The International Journal of Human Resource Management,
Vol. 19, No. 8, August 2008, 1486–1499

Routledge
Taylor & Francis Group

Strategic HRM in North America: Looking to the future

David P. Lepak[a] and Jason D. Shaw[b]*

[a]*University of Bath, Bath, UK;* [b]*University of Minnesota, Minneapolis, MN, USA*

Strategic human resources management (HRM) remains one of the most popular and rapidly growing areas of HRM research. In this article, we undertake a selective review of the strategic HRM literature with a particular emphasis on research from the North American context. After outlining the research landscape and areas of consensus and disagreement, we discuss several emerging issues that effective HRM systems must contend with in the future, including technological fluidity, workforce demographic changes and shifting worker values. With an eye toward future research opportunities, we also discuss the broadening of performance outcomes in strategic HRM research and highlight the importance of effectively managing HRM systems for multiple employee groups.

Q1 **Keywords:**

Introduction

The field of strategic HRM has made considerable advances during the past 20 years. The origins of the field can be traced to a few influential and innovative perspectives by authors such as Dyer (1984) and Schuler and Jackson (1987) and its growth was aided by the momentum created from pioneering empirical studies by authors such as Huselid (1995), Delery and Doty (1996) and MacDuffie (1995). Since those ground-breaking studies, a considerable amount of theoretical and empirical work has extended what we know about the HRM–organizational performance relationship. At the same time, however, a number of problematic issues threaten to impede forward movement of the field. Fortunately, it appears that several researchers are taking on these challenges and conducting innovative research that helps to move the field forward.

In this article, we first briefly review the existing state of research on strategic HRM research in the North American context. Second, we describe our conceptual view of HRM systems as well as some emerging issues that HRM systems must contend with in the future. Third, we use some intriguing recent research as a guide for outlining several research issues that we think will help move the field forward.

What is strategic HRM?

While researchers may differ on some of the subtleties, there are several distinguishing features of strategic HRM that differentiate it from other lines of HRM research. First, strategic HRM research tends to be conducted at a macro level of analysis such as business units, establishments and organizations. This focus stands in contrast to more traditional, functional HRM research (e.g., Delery and Shaw 2001). Second, strategic HRM researchers tend to highlight fit among

*Corresponding author. Email: shawx218@umn.edu

ISSN 0958-5192 print/ISSN 1466-4399 online

DOI: 10.1080/09585190802200272
http://www.informaworld.com

HRM practices (internal alignment) (e.g., Arthur 1992, 1994; Huselid 1995; Guthrie 2000) and/or fit between HRM and other organizational factors (external alignment) as key research issues. While many contingencies may be evaluated, the most common contingency has been business strategy (e.g., Delery and Doty 1996; Youndt, Snell, Dean and Lepak 1996). Third, although there are exceptions, most strategic HRM studies place primary emphasis on organizational performance outcomes, including corporate financial performance (e.g., Huselid 1995; Delery and Doty 1996) and managerial perceptions of organizational performance (Delaney and Huselid 1996). Closely related studies have examined relevant organizational outcomes such as accident rates (Shaw, Delery and Gupta 2002; Zacharatos, Barling and Iverson 2005), turnover (e.g., Shaw, Delery, Jenkins and Gupta 1998; Guthrie 2000) and productivity (e.g., Arthur 2004 ; Wright, Gardner, Moynihan and Allen 2005).

In addition to these three aspects of strategic HRM thinking, researchers in the field have tended to adopt one of three dominant theoretical perspectives: universalistic, contingency and configurational. We discuss these below.

Universalistic perspective

While one of the key attributes of strategic HRM research is a focus on HRM systems, some strategic HRM research has focused on individual HRM practices. The logic of this perspective is that there is, or may be, strategic value in certain individual HRM practices. For example, Delery and Shaw (2001) noted that Taylor and Russell's (1939) pioneering work on valid selection techniques and organizational success, McGregor's (1960) research on participatory management and Hackman and Oldham's (1980) work design models all have clear, although indirect, applicability in terms of competitive advantage. The key aspect of this area of research is the extension of more traditional HRM practice studies to 'demonstrate the importance of human resource management practices for organizational performance' (Delery and Doty 1996, p. 802). Terpstra and Rozell (1993) demonstrated a positive relationship between staffing practices (follow-up on recruiting sources, conduct validation studies on selection tests, structured interviews, intelligence tests, biographical information blanks) and annual profit. Russell, Terborg and Powers (1985) linked training practices (e.g., essential policies, stocking and transaction procedures, customer relations, customer service, customer satisfaction information and basic sales techniques) with sales volume and store image of retail stores. Perry-Smith and Blum (2000) demonstrated that work-family policies (e.g., on-site day care, help with day care costs, paid parental care, flexible schedule) are positively related to firm performance. Perhaps the most well known universalistic perspective is provided by Pfeffer (1995). Based on a review of what successful companies do with regard to HRM practices, he concluded that certain practices should be more universally effective than others, including employment security, selectivity in recruiting, high wages, incentive pay, employee ownership, information sharing, participation and empowerment, self-managed teams, training and skill development, cross-utilization and cross-training, symbolic equalitarianism, wage compression and finally promotion from within. Although Pfeffer's (1995) elaboration is based more on interpretation than solid empirical evidence, it does describe the universalistic approach rather well.

In short, there is some evidence that certain HRM practices are better than others in terms of exhibiting a positive relationship with important organizational indicators of performance. At the same time, however, this perspective may be criticized by failing to consider: a) what other practices are in place; and b) the context in which these practices are used. These two criticisms lead to the configurational and the contingency perspectives.

