—most notably, executive performance management and compensation—are assumed to be powerful tools for aligning the interests of owners and agents (Barkema & Gomez-Mejia, 1998). However, HRM systems can also create alignment by supporting the achievement of operational objectives, for which managers are accountable.

Early in the field’s development, the influence of HRM systems on general indicators of general workforce effectiveness—for example, employee job performance and turnover—was of most interest. Across studies, the general pattern reveals that HRM systems promote employee retention, reduce absenteeism, improve job performance, and promote organizational citizenship behavior (for detailed reviews, see Combs et al., 2006; Jiang et al., 2012b). Recently, interest in understanding the specific organizational capabilities required to achieve strategic objectives has shaped studies of strategic HRM. For example, Wei and Lau (2010) found a positive relationship between HRM systems and adaptive capability, which embodies effective problem-solving and speedy responses to customers. Patel et al. (2013) present evidence showing that HRM systems promote organizational ambidexterity, which embodies the organization’s ability to exploit existing market opportunities while creating opportunities to meet the challenges of future markets. Other organizational capabilities supported by HRM systems include internal supply chain management (Fu, Flood, Bosak, Morris, & O’Regan, 2013; see also Menon, 2012), corporate entrepreneurship (Zhang & Jia, 2010), and environmental proactivity (Martinez-del-Rio, Cespedes-Lorente, & Carmona-Moreno, 2012).

Finally, we note that strategically targeted HRM systems have generally been found to be associated with the specific outcomes they are designed to achieve. For example, HRM systems targeting customer service are associated...
with better service climate (Chuang & Liao, 2010); HRM systems supporting knowledge-intensive teamwork are associated with greater team knowledge acquisition and team knowledge sharing (Chuang et al., in press); HRM systems emphasizing flexibility improve absorptive capacity and innovation in organizations (Chang et al., 2013).

*Employees.* Critics of strategic HRM scholarship have often argued that the goal of demonstrating the business relevance of HRM systems conflicts with the field’s traditional role of pro-employee advocate (Godard, 2004; Legge, 1995; Van Buren, Greenwood, & Sheehan, 2011). The same logic caused some to predict that unions would resist the adoption of HRM systems, as noted earlier. Such criticisms presume a competitive relationship between the employees and most other stakeholders—especially owners and investors. But the criticism might be misdirected, for HRM systems designed to improve productivity are likely to also reduce uncertainty and work stressors such as role ambiguity and role conflict (Schuler & Jackson, 1986).

Across numerous studies, a rosy pattern of results indicates that HRM systems are associated with positive employee outcomes, including job satisfaction, relationships with managers, human capital development (which can serve as the basis for employment security and economic gains), and safety (for detailed reviews, see Jiang et al., 2012b; Nyberg, Moliterno, Hale, & Lepak, 2014; Van De Voorde, Paauwe, & Van Veldhoven, 2012). Despite the strong pattern of beneficial employee outcomes associated with HRM systems, however, we encourage more empirical studies into the potential use of HRM systems that exploit workers, for a small body of evidence indicates that high-performance HRM systems may increase job strain (Ramsay, Scholarios, & Harley, 2000) and anxiety (Wood, Van Veldhoven, Croon, & de Menezes, 2012).

*Toward Understanding Mediating Processes*

Satisfied by evidence that HRM systems can achieve a variety of positive stakeholder outcomes, strategic HRM is now focused on understanding the mediating processes that explain the observed relationships. Most of this recent work has argued that the causal path of influences flows from the HRM system to outcomes for employees, which then serve as partial determinants of outcomes for external stakeholders. Fewer studies have treated managers’ outcomes as the primary explanations for how HRM systems relate to outcomes for external stakeholders.

*Theoretical foundations.* The specific hypotheses tested in these studies reflect interest in specific points along the causal chain implied in Figure 1. In its simplest form, the basic accepted wisdom is: HRM systems mostly influence employees’ human capital (skills and abilities) and motivation (as
indicated by various job-related attitudes), which in turn contribute to improved operational performance, and thus improved outcomes for customers and owners/investors. Several theoretical perspectives provide explanations for this proposed set of causal effects, including human capital theory, the resource-based view, and the behavioral perspective.

**Human capital theory.** Human capital theory offers explanations for the decisions individuals and organizations make about investments to enhance the skills, experience, and knowledge of people—a.k.a., “human capital”. For individuals, investing time and money to improve one’s own human capital may be justified if such investments improve one’s career advancement, job mobility, and/or earning power (Becker, 1964). Extending this logic, investments in HRM systems that enhance the firm’s human capital—for example, recruiting the most highly skilled talent, training employees to increase their firm-specific knowledge, rewarding top performers with higher pay—should yield economic returns (Flamholtz & Lacey, 1981).

**Resource-based view.** The resource-based view asserts that the need for resources is a primary determinant of management policies and procedures (Wernerfelt, 1984). The proposition that organizations succeed by gaining and retaining control over scarce, valuable, inimitable, and non-substitutable resources (Barney, 1991) and subsequent elaboration of the concept of capabilities (Amit & Schoemaker, 1993; Eisenhardt & Martin, 2000) ensured a central position for the resource-based view within strategic HRM scholarship.

Among the resources a firm can use to generate economic value are the people who comprise the workforce. HRM systems represent the activities used to acquire and transform these essential resources (Lado & Wilson, 1994). Effective HRM systems enable firms to acquire and transform the human capital of individual employees into high-order capabilities and competencies such as organizational flexibility (Schuler, 1986); organizational learning (Bhatnagar & Sharma, 2005; Snell, Youndt, & Wright, 1996); knowledge management (Collins & Smith, 2006; Jackson et al., 2006); and ambidexterity (Patel et al., 2013). Ultimately, explanations for how and why HRM systems contribute to firm effectiveness must address the behaviors of individual employees.

**Behavioral perspective.** The behavioral perspective of strategic HRM assumes that an HRM system is one of the primary means through which employers communicate, elicit, and sustain desired role behaviors—that is, behaviors approved of by role partners such as managers, peers, and customers. Such role behaviors include those explicitly prescribed by formal job descriptions as well as discretionary behaviors like organizational citizenship (Coff & Kryscynski, 2011; Snape & Redman, 2010) and helping (Moss holder, Richardson, & Settoon, 2011). HRM systems contribute to organizational effectiveness when they promote such desirable behaviors (Schuler & Jackson, 1987a).
Importantly, the behavioral perspective recognizes that characteristics of the external and internal environments (e.g. industry, business strategy, organization size, and culture, to name a few) influence the desirability and utility of specific employee behaviors.

