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Strategic human resource management: where have we come from and where should we be going?

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Strategic human resource management (SHRM) implies a concern with the ways in which HRM is critical to organizational effectiveness. This straightforward assertion is examined in theory and through research evidence to reveal high levels of complexity in relation to how, when and why the interconnection between HRM and organizational outcomes is achieved. The two dominant normative models of 'best fit' and 'best practice' are considered. The paper concludes that the HR strategies of firms are heavily shaped by contextual contingencies, including national, sectoral and organizational factors. However, such a conclusion does not invalidate all 'best-practice' thinking. Although constrained in certain ways, underpinning principles of labour management still have relevance to practice as essential attributes of a firm's ability to compete in its chosen markets. The paper then considers the resource-based view (RBV) of the firm and asks whether this provides a better basis for the development of theory in SHRM and in understanding the contribution of HRM to the achievement of sustained competitive advantage. While limits to the utility of RBV in respect of SHRM theory are identified, important implications for research are signalled. Trends in the RBV literature are pushing all those interested in strategy towards studies of intellectual capital, learning processes and organizational adaptability. Researchers in HRM could, if they wished, play a central role in these developments because questions of how to attract, motivate and develop workers with critical and scarce abilities, and develop effective processes of work organization, must be fundamental to any model of knowledge-based competition. Greater progress will be made when organizations are studied in a much more interdisciplinary or systemic way.

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Introduction

As a sphere of management practice and a site of business school studies, the field of strategic human resource management (SHRM) has grown steadily since the mid-1980s. Business executives, students and academics have been debating what it might mean to take a 'strategic approach' to human resource management (HRM). The purpose of this paper is to evaluate theoretical development and research progress in the field of SHRM. We begin by discussing definitional issues and then analyse major areas of theory and research in SHRM up to the present time. The areas we discuss include the debate between 'best-fit' and 'best-practice' models, and the application to HRM of the resource-based view of the firm. These areas account for the vast majority of theoretical work in the field. The paper concludes with our assessment of how research should be developed from this point forward.

Strategic Human Resource Management: what do we mean?

There is still significant diversity in the literature over the meaning of 'strategic human resource management' and its companion term, 'human resource strategy'. It is vital that we take time to clarify our terms, because the definitions we adopt colour the way we think about the key theoretical problems associated with the subject.

To begin with, what do we mean by 'HRM' and by that overworked word 'strategic'? Our preference is for a broad, inclusive definition of HRM. HRM includes anything and everything associated with the management of employment relations in the firm. We do not associate HRM solely with a high-commitment model of labour management or with any particular ideology or style of management. High-commitment strategies do exist, but we are also concerned with the many cases in which management is pursuing performance goals through lower levels of attachment or is seeking to manage a complex, segmented workforce through variable levels of commitment (Boxall 1996; Purcell 1996, 1999a). To produce better theory and enable better practice, the academic discipline of HRM should identify and evaluate the variety of management styles that exist in contemporary workplaces.

What difference does it make, then, when we apply the adjective *strategic* to HRM? In many cases, including a large number of textbooks, it means nothing at all.[1] If, however, we aim to be careful about words, the application of the adjective strategic must imply a concern with the ways in which HRM is critical to organizational effectiveness. There are always strategic choices associated with labour processes in the firm – whether highly planned or largely emergent in management behaviour – and these choices are inevitably connected to the firm's performance (Child 1972, 1997; Dyer 1984; Mintzberg 1978; Purcell and Ahlstrand 1994, 37–42). It is helpful to think of strategic choices on two levels: they either play a vital role in underpinning the firm's viability (make-or-break choices) or they account for major, ongoing differences in business performance (Boxall and Steeneveld 1999). In adopting this understanding, it is convenient to refer to a firm's *pattern* of strategic choices in labour management (including critical ends and means) as its 'human resource (HR) strategy' (Dyer 1984).