Configurational perspective

A key issue in the configurational perspective is the argument that a given HRM practice – regardless of its situational superiority – is unlikely to yield substantial benefits at the organizational level unless it is combined with other effective practices. Researchers focusing on this perspective have used a variety of terms such as 'horizontal fit,' 'internal fit,' 'complementarity' or 'bundling,' (Baird and Meshoulam 1988; Wright and McMahan 1992; Delery and Doty 1996) to emphasize the focus on alignment among multiple HRM practices. This perspective suggests that a configuration of a set of internally-aligned HRM practices will have a much greater ability to explain variation in organizational performance than single HRM practices taken in isolation (Delery 1998). Employees are, after all, exposed to more than one practice in their employment. As a result, the effectiveness of any one practice depends, in part, on its fit or misfit of it with other elements of the HRM system. For example, while selective staffing may be very effective on average, when combined with a forced distribution evaluation scheme it may result in highly talented employees being arbitrarily rated low to create a distribution.

Several researchers have explored the potential benefits of alignment among the HRM practices. In support of a system logic, Pil and MacDuffie (1996) found that companies that have complementary HRM practices – such as selective hiring, extensive training and use of incentives – are more likely later to adopt high-involvement work practices, including teams, involvement, job rotation, suggestion programmes and decentralization. Similarly, Ichniowski, Shaw and Prennushi (1997) and MacDuffie (1995) reported that the system of HRM had a greater impact on productivity and quality than individual HRM practices. Delery and Doty (1996) reported that HRM practices configured in a market-type employment system was associated with higher firm financial performance. Perhaps the most well known configurational study was conducted by Huselid (1995). In a large cross-industry study, Huselid (1995) demonstrated that a system of practices he labelled a 'high performance work system' (HPWS) was positively and significantly associated with important organizational outcomes.

Contingency perspective

The universalistic and configurational perspectives focus on direct relationships between HRM practices and performance outcomes (isolated effects in the universalistic view and internal fit effects in the configurational view), but a number of researchers support an alternative contingency view. The argument here is that HRM practices in isolation (universalistic) or in combination (configurational) will be maximally effective only under certain situational conditions. The behavioural perspective is an influential mode of theorizing in this line of research. Essentially, the behavioural perspective suggests that HRM practices affect firm performance by eliciting needed role behaviours for certain organizational contingencies (Jackson, Schuler and Rivero 1989; Jackson and Schuler 1995; Schuler and Jackson 1987). Organizations, therefore, should design HRM systems that encourage behaviours that are aligned with such contingencies.

Within this perspective, there are two types of contingency relationships. The first concerns the influence of various contingencies on single HRM practices. For example, researchers may argue that business strategy influences the choice and/or effectiveness of certain staffing or performance management tools. Consistent with this approach, Jackson et al. (1989) examined how pursuit of alternative business strategies influenced the use of different HRM practices. They found that in order to encourage innovation, companies tended to provide less incentive compensation and more job security and training.

The second type focuses on whether the use and/or effectiveness of HRM systems depend on some contingency (i.e., a contingent configurational perspective). Both forms are illustrated in

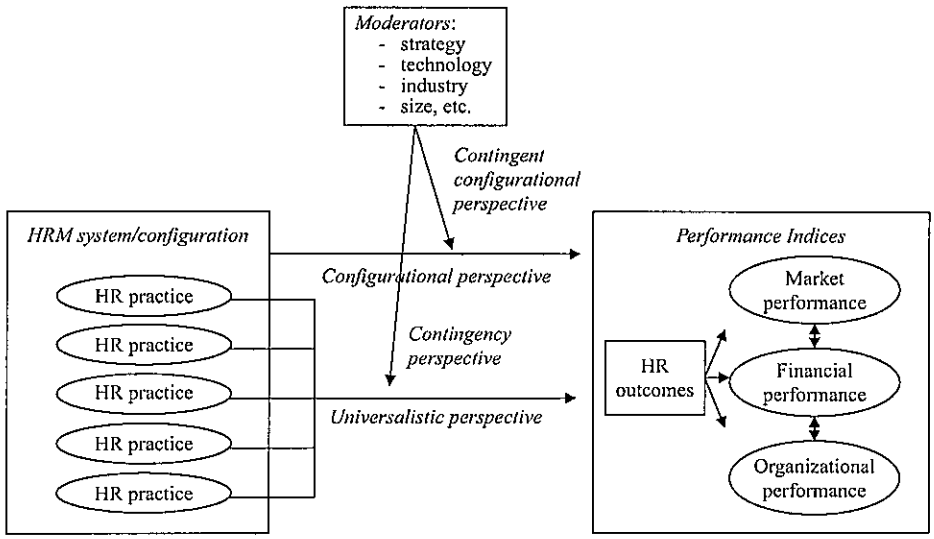

Figure 1. Universalistic, contingency, configurational, and contingent configurational perspectives for the HRM – performance relationship. Adapted from Lepak, Takeuchi, Erhardt and Colakoglu 2006.

Figure 1. According to this argument, internally-consistent HRM systems must also achieve external alignment with contingencies. For example, Miles and Snow (1978) identified distinct HRM systems associated with three organizational types (prospector, analyzers and defenders). In a study of steel mini-mills, Arthur (1992) demonstrated the existence of two dominant HRM systems – commitment and control – that were differentially related to cost and differentiation strategies. Youndt et al. (1996) found differential effects of a human capital-enhancing HRM system and an administrative HRM system across different forms of manufacturing strategy. Osterman (1994) found that companies undertaking a 'high road' strategy utilized more innovative work practices such as quality circles, job rotation schemes and team-based production, compared to companies with a 'low road' strategy. Lepak and Snell (1999, 2002) identify four configurations of HRM practices: commitment-, productivity-, compliance- and collaborative-based HRM systems that were used for different groups of employees within organizations depending on their relative strategic value in contributing to organizational objectives.

Although strategy has been the dominant contingency focus, other contextual variables such as industry sector (e.g., Jackson et al. 1989; Datta, Guthrie and Wright 2005) and technology (Snell and Dean 1992) have been found to exert an important influence on the design and/or effectiveness of various HRM systems. For example, industry characteristics such as capital intensity, industry growth, industry product differentiation and industry dynamism have been shown to influence the HRM–organizational performance relationship (Datta et al. 2005).