Two variants of the behavioral perspective are the 4-Tasks Model (Jackson & Schuler, 2002; Jackson, Hitt, & DeNisi, 2003; Schuler, Jackson, & Storey, 2001) and the ability–motivation–opportunity (AMO) model (Blumberg & Pringle, 1982; Gutteridge, 1983). The 4-Tasks Model states that the primary functions of an HRM system are (1) identifying the behaviors needed from employees, (2) ensuring employees have the competencies needed to perform successfully, (3) motivating employees to engage in the needed behaviors, and (4) providing opportunities for employees to perform successfully both currently and in the future. Initially, the 4-Tasks Model emphasized the behaviors needed from individuals, but later discussions have demonstrated its usefulness for understanding how HRM systems can shape relationships within and between work teams (Jackson et al., 2006). In general, the 4-Tasks Model suggests that strategically targeted HRM systems are required for successful strategy implementation.

Adopted by several strategic HRM scholars during the past decade, the AMO model is similar to the 4-Tasks Model but somewhat less expansive. The AMO model originated in research on career development, which argued that career success requires not only the requisite abilities and motivation to succeed, but also access to learning opportunities (Gutteridge, 1983). The major difference between the 4-Tasks and AMO models is that the AMO model does not include identification of essential employee behaviors as part of the explanation for how HRM systems improve organizational effectiveness.

More recently, new theoretical advances have sought to describe the interplay between the individual-level processes addressed by the behavioral perspective and firm-level investments in HRM systems aimed at transforming and leveraging the human capital of individuals (Coff & Kryscynski, 2011). Understanding the cross-level emergent processes through which the human capital of individual employees becomes strategically valuable unit-level human capital represents a significant challenge for future strategic HRM scholarship (Nyberg et al., 2014; Ployhart & Moliterno, 2011).

Empirical evidence. Empirical evidence concerning mediating processes is beginning to accumulate fairly rapidly, and the variety of mediating hypotheses considered is substantial. Recently, two meta-analytic reviews of these studies have appeared (Jiang et al., 2012b; Jiang, Takeuchi, & Lepak, 2013), and interested readers are directed to that review. Here we briefly summarize a few key points.

To date, most strategic HRM studies of mediating processes have tested hypotheses that position employees’ reactions to HRM systems as the
explanation for how HRM systems influence the financial outcomes of interest to owners and investors. In a meta-analytic review of 120 studies, Jiang et al. (2012b) used the AMO model to organize the results to date and found that human capital and employee motivation partially mediate the impact of HRM systems on bottom-line outcomes such as financial performance and productivity. Employees’ opportunities to contribute were not examined in their review due to the small number of relevant studies. We could find no studies that directly examined the HRM task of specifying and communicating the employee behaviors most valued or needed by the organization.

Employee responses are not the only mediating process through which HRM systems can help achieve sustainable competitive advantage; HRM systems may also contribute to the development of emergent organizational capabilities, which in turn contribute to organizational effectiveness (Becker & Huselid, 1998; Delery & Shaw, 2001). Several studies provide support for this view of how HRM systems function. For example, network-building HRM systems can enhance financial performance by promoting top managers’ social capital (Collins & Clark, 2003); high-performance HRM systems can influence financial performance by increasing employees’ flexibility to respond to alternative strategies (Beltrán-Martín, Roca-Puig, Escrig-Tena, & Bou-Llusar, 2008) or develop organizational ambidexterity (Patel et al., 2013).

Although evidence concerning the mediating processes through which HRM systems influence important outcomes is beginning to accumulate fairly rapidly, more comprehensive studies are needed to fully understand how HRM systems influence outcomes of concern to both employees and managers—considered jointly (cf. Mäkelä, Björkman, Ehrnrooth, Smale, & Sumanlius, 2013). In addition, we echo others (Guest, 2011; Jiang et al., 2012b) to encourage research that incorporates the dimension of time. Managers are more likely to invest in costly resource-intensive HRM systems when they can confidently estimate both how and when their investments are likely to pay off. An exemplary example of such research is a study reported by Piening, Baluch, and Salge (2013), who investigated the impact of HRM systems over a five-year period. Results showed that trajectories of employees’ perceptions of HRM systems were related to changes in customer satisfaction and explained by changes in their reported job satisfaction, although the impact of HRM systems on job satisfaction and firm performance gradually declined over time. Importantly, they also found evidence of a reciprocal dynamic whereby changes in firm performance predicted changes in employees’ HRM system perceptions and job satisfaction.

Toward Understanding Contingencies

The contingency perspective of strategic HRM asserts that HRM systems are more effective when they are properly aligned with organizational conditions
(Delery & Doty, 1996; Schuler & Jackson, 1987b), and assumes that organizations often have HRM systems in place that are not the best fit. Poor alignment may occur for many different reasons, including rapid changes in the external environment, pursuit of new business strategies, somewhat mindless imitation of what other organizations do, and so on. As shown in Table 3, we located 41 empirical studies that tested the contingency perspective. Here we summarize results from investigations of business strategy, organization culture and climate, organization biography, and industry context.

**Business strategy.** Despite the prominence of business strategies in early discussions of strategic HRM, we identified only 14 studies that examined whether business strategies moderate the effects of HRM systems on various outcomes. Of these, two studies that used Porter’s (1980) typology to describe business strategies found that HRM systems were more effective in reducing voluntary employee turnover (Chow & Liu, 2009; Yalabik, Chen, Lawler, & Kim, 2008) in firms pursuing differentiation strategies. But other evidence indicates that high-performance HRM systems are ineffective for firms pursuing differentiation strategies (Chadwick, Way, Kerr, & Thacker, 2013; Zhang & Li, 2009) or equally effective regardless of differentiation strategies (Huselid, 1995; Neal, West, & Patterson, 2005). Such apparently inconsistent results may reflect the fact that firms achieve differentiation in many ways (e.g. on the basis of innovation or quality or convenience), and measures of strategy often ignore these different strategic priorities (Youndt et al., 1996). The business strategy typology of Miles and Snow (1984) has also been used to test the contingency perspective, and provides evidence that “defender” organizations benefit more from high-performance HRM systems, compared to “prospectors” (Peña & Villasalero, 2010; Rodríguez & Ventura, 2003).