To illustrate what we mean about strategic choices in HRM, take the case of a management consulting firm that aims to join the élite cluster of firms that are transnational, if not 'global' in their reach (firms such as McKinsey, PricewaterhouseCoopers and Anderson Consulting). There is no doubt that such a firm must have highly selective recruitment and strong development of staff to ensure it can consistently offer clients high-quality service on complex business problems. In this élite 'strategic group',[2] a synergistic blend of certain human resource policies – such as proactive recruitment channels, high entry standards, high pay, employee ownership and extensive professional education – are critical prerequisites to a firm's credibility in its sectoral labour market. On the other hand, it is unlikely that there is much hanging on the firm's choice of job evaluation systems. If any one of a range of such systems supports its remuneration goals in recruiting and retaining highly qualified consultants, or doesn't perversely undermine them, then the choice among different systems is not critical. Similarly, the contracting out of payroll or benefits administration in such a firm is not a strategic dimension of its HRM. It is not difficult to meet the requirements of employment contracts in these areas and élite firms are not differentiated from lesser firms on this basis. What is critical, however, is that the firm's leaders put together and apply the *system* of broad-based HR policies that will help the firm to join the élite group of professional firms in its sector – although it would be unwise to think that this will happen quickly or be achieved solely through HR strategy (Mueller 1996; Boxall and Steeneveld 1999).

This illustration of strategic choice-making is a very simple one, and we should pause to explain what we are implying about concepts of effectiveness in firms and the management process involved in forming and reaching them. We do not want to conjure up a picture of the firm as a 'production function' in which management has perfect information about markets and technological options and simply configures human and non-human resources in the best way to meet desired financial objectives (as is still argued in foundation texts in microeconomics). Effectiveness is a multidimensional concept which is subject to paradox (Cameron 1986). While firms are economic entities – with shareholders who expect adequate financial returns – they are dependent on the services of a network of different members of society, including employees and agencies of the state. Not only must managers try to reach the economic goals desired by shareholders, but they must also try to deal with the drivers of employee satisfaction and with broad notions of social legitimacy (see, for example, Granovetter 1985; Kochan 1999; Lees 1997; Oliver 1997). To hold the firm together, management must secure adequate levels of common interest but trade-offs are typically involved across some stakeholder objectives (Hill and Jones 1992). Major change often throws these trade-offs into sharper relief. A restructuring of the departments in a business – which threatens historical budgets and jobs – will typically challenge stakeholder interests, including those of managers whose own interests create 'agency' problems for the firm (Jensen and Meckling 1976). And while political negotiation is an important characteristic of strategic management, we should also acknowledge the ongoing problem of imperfect information – about both present and future – and cognitive limitations in the management of complexity (Child 1997). Through such things as better environmental scanning, more rigorous debate in the top management team, and more extensive employee involvement in the planning process, some firms are better prepared for the future than others (Boxall 1996).

Recognizing the political and cognitive complexities involved, we understand strategic HRM as concerned with the strategic choices associated with the use of labour in firms and with explaining why some firms manage them more effectively than others. It is helpful to spell this definition out in a very practical manner. Suppose an HR Director or consultant is asked by a chief executive to conduct a review of the quality of HR strategy in a firm. What should such a review entail? We suggest the following broad questions:

- What strategic choices in HRM (including key HR policies, practices, and investments and the overall system of these choices) are critical to the firm's performance?
- How are actors in the firm making these choices (what processes are involved, including analytical and political processes, and how are strategic HR choices connected to other strategic choices in the firm)?
- How could the firm's HRM become more effective (what could be done in HRM to improve the firm's relative performance in its industry, perhaps even to the extent of generating some form of sustained competitive advantage)?