What are HRM systems?

Researchers have moved toward some degree of consensus regarding what HRM systems are – a bundle of practices. Beyond that, however, there is much less agreement on how these systems are conceptualized and operationalized. In particular, there are several issues that require additional research to move the field forward.

What type of system?

A look at the research identifies a wide variety of HRM systems such as control and commitment (Arthur 1992), high involvement (MacDuffie 1995), human capital enhancing and administrative (Youndt et al. 1996), market based (Delery and Doty 1996), productivity, compliance, collaborative and commitment (Lepak and Snell 1999, 2002) and high performance work systems (Huselid 1995). Given the diversity of HRM systems, all of which have somewhat different components, a key question is whether they are simply opposite ends of the same continuum (i.e., control versus commitment) or whether they are fundamentally different HRM approaches.

One view is that, in general, the labels used in the literature are describing extremes along the same continuum in terms of how employees are valued and treated. For example, Arthur (1994, p. 672) noted that, 'the goal of control human resource systems is to reduce direct labor costs, or improve efficiency, by enforcing employee compliance with specified rules and procedures and basing employee rewards on some measurable output criteria... commitment human resource systems shape desired employee behaviours and attitudes by forging psychological links between organizational and employee goals. In other words, the focus is on developing committed employees who can be trusted to use their discretion to carry out tasks in ways that are consistent with organizational goals'.

It is possible, however, that HRM systems may be designed to reflect *different* ways in which employees add value (Lepak, Liao, Chung and Harden 2007; Lepak, Taylor, Tekleab, Marrone and Cohen 2007). For example, Zacharatos and colleagues (2005) proposed and designed a high-performance work system for occupational safety which included a set of 10 HRM practices. They found that safety-oriented HPWS enhanced employee trust in management and enforced a positive safety climate, which in turn improved employees' safety orientation and lowered injury incidences. Liao and Chuang (2004) proposed the notion of high performance HRM practices for customer service and identified employee involvement, training and performance incentive as the most relevant for employee performance in service settings. Jackson, Chuang, Harden and Jiang (2006) proposed a profile of HRM systems for knowledge-intensive teamwork. While still at its infancy, this line of thinking suggests that a promising way of conceptualizing HRM may be to design systems for specific organization objectives and needed role behaviours. Clearly, more research that examines the applicability of this approach is needed.

Policies versus practices?

Beyond a focus on what the objective of HRM systems is, an additional important issue relates to the level of focus within the system. Essentially researchers may focus on HRM practices or HRM policies. As noted by Wright and Boswell (2002; pp. 263–264), 'HR policies represent the firm or business unit's stated intentions about the kinds of HR programs, processes and techniques that should be carried out in the organization'. HR practices consist of the actual programs, processes and techniques that actually get operationalized in the unit (Gerhart, Wright, McMahan and Snell 2000; Huselid and Becker 2000). This distinction is important because of the potential disconnection between the espoused policy and the enacted practice.

In addition, for a given HRM policy (pay for performance, selective staffing, etc.), there are a host of HRM practices that may be used to achieve that policy objective. Some companies may use individual incentives while other companies use stock options, although both organizations have similar HRM policies.

Each approach has merits. Focusing on policies allows for equifinality in terms of how HRM policies operate. This focus may also facilitate comparisons in terms of how people are managed across organizations, although enacted practices may differ slightly (Lepak et al. 2007). In terms of weaknesses, a focus on HRM policies may not capture the fact that certain practices are

simply superior to others (Wright and Boswell 2002). An exclusive focus may also mask divergence between policies and enacted practices.

A clear advantage of focusing on practices is increased measurement accuracy. As Wright and Boswell (2002, p. 264) recently noted, 'because employees can only respond to actual practices, any research attempting to demonstrate a relationship between HRM and firm performance stands on firmer ground when assessing the actual practices rather than the intended policies'. But, the large number of possible HRM combinations creates considerable challenges for capturing HRM systems at the practice level. It is more likely that there are valuable insights to be gained at both levels of abstraction. For example, it may be the case that certain policies tend to be better than others and that among those policies, certain HRM practices are better than others. Also, the area of focus may depend on the research objective – is the focus to examine generalizable issues across contexts (policies) or to examine the effectiveness of specific practices? The challenge for researchers is to conceptualize HRM systems accurately in terms of level and to develop measures that capture the level appropriately.

Relations among policies/practices?

It is important that researchers develop bridges to connect knowledge generated at the individual level with regard to practice effectiveness with lessons learned at the organizational level about internal synergies between various practices. As an example, Shaw, Gupta and Delery (2002) found that a wide variation in the pay structure across employees, i.e., highly dispersed pay was associated with better performance only when combined with the use of performance-based pay. They also argued and found that highly-dispersed pay was ineffective in terms of relating to better organizational performance when work was highly interdependent and when the contributions of individuals were difficult to observe. The bottom line is that two practices may be well-validated in a given situation, but may be competing or inconsistent when used concurrently.

This reality brings to the forefront a critical issue that warrants investigation; that is, how do the components of HRM systems work in concert? Delery (1998) noted that policies/practices may operate in several ways. In an additive approach, the logic is that the components within a system operate independently. Essentially using more of a certain list of practices is better. In contrast, practices/policies may function as substitutes or as synergies (Delery 1998). Compared to the additive logic, a substitute approach suggests that certain practices may be redundant and using either will yield similar effects. Alternatively, HRM practices may be synergistic 'when together they result in a substantially different effect than the sum of their individual effects.' Interestingly, the nature of this synergistic effect may be positive or negative (Becker, Huselid, Pickus and Spratt 1997; Delery 1998).