After 30 years of strategic HRM research, it is surprising that too little evidence and too few replications exist to draw conclusions about how HRM systems and business strategies function together. Nevertheless, the available evidence is sufficient to conclude that the term “strategic HRM” is an aspiration worth striving toward.

**Organization culture and climate.** We identified 11 investigations of how HRM systems and organization cultures/climates combine to influence various stakeholders. Two early studies found that positive outcomes from HRM systems were greater in organizations with negative organization cultures/climates (Chan, Shaffer, & Snape, 2004; Neal et al., 2005), suggesting that HRM systems may function as substitutes for favorable cultures or climates. However, most relevant studies found that the positive impact of HRM systems on organizational outcomes was greater in organizations with supportive cultures/climate, including those that emphasize employee development (Wei, Liu, & Herndon, 2011), team-orientation (Patel & Cardon, 2010;
Table 3  Testing the Contingency Perspective: Moderators of the Relationships Between HRM Systems and Outcomes

<table>
<thead>
<tr>
<th>Outcomes for internal and external stakeholders</th>
<th>Owners and investors</th>
<th>Managers (operations)</th>
<th>Employees</th>
<th>Customers</th>
<th>Perceived overall performance</th>
<th>Total no. of articles</th>
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<td><strong>Internal environment</strong></td>
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<tr>
<td>Business strategy&lt;sup&gt;a&lt;/sup&gt;</td>
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<td>Culture/climate&lt;sup&gt;b&lt;/sup&gt;</td>
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<td>Organization biography&lt;sup&gt;c&lt;/sup&gt;</td>
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<td>8</td>
<td>44</td>
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</table>

Notes: Numerical values indicate the number of studies that examined specific moderators of relationships between HRM systems and outcomes.

<sup>a</sup>Includes differentiation, quality, innovation, value-added, defender, prospector, and contingent labor.

<sup>b</sup>Includes cultures emphasizing patient-centered care, group-orientation, organizational support, commitment, and justice.

<sup>c</sup>Includes turnover, layoffs, ownership, decentralization, professional management, shared capitalism, size, management capability.

<sup>d</sup>Includes capital intensity, employees' human capital, knowledge tacitness, HRM effectiveness, employees' value to competitive advantage.

<sup>e</sup>Includes dynamism, growth, technology, and uncertainty.

<sup>f</sup>Includes government influence, national culture, and labor market flexibility.
Zhang & Jia, 2010), and employee morale and welfare (Iverson & Zatzick, 2011). These findings suggest that organizations reap the greatest returns by improving both their formal HRM systems and the informal culture or climate.

**Organization biography.** As Table 3 reveals, 14 studies have examined the interplay between HRM systems and aspects of an organization’s biography. Many of these studies focused on managers’ characteristics. Managers are the agents through which HRM systems are transmitted to employees, and they appear to partially determine success of HRM systems. For example, one study found that HRM systems were more effective in firms with more professional managers in senior positions (Frenkel & Lee, 2010). Another study found that HRM systems are more effective when leaders have more HRM background and engage in open and regular communication with external HRM consultants (Klaas, Semadeni, Klimchak, & Ward, 2012). Chuang et al. (in press) studied HRM systems for knowledge-intensive teamwork and found that team empowering leadership moderated the role of HRM systems to influence knowledge acquisition and knowledge sharing in R&D teams.

Other organizational characteristics that have been studied as moderators of the HRM systems → organizational effectiveness relationship include employee turnover and layoff rate. The results of Arthur (1994) and Guthrie (2001) suggest that employees are more pivotal in firms using high-commitment or high-involvement HRM systems and therefore HRM systems contribute more to firm productivity when employee turnover rates are lower. Similarly, Zatzick and Iverson (2006) found that the influence of HRM systems on productivity was negative in organizations with high layoff rates, and their situations worsened when investments in HRM systems declined. A general explanation for these moderation results can be derived from human capital theory, which states that human capital is important to an organization’s effectiveness and HRM systems can have greater influence on organizational performance when they are adopted in organizations with a solid stock of human capital.

**Industry context.** The external environments organizations face also can constrain or amplify the extent to which HRM systems contribute to organizational effectiveness. In a meta-analytic review, Combs et al. (2006) found that the relationship between high-performance HRM systems and outcomes such as financial performance and productivity were generally more positive for firms in the manufacturing sector, compared to the service sector. Focusing on more specific industry characteristics, Kintana, Alonso, and Olaverri (2006) found that the relationship between high-performance HRM systems and operational performance was stronger when advanced production technologies were used in technologically intense industries. Datta, Guthrie, and Wright (2005) found that the positive relationship between high-performance HRM systems and labor productivity was stronger in industries having higher
labor (versus capital) intensity, higher growth rates, and greater product differentiation. Using a sample of small firms, Chadwick et al. (2013) verified the moderating effect of industry growth and further found that HRM systems contributed more to labor productivity in more dynamic industries. Together, these studies suggest that the effectiveness of HRM systems as a means for improving productivity is greatest when the value of improved labor productivity is greatest.

Conclusion. Early models of strategic HRM presumed that HRM systems function in combination with other elements of the larger system. The past decade has seen a growing interest in understanding the boundary conditions (moderators) that constrain and amplify the effects of HRM systems, and we anticipate continued interest in this important topic in the years ahead. For future studies to yield useful insights, however, scholars must overcome several methodological challenges that have long plagued the field. We comment briefly on a few of these challenges next, before offering more specific suggestions for new research that begins to close the gap between the aspirational model shown in Figure 1 and the current state of strategic HRM knowledge.