It is also possible that all types of relations may be operating simultaneously. For example, selection and training may conceptually be viewed as substitutes. Organizations may hire individuals with specific or well-developed skills or develop these skills through training. Alternatively, these same practices may have a synergistic effect where training enhances the positive effects of effective selection. The effects of these two practices may, however, be additive in nature – using either is good, but using both is better. Even if selection and training are found to be one form of relationship (i.e., additive), the relationship between these two practices and some third practice such as job design or compensation may take a different form (i.e., substitute). Given the potential relations among the components of the HRM systems, it is imperative that researchers focus on these relationships. By doing so, we will be in a much better position to understand not only which HRM systems are most important, but which combinations of practices might be used to realize objectives.

Recent developments and emerging issues

Based on the research summarized above, there is general and consistent evidence that the use of HRM systems relates to measures of work force and organizational performance. Moreover, the overall use and effectiveness of HRM systems do appear to be influenced by organizational contingencies. Despite overwhelming agreement on these broad issues, there are several remaining areas of uncertainty in this field. In this section, we explore three broad and important issues regarding: a) emerging issues; b) choosing performance metrics; and c) managing multiple HRM systems simultaneously.

Emerging contextual factors

As noted above, the contingency perspective suggests that the effectiveness of HRM systems should be dependent on existing organizational contingencies. Although strategy is the contingency variable that has received the most attention in the literature, a variety of contingencies may also affect the nature of the relationship between HRM systems and measures of organizational performance. We address three of these important contingencies below.

Technology

The issue of technology management both within and outside organizational boundaries is a critical issue for organizations today and it is hard to fathom how it will not increase in importance over time. Organizations today must be much more flexible in terms of managing their internal processes and structures than they were in the past. Miles and Snow (1978) – three decades ago – argued that some firms made strategic decisions to be innovative and described these organizations as having an 'aura of fluidity' (p. 56). But, in some ways, this aura applies to most organizations – either by choice or in a more deterministic fashion (Shaw 2007). As Dyer and Ericksen (2005) argue, 'either by choice or by circumstance, firms increasingly find themselves operating in turbulent and highly unpredictable environments' (p. 183).

Researchers, of course, have paid attention to technology and HRM initiatives. For example, the distinction between mass production (i.e., for standardized products) and flexible specialization (i.e., for customized products) has implications for managing employees. Research shows that organizations using flexible specialization or advanced manufacturing technologies require highly skilled employees, more diverse employee skills and use innovative work practices such as teams, job rotation and quality circles (Jackson et al. 1989; Snell and Dean 1992; Osterman 1994). Moreover, changes in technologies often 'change the incumbent skills, standard practices, technology, services and products of the firm,' (Greve and Taylor 2000, p. 55), cause coordination problems when changes in core technologies are required and create environments where 'comparison of levels of efficiency over time becomes difficult and only partially meaningful' (Miles and Snow 1978, p. 64). Even in traditional manufacturing environments historically associated with low skilled labour, advanced technologies have changed the level and type of competencies workers need (Snell and Dean 1992). While this view of technology is more of an 'upskilling' perspective, technology may also have a 'deskilling' impact – simplifying jobs and reducing the level and types of skills needed to perform tasks. In the extreme, technology may be used as a means to replace labour. Companies such as Home Depot have introduced self-check out machines. One obvious implication of these initiatives is a shrinking workforce while continuing to provide the same level of service. But there may be more implications including the job attitudes and behaviours of the employees remaining in the workforce. Research on the performance implications of fit between HRM systems and technologies are rather scarce, but the evidence is fairly compelling. Shaw, Gupta and Delery (2001), for example, found that alignment between

certain compensation systems (e.g., team, skill and individual performance-based pay) and manufacturing technologies (e.g., integrated manufacturing systems and total quality management) was associated with higher productivity and lower accidents rates while misfit resulted in poor overall manufacturing performance.

Advances in information technologies have also created vastly different work environments than typically considered in HRM research. With access to communication technologies, employees can and do, work anywhere. Vartiainen et al. (2007) point out that although telecommuting historically brings to mind an employee working in a home office, the workplace of today often includes 'hotels, cafes and conference venues, as well as the public areas of lounges and airports' (p. 75). From the perspective of the individual, such working arrangements may bring about feeling of freedom and perceptions of personal control, but they also blur distinctions between one's work and personal life, which may create difficulties with understanding working hours and create situations where 'interruptions to planned sequences of space and time always take place (Vartianinen et al. 2007, p. 77; see also Felstead, Jewson and Walters 2005). With a more virtual workforce, a logical question emerges regarding the optimal method to manage a dispersed workforce. Do the same HRM systems that are optimal for a location specific workforce have the same impact for a dispersed workforce? What are the managerial issues regarding control and coordination that emerge with a dispersed workforce? Finally, the increasing presence of Internet-based commerce creates issues regarding workforce planning – where and when people work.

The role of technology has a long tradition in organizational studies. At the same time, however, organizations today are experimenting with fundamentally different forms of carrying out work and interacting with their consumers. These changes logically have implications regarding how to manage the workforce for competitive advantage. Research that directly addresses these issues is needed.

Workforce trends

There is a growing debate in the labour economics literature concerning the future of the North American labour pool. On the one hand, many researchers have argued that labour supply shortages will be prevalent in the future. This argument hinges on the workforce loss from the retiring 'baby boom' generation and the smaller-in-number generation that follows it. Other authors paint a different picture of these dynamics. Cappelli (2005) noted that the American generation once-removed from the 'baby boomers' is substantially larger and should be sufficient to supply new workers at current or higher levels. In addition to labour supply levels, which could 'wash out' over these generations, a perhaps more significant factor in terms of HRM systems and organizational performance is the changing demographic makeup of labour supply – age, in particular – as Cappelli (2005, p. 144) points out, 'those over age 65 account for roughly 13% of the population at present, a figure that will grow to 20% by 2050'.

There are compelling theoretical reasons to be concerned with how these demographic dynamics may affect the ability of HRM systems to facilitate high performance. For example, Carstensen (1998) in his socio-emotional selectivity theory argues that 'age is associated with increasing motivation to derive emotional meaning from life and decreasing motivation to expand one's horizons' (Carstensen, Fung and Charles 2003; p. 103). Krause and Shaw (2003, p. 579) confirmed this notion by illustrating that older individuals 'compensate for the continuing and gradual loss of resources by investing in what is left in an increasingly smaller circle of roles or life domains.' Although employment among older workers is often seen as a way to 'pass the time' or simply to remain active, Carstensen's (1998) theory suggests that the effects of HRM systems on employee attitudes and behaviours are actually stronger among these

individuals. The reasoning is that as the number of relevant life domains contracts, there is increasing pressure to extract meaning from the remaining dimensions. In a more exploratory period of life-domain expansion, it is relatively less important for younger individuals to extract meaning from a given domain such as work (Reker 2000). In terms of HRM systems, one implication is that older individuals will not only expect more from these systems, but will also react more negatively in terms of attitudes and behaviours to inadequately designed or mismatching systems. In support of this, Scott, Shaw and Duffy (2007) found that older individuals reacted strongly and positively in terms of their organization-based self-esteem to large merit pay raises in procedurally fair systems. In contrast, observed organization-based self esteem levels were *lowest* among older individuals when they received a *large* merit raise in an unjust system. These authors reasoned that because they expect their working lives to have personal and professional significance, older recipients of an ill-gotten gain, reacted very negatively to poorly designed HRM systems even though it happened to be in their favour. Although these ideas are preliminary and extrapolations of these findings to organizational-level studies of HRM systems may be premature, it is worth considering that although much attention has been given to coming labour shortage across industries, the issue of fit between HRM systems in an aging workforce may be a more critical issue.

Changing worker values

The historical view of career and organizational loyalty has been changed dramatically in the last two decades. Employers were once seen as providing long-term job stability in return for high levels of loyalty from employees. The HRM systems that reflected this type of mutual exchange (e.g., stable, fixed compensation and benefits package, primarily) are changing dramatically and are often made without loyalty and commitment considerations (Tsui and Wu 2005). Managing HRM systems in a more fluid employment environment and in a work world with low loyalty levels is a particular challenge for organizations. A key issue, according to Cappelli (2000, p. 11) is that 'power is shifting toward employees, leading to new problems for employers and, in turn, fundamentally different ways of managing employees'. This power shift has been met with widespread corporate changes in terms of loyalty expectations. Tsui and Wu (2005) reported that during a three-year stretch in the mid 1980s about half a million middle- to upper-level managers were laid off or 'downsized' (e.g., see Bluestone and Harrison 1988), but there were 2.7 million job reductions in the first three years of the latest decade (Nussbaum 2004). These figures not only reveal a dramatic shift in terms of how employees view their employers, but also signal a dramatic change in terms of how organizations manage their HRM practices and their work forces.

Choosing performance metrics

Strategic HRM researchers have differentiated performance along levels ranging from HRM outcomes to organizational outcomes to financial outcomes to market-based outcomes (Shaw and Delery 2003). Considering the variety of levels of performance, we would encourage researchers to be much more explicit regarding the level and type of performance they are predicting. Research that articulates why a particular HRM system is associated with a specific level of performance will be the most informative. While strategic HRM researchers have built a substantial body of evidence regarding the relationship between HRM systems and productivity, financial and market performance (e.g., Huselid 1995) as well as intermediate outcomes such as voluntary turnover rates (e.g., Arthur 1994; Shaw et al. 1998; Batt 2002; Shaw and Gupta, in press), recently there has been a spate of research examining additional proximal outcomes of HRM systems or mediators between HRM systems and distal performance outcomes.

According to the behavioural perspective, HRM systems are used to elicit needed role behaviours among employees to help realize an organization's strategic objectives. Conceptually, this implies that employee behaviours mediate the HRM system-performance relationship. Dyer and Ericksen (2005) argue that the future of HRM in terms of creating value lies in agility and the ability of the systems to develop an agile and flexible workforce. As noted above, technological changes often force organizations to be fluid and the structures and processes emanating from the HRM system must follow suit. As these authors state:

> Agile enterprises require guiding principles that encourage the inflow and outflow of talent in ways that facilitate and only minimally disrupt internal fluidity. These principles require balance. On the one hand, new entrants are needed t avoid the tendency toward groupthink and habituation that tend to imbue inbred social systems. Too much churn, on the other hand, undermines the mutual understanding and trust that allows for internal fluidity. (Dyer and Ericksen 2005, p. 187)

Beyond flexibility, researchers are increasingly examining individual attitudes as a key outcome of HRM systems. For example, Whitener (2001) demonstrated that organizational commitment was highest among individuals when commitment-enhancing HRM practices were used and employees had high levels of perceived organizational support. Relatedly, Wayne, Shore and Liden (1997) found that developmental HRM practices were positively related to perceived organizational support. Perceptions of organizational support, in turn, has been found to be positively associated with affective organizational commitment and constructive suggestions (Eisenberger, Fasolo and Davis-LaMastro 1990) and citizenship behaviours (Wayne et al. 1997) while negatively related to absenteeism (Eisenberger et al. 1990) and turnover intentions (Guzzo, Noonan and Elron 1994). The logic underlying this focus is based on norms of reciprocity. As Wayne et al. (1997, p. 83) noted, 'employees seek a balance in their exchange relationships with organizations by having attitudes and behaviours commensurate with the degree of employer commitment to them as individuals'.

While a considerable number of studies focus on human capital development resulting from HRM systems, several researchers have extended this logic to consider social capital as an important factor in understanding how employees contribute to organizational success. Shaw, Duffy, Johnson and Lockhart (2005), for example, in a study of restaurant employees argued that turnover of individuals who hold key places in the communication networks would be associated with performance decrements over and above the losses experienced from the actual performance levels of those leavers. They found support for these expectations – social capital losses related negatively to productivity measures over and above the in-role performance losses from the same leavers and these knowledge-transfer based losses were most pronounced when the first holes were created in the communication networks. In terms of sales per employee, a low turnover organization produced approximately $17,653 per employee, but a slight increase in social capital losses through turnover resulted in a 26.3% drop in productivity.