Methodological Challenges for Strategic HRM Research

As strategic HRM empirical research began to accumulate and scholars sought to interpret the results of empirical research, a variety of methodological challenges became apparent. Many of the methodological challenges for strategic HRM are similar to those for other areas of management (e.g. establishing causality, levels of analysis and data aggregation, measurement validity) and have been debated in detail elsewhere (e.g. Gerhart, 2013; Guest, 2011; Heavey et al., 2013; Paauwe, 2009). Rather than revisiting all of these familiar concerns, here we mention just three methodological issues because these are deeply entwined with important substantive questions.

Content of HRM Systems

The concept of an HRM system is central to the field of strategic HRM, but there is little consensus about the specific elements that comprise the content of HRM systems. The aspirational framework shown in Figure 1 depicts an HRM system comprising HRM philosophies and policies and practices and processes, yet most empirical studies have assessed only HRM policies or practices; almost none has examined HRM philosophies or processes. Furthermore, the specific policies and practices included in empirical measures of HRM systems—i.e. the content of the system—vary greatly across studies (Combs et al., 2006; Lepak et al., 2006; Posthuma, Campion, Masimova, & Campion, 2013) and this is true even across studies that purportedly assessed
the same specific type (e.g. high-performance HRM systems). Due to the inconsistent conceptualization and measurement of HRM systems, it is difficult to accumulate and compare findings across studies.

A possible solution to this challenge is suggested by an emerging and robust body of work on “strategically targeted” HRM systems. In such studies, the authors attempt to identify and measure HRM system elements that specifically target strategic objectives. The design of strategically targeted HRM systems follows the 4-Tasks Model: strategically important behaviors are identified and then the central elements to include when measuring the HRM system are those that are likely to ensure employees have the abilities, motivation, and opportunities to engage in the needed behaviors. Strategically targeted HRM systems examined to date include those aimed at customer service (Chuang & Liao, 2010; Liao et al., 2009), safety (Zacharatos, Barling, & Iverson, 2005), and effective knowledge-intensive teamwork (Chuang et al., in press). We found no primary study that compared the effectiveness of strategically targeted HRM systems with those of general HRM systems (e.g. high performance or high commitment). However, using a meta-analytic approach, Hong et al.’s (2013) showed that service-oriented HRM practices were more positively related to service climate than general HRM practices. Such findings may reenergize interest in understanding context-appropriate HRM systems.

**Composition of HRM Systems**

Closely related to the issue of selecting HRM elements to include in measures of HRM systems are decisions about how to combine those elements into a unitary measure. Typically, a single index is calculated by adding together ratings of several HRM policies or practices. The additive approach assumes that all elements included in the HRM system are equivalent and interchangeable. The additive approach also assumes that the practices or policies assessed are independent elements—that is, the effect of any one practice or policy is not contingent on the presence or effectiveness of other elements. The additive approach is simple to implement, but its widespread adoption oversimplifies the complexity inherent in the systems theory perspective, which views systems as comprising interdependent elements that may function together synergistically and/or as substitutes for each other (Delery, 1998; Jiang et al., 2012a; Lepak et al., 2006). The need for more sophisticated measures that take into account the complex properties of HRM systems is well recognized and worthy of considerable effort in the near future.

**Dynamic, Reciprocal Processes**

The challenge of demonstrating causal relationships between HRM systems and outcomes such as firm performance or customer satisfaction has been
discussed at length by strategic HRM scholars and a few longitudinal studies have directly addressed this issue (Guest, Michie, Sheehan, & Conway, 2003; Wang & Shyu, 2009; Wright et al., 2005). In contrast, the challenge of understanding how HRM systems co-evolve along with other aspects of organizations is rarely addressed. Nor is the role of external stakeholders typically examined.

Assuming HRM systems evolve and change over time, it is likely that some changes are stimulated by stakeholders. Shareholders may press for changes in how managers are paid. Customers may press for changes in the training of front-line employees. Society may press for changes to improve family life. Ideally, a virtuous cycle occurs as improvements in the HRM system lead to improvements in valued outcomes, which in turn stimulate further improvements in the HRM system (Piening et al., 2013). Measurement challenges as well as statistical complexities and lack of theoretical guidance concerning how effects unfold over time may account for the lack of available evidence about such dynamic processes. These challenges are not insurmountable, however, as research on other organizational topics demonstrates (Van Iddekinge et al., 2009). Thus, we anticipate that the dynamic nature of strategic HRM will soon become a more prominent feature of the field’s empirical research.

Conclusion

As long as the content and composition of HRM systems remain contested, it will be difficult to reach consensus about how best to observe and measure these dynamic systems. Additional research aimed at addressing methodological challenges will undoubtedly be forthcoming in the years ahead. Yet, paradoxically, we also worry that a seemingly infinite desire for better measurement and stronger research designs could stall the field’s progress on substantive issues. Rather than requiring near-perfection for any particular study, we hope strategic HRM scholars will support the proliferation of multiple measurement approaches and show an appreciation for replications conducted in diverse settings under a variety of environmental conditions, for a productive field is one in which a thousand flowers bloom and cross-pollinate. Alternatively, long-standing methodological arguments could stall the field’s continued development if they demotivate a new generation of scholars whose careers increasingly depend on successfully publishing in prestigious journals.

Directions for Future Work: Looking Back While Moving Forward

Since its inception, strategic HRM scholarship has evolved and changed considerably. Notwithstanding dozens of investigations, critiques and
refinements, many intellectual seeds planted during the founding years remain dormant. A reconsideration of the origins of strategic HRM and the aspirational framework shown in Figure 1 suggest opportunities for new research, as we describe next. In particular, we encourage new research that (a) fully embraces systems thinking and environmental forces, (b) reflects the reality and complexities of global businesses, (c) takes seriously the concerns of multiple stakeholders, (d) attends to workforce segmentation, and (e) yields knowledge with practical utility.

**Embrace Systems Thinking**

Despite the influence of systems thinking on conceptual models of strategic HRM, our empirical base of evidence is desperately inadequate. The HRM (sub)system has been the focus of attention, with too little regard paid to the internal environment, the external environment, or the dynamic relationship between the HRM system and those environments.

Of foremost concern to early strategic HRM pioneers (Beer et al., 1984; Fombrun et al., 1984) was the embedded nature of HRM and the variety of forces that shape the work lives of employees. Rather than imagining that they could succeed by finding and adopting “one best way” to manage employees (e.g. use a high-performance HRM system or use a high-commitment HRM system), HR professionals were encouraged to step out of their functional silos and work in partnership with line managers who are responsible for aligning their organization with the demands of a complex and dynamic external environment.