Subramaniam and Youndt (2005) examined the relationships between human, social and organizational capital and innovation and found that organizational capital was positively associated with incremental innovative capability and social capital was related to both incremental and radical capabilities. Interestingly, they also found that human and social capital interacted positively to influence radical innovative capability suggesting that the value of human capital is closely linked to social capital. As noted by Subramaniam and Youndt (2005), 'unless individual knowledge is networked, shared and channeled through relationships, it provides little benefit to organizations in terms of innovative capabilities'.

Several researchers have explicitly considered how social capital may extend from HRM systems and potentially mediate its relationship with various performance measures. Kang, Morris and Snell (2007) suggested that success in creating customer value requires that firms be successful in both exploitation and exploratory innovation based on employee knowledge.

Leveraging knowledge requires organizations to design HRM systems in a way to encourage entrepreneurial activity among employees for exploratory innovation as well as cooperative activity among employees to exploit. A key factor in achieving these objectives is using HRM systems to foster social networks that support either entrepreneurial or exploitative activity among employees.

Collins and Smith (2006) argued that an index of commitment-oriented HRM practices (e.g., internal selection, group incentives, training and teambuilding, etc.) would enhance the effectiveness of knowledge-centred organizations by improving their internal social climate. They found that commitment-oriented HRM practices related positively to internal social climate and information combining and exchange and ultimately resulted in better performance on two critical dimensions for high-technology organizations – revenue from new products and services and one-year sales growth. Increasing investment in commitment oriented HRM practices by one standard deviation resulted in 17% differential in terms of sales from new products and nearly 19% increase in sales. Consistent with this perspective, Takeuchi, Lepak, Wang and Takeuchi (2007) found that the relationship between high performance work systems and establishment performance was mediated by the level of human capital among employees and the quality of the organization's social exchange relationships with employees.

Managing multiple HRM systems simultaneously

While the majority of strategic HRM studies have focused on the link between a particular HRM system and performance, organizations have a long history of employing multiple HRM systems simultaneously along distinctions such as exempt versus non-exempt workers (Huselid 1995) or management versus non-managerial workers (Jackson et al. 1989; see also Lepak and Snell 2002). Q6 Lepak, Taylor, Tekleab, Marrone and Cohen (2006) found that firms use high investment HRM systems disproportionately for core employees than for support employees in service organizations.

As these studies indicate, organizations tend to maintain multiple HRM systems for different groups of employees simultaneously. We believe that this is an important area for future research. For example, while core workers tend to attract the majority of the focus, the opportunity for non-core workers to influence firm performance may be greater as these workers may represent a significant proportion of a firm's overall workforce. It may also be the case that the profile of HRM systems used for different employee groups, rather than any single HRM system, impacts performance. One of the underlying arguments for an architectural perspective is that companies may adjust their level of investment in different employee groups based on their potential contribution toward competitive advantage. To date, however, researchers have not examined the implications of this portfolio approach. It is possible that differentiating HRM investments may trigger justice or equity concerns among different groups. Groups on the lower end of the investments may display less than desired attitudes and behaviours, even if the HRM system is deemed efficient in reflection of their contributions. At the same time, however, failing to differentiate core or star employees from other employees may fail to recognize the importance of their contributions. This is certainly an area of research that warrants investigation to provide greater insights into how HRM practices and/or systems are related to performance.

Conclusion

This is an exciting time for research in the area of strategic HRM. Originally based on the notion that how people are managed may influence organizational performance, a considerable amount of theoretical and empirical work has extended what we know about the HRM–organizational performance relationship. Certainly more research is needed but we are encouraged by the quality

of research examining emerging contexts, the specific mechanisms by which HR systems operate and the influence of HR systems across multiple levels and types of performance metrics.

References

Arthur, J.B. (1992), 'The Link Between Business Strategy and Industrial Relations Systems in American Steel Mini-mills,' *Industrial and Labor Relations Review*, 45, 488–506.

Arthur, J.B. (1994), 'Effects Of Human Resource Systems on Manufacturing Performance and Turnover,' *Academy of Management Journal*, 37, 670–687.

Baird, L., and Meshoulam, I. (1988), 'Managing Two Fits of Strategic Human-resource Management,' *Academy of Management Review*, 13, 116–128.

Batt, R. (2002), 'Managing Customer Service: Human Resource Practices, Quit Rates, and Sales Growth,' *Academy of Management Journal*, 45, 587–597.

Becker, B.E., Huselid, M., Pickus, P., and Spratt, M. (1997), 'HR as a Source of Shareholder Value: Research and Recommendations,' *Human Resource Management*, 36, 39–47.

Bluestone, B., and Harrison, B. (1988), 'The Growth of Low-wage Employment: 1963–1986,' *American Economic Review*, 78, 124–128.

Cappelli, P. (2000), 'Managing Without Commitment,' *Organizational Dynamics*, 28, 4, 11–24.

Cappelli, P. (2005), 'Will There Really be a Labor Shortage?' *Human Resource Management*, 44, 143–149.

Carstensen, L.L. (1998), 'A Life-span Approach to Social Motivation,' in *Motivation and Self–regulation Across the Life-span*, eds. J. Heckhausen and C. Dweck, New York: Cambridge University Press, pp. 341–364.

Carstensen, L.L., Fung, H.H., and Charles, S.T. (2003), 'Socio-emotional Selectivity Theory and the Regulation of Emotion in the Second Half of Life,' *Motivation and Emotion*, 27, 2, 103–123.

Collins, C.J., and Smith, K.G. (2006), 'Knowledge Exchange and Combination: The Role of Human Resource Practices in the Performance of High Technology Firms,' *Academy of Management Journal*, 49, 544–560.

Datta, D.K., Guthrie, J.P., and Wright, P.M. (2005), 'Human Resource Management and Labor Productivity: Does Industry Matter?' *Academy of Management Journal*, 48, 135–145.