Empirical studies of strategic HRM have generally ignored the embedded and contextualized nature of HRM. Perhaps most egregious is the lack of attention paid to organization structure and its consequences for workforce segmentation. It is common knowledge that executives and so-called high-potential talent often live in a world that other employees experience only in their imaginations. Yet empirical studies almost never examine the multiple HRM systems that co-exist in organizations. Similarly, discussions of flexibility (Ruiner, Wilkens, & Küpper, 2013; Schmidt, 2013) remind us that HRM systems and their consequences are not static, yet empirical research seldom examines the reciprocal dynamics through which HRM systems shape and are shaped by other organizational systems (e.g. production systems and administrative systems). Nor do strategic HRM scholars pay much attention to how individual employees exert upward and horizontal influence to effect changes in HRM systems.

As strategic HRM emerges from infancy and matures, there will be many opportunities to address these and other existing weaknesses. We are especially hopeful that new insights will be gained by scholars interested in addressing issues raised by rapid globalization for global firms, as we discuss next.
Expand into the Global Arena

Rapid globalization creates a pressing need for improved understanding of how the geographic location(s) and reach of organizations influence how they manage employees. The strategic importance of HRM activities for international firms has long been recognized (Milliman, Von Glinow, & Nathan, 1991; Pucik & Katz, 1986; Tung, 1984). By the 1990s, insights from strategic HRM and international HRM had been integrated into a framework for understanding strategic international HRM (Schuler, Dowling, & De Cieri, 1993). Nevertheless, to date, most studies of HRM systems have focused on the domestic operations of organizations in western cultures; insights into the dynamics of strategic HRM in eastern cultures (e.g. China) are just beginning to appear (Chan & Mak, 2012; Zhao & Du, 2012).

The globalization of the strategic HRM community as well as comparative data such as that produced by the CRANET International Research Network on HRM provide a foundation for future investigations of studies of international strategic HRM (Horwitz, 2011; Lazarova, Morley, & Tyson, 2008; Parry, Stavrou-Costea, & Morley, 2011).

As strategic HRM scholarship continues to evolve and strengthen connections between elements of the HRM system and other elements of the organizational system, we hope to see a greater attention paid to the geographic dispersion of organizational units and the transfer of HRM systems across national borders. Decisions about whether and how to replicate an HRM system across several subsidiaries is a major challenge that appears to be facilitated by specific capabilities that are not yet fully understood (Fenton-O’Creevy & Wood, 2007; Morris & Snell, 2011; Morris et al., 2009). Another issue is managing operations in the face of significant talent shortages in some regions. For example, firms operating in China will be facing a shortage of highly skilled workers for many years to come (Dobbs, Lund, & Madgavkar, 2012). Other major challenges for global firms include: (1) locating and relocating operations to most effectively leverage labor costs, talent levels, and growing populations of consumers in the developing countries; (2) addressing the legitimate concerns of local communities while remaining flexible enough to downsize in locations that are no longer optimal; (3) protecting employees in an era of global terrorism; (4) bolstering employee engagement worldwide in order to maximize motivation and productivity; and (5) transmitting a global philosophy of HR management worldwide (Ferner & Almond, 2013; Scullion, Collings, & Gunnigle, 2007; Sparrow, 2009, 2013; Sparrow, Brewster, & Harris, 2004). Common to all of these global challenges is the need for HRM systems that address employees’ concerns while promoting economic advancement and growth.

The challenges of global talent management are already attracting greater interest (Boussebaa, 2009; Collings & Mellahi, 2009; Schuler, Jackson, & Tarique, 2011; Scullion & Collings, 2006, 2011; Scullion, Collings, & Caligiuri,
In contrast to early research in the field of international HRM, which focused primarily on managing expatriates, current work focuses on managing globally distributed operations. Deploying an expatriate cadre of highly paid managers and specialist professionals to manage globally dispersed operations is not sufficient. Instead, multinational firms are developing new solutions that realize the advantages associated with having a common HRM philosophy (and perhaps a common set of HRM processes) combined with a variety of HRM policies and practices designed to fit the local cultures, labor markets, and economic conditions (Brewster & Mayrhofer, 2013).

Address More Concerns of More Stakeholders

Critics of the strategic HRM paradigm often point to the limited view of HRM “effectiveness” that is evident in empirical strategic HRM research: bottom-line and operational business metrics seem to be the Holy Grail when it comes to measuring effectiveness. While other management scholars argue about the preferred financial- and market-based measures of organizational performance (Richard, Devinney, Yip, & Johnson, 2009), of greater concern for many critics of strategic HRM scholarship is the field’s relative indifference to the concerns of employees.

Protecting and promoting the interests of employees has long been considered as one of the primary responsibilities of HR professionals. Presumably, however, a fundamental conflict exists between the interests of owners and those of employees; therefore, the reasoning goes, HRM systems that maximize shareholders’ gains do so at the expense of employees (Godard, 2004; Legge, 1995; Van Buren et al., 2011). An alternative view argues that addressing the concerns of employees is a prerequisite for achieving long-term organizational effectiveness, so addressing the concerns of these two stakeholder groups need not be problematic (Jackson, Schuler, & Werner, 2012). In fact, the evidence is mostly consistent with a “mutual gains” perspective in that employees working for successful companies are happier than those working in poorly performing companies (Van De Voorde et al., 2012). However, when health-related outcomes are considered (rather than happiness), the studies reveal a more complex picture. In a fine-grained analysis of reactions to high-performance HRM systems in Welsh government agencies, the negative association between high-performance HRM and employee well-being was most evident among workers with little control over their work (Jensen, Patel, & Messersmith, 2013) as predicted by Karasek’s (1979) job demands-control theory and consistent with the socio-technical systems approach evident in Beer et al.’s (1984) first strategic HRM textbook.