Delaney, J.T., and Huselid, M.A. (1996), 'The Impact of Human Resource Management Practices on Perceptions of Organizational Performance,' *Academy of Management Journal*, 39, 949–969.

Delery, J.E. (1998), 'Issues of Fit in Strategic Human Resource Management: Implications for Research,' *Human Resource Management Review*, 8, 289–310.

Delery, J.E., and Doty, D.H. (1996), 'Modes of Theorizing in Strategic Human Resource Management: Tests of Universalistic, Contingency, and Configurational Performance Predictions,' *Academy of Management Journal*, 39, 802–835.

Delery, J.E., and Shaw, J.D. (2001), 'The Strategic Management of People in Work Organizations: Review, Synthesis, and Extension,' *Research in Personnel and Human Resources Management*, 20, 165–197.

Dyer, L. (1984), 'Studying Human Resource Strategy: An Approach and an Agenda,' *Industrial Relations*, 23, 156–169.

Dyer, L., and Ericksen, J. (2005), 'In Pursuit of Marketplace Agility: Applying Precepts of Self-organizing Systems to Optimize Human Resource Scalability,' *Human Resource Management*, 44, 183–188.

Eisenberger, R., Fasolo, P., and Davis-LaMastro, V. (1990), 'Perceived Organizational Support and Employee Diligence, Commitment, and Innovation,' *Journal of Applied Psychology*, 75, 51–59.

Felstead, A., Jewson, N., and Walters, S. (2005), *Changing Places of Work*, New York: Palgrave Macmillan.

Gerhart, B., Wright, P.M., McMahan, G.C., and Snell, S.A. (2000), 'Measurement Error in Research on Human Resources and Firm Performance: How Much Error is There and How Does it Influence Effect Size Estimates,' *Personnel Psychology*, 53, 803–834.

Greve, H.R., and Taylor, A. (2000), 'Innovations as Catalysts for Organizational Change: Shifts in Organizational Cognition and Search,' *Administrative Science Quarterly*, 45, 54–80.

Guthrie, J.P. (2000), 'High Involvement Work Practices, Turnover and Productivity: Evidence from New Zealand,' *Academy of Management Journal*, 44, 180–190.

Hackman, J.R., and Oldham, G.R. (1980), *Work Redesign*, Reading. MA: Addison-Wesley.

Huselid, M.A. (1995), 'The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance,' *Academy of Management Journal*, 38, 635–672.

Huselid, M.A., and Becker, B.E. (2000), 'Comment on 'Measurement Error' in Research on Human Resources and Firm Performance: How Much Error is There and How Does it Influence Effect Size Estimates,' *Personnel Psychology*, 53, 835–854.

Ichniowski, C., Shaw, K., and Prennushi, G. (1997), 'The Effects of Human Resource Management Practices on Productivity: A Study of Steel Finishing Lines,' *American Economic Review*, 87, 291–313.

Jackson, S.E., Chuang, C., Harden, E.E., and Jiang, Y. (2006), 'Toward Developing Human Resource Management Systems for Knowledge-intensive Teamwork,' *Research in Personnel and Human Resources Management*, 25, 27–70.

Jackson, S.E., and Schuler, R.S. (1995), 'Understanding Human Resource Management in the Context of Organizations and their Environments,' *Annual Review of Psychology*, 46, 237–264.

Jackson, S.E., Schuler, R.S., and Rivero, J.C. (1989), 'Organizational Characteristics as Predictors of Personnel Practices,' *Personnel Psychology*, 42, 727–786.

Kang, S.C., Morris, S.S., and Snell, S.A. (2007), 'Relational Archetypes, Organizational Learning, and Value Creation: Extending the Human Resource Architecture,' *Academy of Management Review*, 32, 236–256.

Krause, N., and Shaw, B.A. (2003), 'Role-specific Control, Personal Meaning, and Health in Late Life,' *Research on Aging*, 25, 559–586.

Lepak, D.P., Liao, H., Chung, Y., and Harden, E.E. (2006), 'A Conceptual Review of Human Resource Management Systems in Strategic Human Resource Management Research,' *Research in Personnel and Human Resources Management*, 25, 217–271.

Lepak, D.P., Taylor, M.S., Tekleab, A., Marrone, J.A., and Cohen, D.J. (2007), 'An Examination of the Use of High-investment Human Resource Systems for Core and Support Employees,' *Human Resource Management*, 46, 223–246.

Lepak, D.P., and Snell, S.A. (1999), 'The Human Resource Architecture: Toward a Theory of Human Capital Allocation and Development,' *Academy of Management Review*, 24, 31–48.

Lepak, D.P., and Snell, S.A. (2002), 'Examining the Human Resource Architecture: The Relationships Among Human Capital, Employment, and Human Resource Configurations,' *Journal of Management*, 28, 517–543.

Lepak, D.P., Takeuchi, R., Erhardt, N.L., and Colakoglu, S. (2006), 'Emerging Perspectives on the Relationship Between Human Resource Management and Performance,' in *The Human Resources Revolution: Research and Practice*, eds. R. Burke and C. Cooper, Oxford, UK: Elsevier, pp. 31–54.

Liao, H., and Chuang, A. (2004), 'A Multilevel Investigation of Factors Influencing Employee Service Performance and Customer Outcomes,' *Academy of Management Journal*, 47, 41–58.

MacDuffie, J.P. (1995), 'Human Resource Bundles and Manufacturing Performance: Organizational Logic and Flexible Production Systems in the World Auto Industry,' *Industrial and Labor Relations Review*, 48, 197–221.

McGregor, D. (1960), *The Human Side of Enterprise*, New York: McGraw-Hill.

Miles, R.E., and Snow, C.C. (1978), *Organizational Strategy Structure and Process*, New York: McGraw-Hill.

Nussbaum, B. (2004), 'Where are the Jobs?' *Business* Week, March 22, 36–37.

Osterman, P. (1994), 'How Common is Workplace Transformation and who Adopts it?' *Industrial and Labor Relations Review*, 47, 173–188.

Perry–Smith, J.E., and Blum, T.C. (2000), 'Work-family Human Resource Bundles and Perceived Organizational Performance,' *Academy of Management Journal*, 43, 1107–1117.

Pfeffer, J. (1995), 'Producing Sustainable Competitive Advantage Through the Effective Management of People,' *Academy of Management Executive*, 9, 55–69.

Pil, F., and MacDuffie, J.P. (1996), 'The Adoption of High-involvement Work Practices,' *Industrial Relations*, 35, 423–455.

Reker, G.T. (2000), 'Theoretical Perspective, Dimensions and Measurement of Existential Meaning,' in *Exploring Existential Meaning: Optimizing Human Development Across the Life Span*, eds. GT. Reker and K. Chamberlain, Thousand Oaks, CA: Sage, pp. 39–55.

Russell, J.S., Terborg, J.R., and Powers, M.L. (1985), 'Organizational Performance and Organizational-level Training and Support,' *Personnel Psychology*, 38, 849–863.

Schuler, R.S., and Jackson, S.E. (1987), 'Linking Competitive Strategies with Human Resource Management Practices,' *Academy of Management Executive*, 1, 207–219.

Scott, K.L., Shaw, J.D., and Duffy, M.K. (2007), 'Merit Pay Raises and Organization-based Self Esteem,' working paper, University of Minnesota.

Shaw, J.D. (2007), 'Competitive Advantage Through HRM,' in *Managing HR in North America: Issues and Perspectives*, ed. S. Werner, London: Routledge.

Shaw, J.D., and Delery, J.E. (2003), 'Strategic HRM and Organizational Health,' in *Individual and Organizational Health*, eds. D.A. Hofmann and L.E. Tetrick, San Francisco, CA: Jossey-Bass, pp. 233–260.

Shaw, J.D., Delery, J.E., Jenkins, G.D. Jr., and Gupta, N. (1998), 'An Organizational-level Analysis of Voluntary and Involuntary Turnover,' *Academy of Management Journal*, 41, 511–525.

Shaw, J.D., Duffy, M.K., Johnson, J.J., and Lockhart, D. (2005), 'Turnover, social capital losses, and performance,' *Academy of Management Journal*, 48, 594–606.

Shaw, J.D., and Gupta, N. (in press), 'Pay System Characteristics and Quit Patterns of Good, Average, and Poor Performers,' *Personnel Psychology*.

Shaw, J.D., Gupta, N., and Delery, J.E. (2001), 'Congruence Between Technology and Compensation Systems: Implications for Strategy Implementation,' *Strategic Management Journal*, 22, 379–386.

Shaw, J.D., Gupta, N., and Delery, J.E. (2002), 'Pay Dispersion and Work Force Performance: Moderating Effects of Incentives and Interdependence,' *Strategic Management Journal*, 23, 491–512.

Snell, S.A., and Dean, J.W. Jr. (1992), 'Integrated Manufacturing and Human Resource Management: A Human Capital Perspective,' *Academy of Management Journal*, 35, 467–504.

Subramaniam, M., and Youndt, M.A. (2005), 'The Influence of Intellectual Capital on the Types of Innovative Capabilities,' *Academy of Management Journal*, 48, 450–463.

Takeuchi, R., Lepak, D.P., Wang, H.L., and Takeuchi, K. (2007), 'An Empirical Examination of the Mechanisms Mediating Between High-performance Work Systems and the Performance of Japanese Organizations,' *Journal of Applied Psychology*, 92, 1069–1083.

Taylor, H.C., and Russell, J.T. (1939), 'The Relationship of Validity Coefficients to the Practical Effectiveness of Tests in Selection,' *Journal of Applied Psychology*, 23, 565–578.

Terpstra, D.E., and Rozell, E.J. (1993), 'The Relationship of Staffing Practices to Organizational-level Measures of Performance,' *Personnel Psychology*, 46, 27–48.

Tsui, A.S., and Wu, J.B. (2005), 'The New Employment Relationship versus the Mutual Investment Approach: Implications for Human Resource Management,' *Human Resource Management*, 44, 115–121.

Vartiainen, M., Hakonen, M., Koivisto, S., Mannonen, P., Nieminen, M.P., Ruohomaki, V., and Vartola, A. (2007), *Distributed and Mobile: Places, People, and Technology*, Helsinki, Finland: Oy Yliopistokustannus University Press.

Wayne, S.J., Shore, L.M., and Liden, R.C. (1997), 'Perceived Organizational Support and Leader-member Exchange: A Social Exchange Perspective,' *Academy of Management Journal*, 40, 82–111.

Wright, P.M., and Boswell, W.R. (2002), 'Desegregating HRM: A Review and Synthesis of Micro and Macro Human Resource Management Research,' *Journal of Management*, 28, 247–276.

Wright, P.M., Gardner, T.M., Moynihan, L.M., and Allen, M.R. (2005), 'The Relationships Between HR Practices and Firm Performance: Examining Causal Order,' *Personnel Psychology*, 58, 409–446.

Wright, P.M., and McMahan, G.C. (1992), 'Theoretical Perspectives for Strategic Human Resource Management,' *Journal of Management*, 18, 295–320.

Whitener, E.M. (2001), 'Do 'High Commitment' Human Resource Practices Affect Employee Commitment? A Cross-level Analysis Using Hierarchical Linear Modeling,' *Journal of Management*, 27, 515–535.

Youndt, M.A., Snell, S.A., Dean, J.W., Jr., and Lepak, D.P. (1996), 'Human Resource Management, Manufacturing Strategy, and Firm Performance,' *Academy of Management Journal*, 39, 836–866.

Zacharatos, A., Barling, J., and Iverson, R. (2005), 'High-performance Work Systems and Occupational Safety,' *Journal of Applied Psychology*, 90, 77–93.