Incorporating the concerns of both owners/investors and employees into strategic HRM research is an obvious, and nearly mandatory, next step for
the field, but it is a small step, for many other stakeholder groups also have legitimate concerns as well as varying degrees of power (Guerci & Shani, 2013; Parmar et al., 2010). An HRM system that satisfies employees and investors while contributing to environmental degradation cannot be considered effective. Likewise, an HRM system that satisfies investors and employees at the expense of customers is not ideal. Other stakeholders who might be affected by an organization’s HRM system include suppliers (Fu et al., 2013; Lengnick-Hall, Lengnick-Hall, & Rigsbee, 2013; Schuler & MacMillan, 1984), and strategic partners such as those involved in cooperative alliances formed to address shared research and development needs or joint ventures that provide access to new markets. By recognizing the long reach of HRM systems in an era of collaborative organizing (Fjeldstad, Snow, Miles, & Lettl, 2012; Gulati, Wohlgezogen, & Zhelyazkov, 2012) and expanding the variety of stakeholders who are potentially influenced by a firm’s HRM system, strategic HRM scholars have nearly unlimited opportunities to broaden the impact of their work and advance our understanding of organizational effectiveness, corporate social responsibility and long-term sustainability (for recent research on “sustainable HRM”, see Ehnert & Harry, 2012; Ehnert, Harry, & Zink, 2012 and an entire issue of Management Revue, Volume 23, 2012, which is devoted to the topic).

Attend to Segmentation of Employee Groups

Few organizations employ identical management practices across all groups of employees. Employee segmentation is as common as product market segmentation. Segmentation is well documented not only for pay practices, including both pay mix and pay levels (Yanadori & Kang, 2011), but also is evident in other elements of HRM systems, too (Jackson et al., 1989). Segmentation occurs on the basis of occupations, organizational level, labor market conditions, geographic location, as well as on the basis of past or expected future performance.

Several strategic HRM scholars and consultants actively promote such segmentation (also referred to as differentiation) and consider it essential to business success (Becker, Huselid, & Beatty, 2009; Boudreau & Ramstad, 2007; Lepak & Snell, 1999). Nevertheless, empirical studies of HRM systems often ignore intra-firm segmentation of employees. Thus, even as meta-analytic reviews draw conclusions about the determinants and outcomes of HRM systems (Combs et al., 2006; Jiang et al., 2012b; Subramony, 2009), the generalizability of such conclusions to specific workforce segments is unknown.

Managers and supervisors. Paradoxically, one way to improve our understanding of employee segmentation may be to treat employees and their bosses
(a.k.a. managers or supervisors) as inseparable partners; to understand the actions of either partner requires attending to the actions of the other (Sparrow, Hesketh, Cooper, & Hird, 2010). Regardless of which employee group one is interested in, their managers/supervisors play central roles. In addition to translating stated HRM philosophies and formal HRM policies into daily practices and processes (Hutchinson & Purcell, 2010), their leadership styles and skills may supplant or act as substitutes for the formal HRM system (Chuang et al., in press; Purcell & Hutchinson, 2007). The relatively high cost of managerial talent and the investments that many organizations make in developing their managerial talent suggests that understanding the relationship between HRM systems, managerial effectiveness and employee-related outcomes should be a priority for the field of strategic HRM.

**HR professionals.** Managers also shape the lives of HR professionals as they strive to become “strategic partners”. For HR professionals, the work of construing their modern social identity can be exciting as well as stressful (Glover & Butler, 2012; Pritchard, 2010). So far, HR professionals have been largely missing from strategic HRM scholarship. The aspirational framework shown in Figure 1 brings them into the picture, albeit without articulating their specific roles. Looking ahead, we anticipate increased interest in understanding the dynamics of effective strategic partnerships between HR professionals and managers, for the promise of strategic HRM systems is more likely to be realized when this partnership thrives.

**Strive for Practical Usefulness**

The birth of strategic HRM scholarship occurred when HRM expertise was seldom present in corporate board rooms. Throughout much of its young life, the field has struggled to achieve the respect bestowed on other functional areas—those whose executives have “a seat at the table”. The guiding assumption often seems to be: If scholars can show that effective HRM is associated with bottom-line performance, HR professionals and scholars alike will deserve and gain the respect they desire.

The presence of Chief HR Officers in top management teams has improved over time (Wright, Moore, & Stewart, 2012), but apparently these executives often come from line positions, having moved into their HRM roles after first gaining experience and credibility in other functional areas (Groysberg, Kelly, & MacDonald, 2011; see also Huselid, Jackson, & Schuler, 1997). Nor have HR professionals seen their status rise in the eyes of employees and the general public: cartoons and videos mocking HR managers are more abundant than ever, it seems.

After 30 years, we can state with some confidence that investments in HRM systems are likely to yield economic benefits. However, we know very little
about why some firms invest more to acquire and develop human resources (Schmidt & Keil, 2013), the conditions under which investment in formal HRM systems is worthwhile, the dynamics that influence the relative salience of employees’ concerns relative to the concerns of other stakeholders (Mitchell, Agle, & Wood, 1999), and the possible alternative means (such as effective leadership) through which managers value and successfully leverage the firm’s human resources (Chuang et al., in press).

Describe how to do it, not just what to do. Apparently, those responsible for designing and delivering effective HRM systems do not yet know how to fulfill these duties in ways that satisfy key stakeholders—including other company executives and many employees. Arguably, strategic HRM scholars are as much to blame as practicing HRM managers. Discussions of the causes of and solution to the observed gap between HRM science and practice often emphasize the need to ensure practitioners are exposed to the available scientific evidence (Cohen, 2007; Rynes, Colbert, & Brown, 2002). Another possibility is that we have discovered what works while ignoring the question of how HRM systems are developed, maintained, and destroyed.

A study of benchmarking and the use of high-involvement HRM systems illustrated the value of incorporating the interests of practicing HR professionals into strategic HRM scholarship. In an era when benchmarking was becoming more prevalent, Sanchez, Kraus, White, and Williams (1999) made a scholarly contribution by testing hypotheses grounded in institutional theory and also addressed a very practical question concerning the use of benchmarking. Other implementation issues of significant interest to HR professionals that strategic HRM scholarship has not adequately addressed include the growth in Internet freelancing (Aguinis & Lawal, 2013); the spread of e-HRM systems, which often alter the HR roles, responsibilities, and sources of power for employees, managers, and HR professionals (Ruel & Bondarouk, 2013; Schalk, Timmerman, & van den Heuvel, 2013); ongoing experimentation in the structure of the HR function (Sparrow et al., 2013); and developments in the use of enterprise software and access to “big data”—which may eventually give employers access to vast amounts of information about employees and their interactions within and outside the organization.

Conduct practice-friendly research. Besides asking questions that produce applicable knowledge, the time has come to embrace more practice-friendly research methods. Reliance on surveys that ask anonymous respondents to answer generic questions is pervasive and problematic. Research methods that require greater intimacy between those who gather data and those who produce it may yield more meaningful data. We encourage strategic HRM scholars to increase the diversity of methodological approaches they use to more often include methods that are capable of generating new insights.
about processes and complex dynamics, in addition to the dominant approach of testing variance theories (Langley, 1999).

Given the complexity involved in creating effective HRM systems, qualitative research methods may prove especially useful. As an exemplary example, we recommend reading the description of a year-long ethnographic study of HR professionals working in an investment bank, which revealed the personal and interpersonal challenges that can accompany efforts to make the shift from the traditional HRM role to the role of strategic partner (Pritchard, 2010). The study reminds us that effective HRM requires much more than evidence of a possible empirical relationship between HRM practices and firm performance: changing an HRM system to one prescribed by the empirical evidence requires navigating changes in the roles and identities of HR professionals and line managers alike. Another exemplary example is provided by a study that relied on intensive interviews of knowledge workers in Ireland to shed new light on how two elements of HRM systems (HR philosophy and HR processes) operate in tandem to influence employee reactions to HRM systems (Monks et al., 2013).

When research yields useful information, participating organizations implement changes based on the research results. Such changes, in turn, appear to occur more often to the extent a researcher spends time in the research site. One might wonder whether a plea for research that is both useful and practice-friendly is not pointless in the current era of citation counts and impact scores, but such skepticism may not be warranted: the evidence shows that research impact (measured by article citations) is greater when authors spend more time at the research site (Rynes, McNatt, & Bretz, 1999).

New perspectives for framing research questions also may prove helpful for bridging the gap between strategic HRM scholarship and practice. We encourage adventurous scholars to replace the standard strategic HRM perspectives with new ones, such as the strategy-as-practice paradigm (Vaara & Whittington, 2012), discovery-oriented field work (Locke, 2011), and Large Group Interventions (Bartunek, Balogun, & Do, 2011) and other forms of action research.

**Answer Important Questions**

In addition to exploiting good ideas from the past, we encourage future work that explores new terrain. There are, of course, many opportunities for strategic HRM to expand beyond its original formulations. The most evident extensions currently are studies targeting the so-called “black box”, which aim to better document the mediating processes through which HRM systems influence various outcomes. Such work merges strategic HRM with traditional HRM and OB scholarship and may promote consolidation across these closely related fields. Meanwhile, the “strategic” arm of HRM scholarship shows
symptoms of atrophy. We are certain that studies examining the micro-foundations of strategic HRM will flourish without prodding. Therefore, in this final section, we offer strong encouragement to those exploring paths that are somewhat less well traveled and specifically direct their attention to two opportunities for meaningful advances in both strategic HRM scholarship and strategic HRM practice. These are the challenges of (a) innovation and (b) environmental sustainability, which we hope will play significant roles in the continuing story of strategic HRM.

**Strategic HRM and innovation.** The strategic importance of innovation to the sustained competitiveness of companies and countries (Hoskisson, Hitt, Ireland, & Harrison, 2013; Keupp, Palmie, & Glassman, 2012; Porter, 1980, 1985; Porter & Rivkin, 2012) points to a significant role for strategic HRM practice and scholarship (Jaruzelski, Loehr, & Holman, 2011). Early strategic HRM scholarship recognized that innovation-based competition was changing organizational designs and management structures (Miles & Snow, 1978; Schuler, 1986), and early empirical work suggested specific HRM policies and practices may be uniquely supportive of the employee behaviors required for innovation (Jackson et al., 1989; Schuler & Jackson, 1987a). Recently, a few scholars have begun to focus more deeply on the nature of innovation and its implications for strategic HRM. For example, Ceylan (2013) found support for the argument that commitment-based HRM systems improve firm performance by promoting product-, process-, and organization-focused innovation activities.

**Knowledge workers.** Informed and inspired by the explosion of new insights about processes such as organizational learning, knowledge creation, and knowledge transfer and the need for organizations to develop capabilities that support their particular business strategies, some studies of HRM and innovation have incorporated the principle of workforce segmentation. Rather than assuming that innovation is equally central to the work of all employees, the emerging body of work focuses attention on employees engaged in knowledge-intensive, creative work. An example that reflects this more nuanced approach to strategic HRM research is Swart and Kinnie’s (2010) study of 16 professional service firms in the USA and UK. In-depth interviews were conducted to identify the dominant knowledge assets (e.g. creative human capital versus commitment-based social capital) associated with each of four alternative learning orientations (e.g. produce creative output in short time periods versus craft planned solutions using existing knowledge). Through interviews, the authors also identified the key HRM practices used to develop each of the various types of knowledge assets required. Their observations showed that firms matched their HRM practices to the particular learning orientation required for a particular type of professional service. Furthermore, some firms appeared to be adept at using
their HRM system to support strategies that required ambidexterity. The authors’ observations further revealed the ability of these firms to achieve outcomes that were mutually beneficial to clients, employees, and the bottom-line.

**Organizational capabilities.** The contingency perspective and workforce segmentation principle are evident in a recent investigation of flexible HRM systems (Chang et al., 2013), which considered how high-technology firms operating in a dynamic environment can use organization-level arrangements to enhance their absorptive capacity, facilitate learning among core employees, and translate such learning into competitive advantages such as market responsiveness and innovativeness. The authors took considerable care to develop new measures to assess resource-oriented and coordination-oriented flexible HRM and then showed that each type of flexible HRM system enhances market responsiveness and firm innovativeness by fostering absorptive capacity among core knowledge employees. By integrating the perspectives of strategic HRM with an extensive body of knowledge about the nature of innovation and the specific organizational capabilities it requires, Chang et al. (2013) provide a promising base for others to continue advancing our understanding of HRM systems that support successful innovation.

**Knowledge-intensive teamwork.** Another recent study of HRM systems for knowledge employees in high-technology firms took a somewhat different approach to understanding the role of HRM systems in promoting innovation. Noting that innovation work is often collaborative, Chuang et al. (in press) studied the relationship between team-focused HRM systems and the knowledge activities of R&D teams. Similar to the approach of Chang et al. (2013), these authors developed a new measure to assess strategically targeted HRM practices. Building on prior analyses of the nature of knowledge management and knowledge-intensive teamwork, the study examined the relationship between the use of strategically aligned HRM systems and knowledge-intensive teamwork in teams with different types of leaders. The results indicated that team-based HRM systems were beneficial in the absence of empowering leadership, but for teams with empowering leaders, the HRM system was of little additional benefit. That is, empowering leadership served as a substitute for the HRM system. Investigating the role of HRM systems in firms that value innovation offers a promising opportunity for gaining new insights about knowledge flows and learning throughout networks of interconnected teams and organizations (Gulati et al., 2012; Kang, Morris, & Snell, 2006; Wadhwa & Kotha, 2006), for these also shape the organizational cultures, employee competencies, and organization capabilities that are most essential to organizational effectiveness (Schuler, 2013).

Given the existing base of detailed knowledge about innovation processes, the array of possible innovation outcomes that have been identified in the strategic management literature, and the recent development of new measures to
assess relevant HRM systems, rapid, and meaningful advances in our understanding of the role of HRM systems in supporting innovation seem quite feasible.

**Strategic HRM and environmental sustainability.** Deep-rooted respect and reverence toward the natural environment is evident in many ancient cultural traditions worldwide, but business executives have only recently realized that environmental issues such as climate change, energy efficiency, biodiversity, and pollution are global challenges that present business threats and opportunities (Ambec & Lanoie, 2012). Pressure from governments, investors, and consumers has elevated the importance of environmental sustainability, but achieving environmental objectives requires the successful harnessing of human talent, energy, and cooperation (e.g. for an informative discussion of greening airline pilots, see Harvey, Williams, & Probert, 2013; for several other examples, see also Jackson, Ones, & Dilchert, 2012).

HRM scholars have only recently begun to consider how HRM systems might contribute to the environmental performance of firms (Jackson & Seo, 2010; Jackson, Renwick, Jabbour, & Muller-Camen, 2011; Ones & Dilchert, 2012; Renwick, Redman, & Maguire, 2013). Likewise, surveys of HR professionals reveal that few take active roles as business partners in companies striving to achieve environmental sustainability (Schmit, Fegley, Esen, Schramm, & Tomassetti, 2012; Wagner, 2011). Nevertheless, the potential value of strategic HRM systems for organizations pursuing environmental sustainability seems clear even at this early stage of developing interest. For example, a study of 5220 French firms found that adopting environmental management standards was associated with increased training and improved labor productivity (Delmas & Pekovic, 2013). The authors speculated that adopting environmental management standards may promote productivity by increasing employee commitment, also. A study of 233 Spanish firms in agri-food and wine industries provided a direct test of this logic. The authors tested and found support for a model in which high-involvement HRM systems have an indirect effect on firm performance mediated through their effects on proactive environmental strategies (Martinez-del-Rio et al., 2012).

When firms embrace the philosophy of environmental sustainability, employee training may be the most obviously useful element of HRM systems (Ramus, 2002); often training is provided early in the process of environmental change management (Jabbour, Santos, & Nagano, 2010; Wagner, 2011). Other HRM policies and practices that may enhance environmental performance include those related to staffing and compensation.

Recruiting practices can support effective environmental management by attracting job applicants who understand the company’s environmental concerns and share its environmental values, while selection practices can help...
ensure that the organization hires job applicants who are knowledgeable and care about environmental sustainability. Opinion surveys conducted in the UK and the USA indicate that many members of the workforce pay attention to the environmental reputation of companies and use such information when deciding where to seek employment (Gully, Phillips, Castellano, Han, & Kim, 2013; Stringer, 2009; Wehrmeyer, 1996).

Compensation and rewards also play important roles. For managers and executives, offering monetary bonuses and other rewards for achieving environmental goals focuses attention and stimulates actions to achieve them. A longitudinal study of 469 US firms operating in high-polluting industries found that firms with good environmental performance paid their CEOs more, and basing pay on long-term company results was associated with more successful pollution prevention (Berrone & Gomez-Mejia, 2009). Base pay rates can be used to reward employees who contribute to achieving environmental objectives, also, by including job evaluation factors such as knowledge of environmental regulations and responsibility for decisions with potential environmental consequences.

The problem of environmental sustainability provides interesting opportunities for research at the intersection of strategic HRM, supply chain management, and multi-organization collaborations, also. Readers seeking inspiration are directed to Lengnick-Hall et al. (2013), Wassmer, Paquin, and Sharma (in press), and Heras-Saizarbitoria and Boiral (2013).

As the profound consequences for our planet of the Industrial Revolution and global economic development have become clear, calls for business to engage in environmental sustainability initiatives have grown louder. Responding to such calls successfully is likely to require the deployment of strategically aligned HRM systems, presenting opportunities for HRM scholars to engage in new lines of important, useful research.

Conclusion

Three decades of strategic HRM scholarship have drawn much needed attention to the potential benefits of effective HRM systems. Overall, it seems clear that well-designed HRM systems offer a partial solution to the complex challenge of meeting the needs of an organization’s array of internal and external stakeholders. What eludes us is a deep understanding of the dynamic processes through which HRM systems arise, morph, migrate, rigidify, and atrophy. Insights about such dynamic processes are needed to enhance the practical usefulness of strategic HRM knowledge and will likely help future scholars formulate new frameworks for strategic HRM. Looking ahead, we encourage a new generation of strategic HRM scholars to engage in problem-centered research that addresses the significant challenges contemporary organizations face, including intense competition, rapid globalization, and environmental
degradation, among others. Such work will undoubtedly reflect the open systems perspective that gave birth to the field of strategic HRM, engage a more diverse array of stakeholders, and expand the field’s relevance to colleagues in other areas, including strategic management, international business, operations management, services marketing, public policy, and organizational theory, to name just a few.

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References