As these three questions make clear, this kind of analysis is far from straightforward. In many firms, significant data gathering would be needed to answer the first two questions. A study of these two questions nearly always demonstrates the need for better systems for measuring HR performance in the firm, as advocates of the 'balanced scorecard' have noted (Kaplan and Norton 1996, 144–145). There is still a marked tendency in firms to treat HR practices as ends in themselves, and a major effort is usually needed to map their links to one another, to other management activities and to important performance variables. The third question involves not only data analysis but some kind of theory about how to make HRM more effective in the firm, about how to improve the strategic management of human resources in it. What theories are on offer?

The rest of the paper is concerned with this question but we must – again – pause for clarification. Before proceeding, we should add three further complications to our conception of strategic HRM. First, we must be careful *not* to assume that HR strategies are uniform within firms. It is wrong to conjure up the image of a *single* set of critical practices for managing people in the firm. The vast bulk of evidence suggests otherwise: firms rarely adopt a single style of management for all their employee groups. The HR strategies of firms typically include somewhat different styles for different occupational groups: 'internal labour markets' are strongly segmented (Osterman 1987; Pinfield and Berner 1994; Purcell 1987), not least between management and non-managerial labour (Boxall 1992). In a nutshell, the pattern of strategic choices in a firm's employment relations is variegated (Purcell 1996, 1999a). As we argue later in this paper, the causes and consequences of this variegation should be pursued more strenuously in SHRM research.

Secondly, we have been talking as if the firm is a single business unit. The easiest way to develop theory in strategic HRM is, in fact, to assume that the firm is a single business unit operating in a discrete industry sector (Boxall 1999). Reality, however, is much more complicated. Difficulties arise with multi-product and multidivisional firms, some of which are based on related diversification and others on unrelated diversification. Is there a role for corporate HR strategy in such firms and, if so, what should it be (Purcell and Ahlstrand 1994)? Can corporate HR strategy provide some form of 'parenting advantage' which adds value to what business units could achieve without corporate influence? A third complication arises with international firms (as many multidivisional firms are). Where firms compete across national boundaries, in what ways should they adapt their employment practices to local conditions? This is the concern of the fields of international and comparative HRM (see, for example, Brewster 1999; Boxall 1995). The sort of questions we have raised about HR strategy give rise to the concept of 'strategic international HRM' (De Cieri and Dowling 1999). With these difficulties in mind, it is little wonder that theory-building in strategic HRM is such a daunting prospect. In what ways can we usefully map such a complex terrain?

Strategic Human Resource Management: 'best fit' or 'best practice'?

Complexities aside, most research and theoretical debate in strategic HRM has been consumed with a contest between two normative models of how firms should make strategic choices in labour management. One model – the 'best-fit' school – argues that HR strategy will be more effective when it is appropriately integrated with its specific organizational and environmental context. This begs a string of questions about which are the most critical contingencies in this complex context and how they are best connected. The other model advocates universalism, arguing that all firms will be better off if they identify and adopt 'best practice' in the way they manage people. This sounds more simple but begs questions about how 'best practice' is defined and about why we see such limited diffusion of most of the 'best-practice' models that are currently advocated, both within complex firms and across sectors of the economy. Let us explore each model more fully and then examine what the research has to say.

The 'Best-Fit' School

In one of the most widely cited sources, Baird and Meshoulam (1988) argue that HR activities, like structure and systems, must fit the organization's stage of development – something they call 'external fit' (otherwise called 'vertical fit'). This implies informal, more flexible styles of HRM among start-up firms and more formal, professionalized styles as firms become more mature and increase the number and range of employees. It implies the need to cope with complex tensions between decentralization and co-ordination when large firms diversify. They also argue for 'internal fit', for the need to ensure that individual HR policies are designed to 'fit with and support each other' (p. 122) (otherwise called 'horizontal fit'). Most models of 'best fit' are concerned with what is meant by 'external fit' and with how to achieve it. There are then flow-on implications for internal fit, a point to which we will return.

The most influential 'best-fit' model, however, has been one in which external fit is defined by the firm's competitive strategy[3] rather than its stage of development. In this model, the basic recipe for strategic HRM involves bringing HR strategy into line with business needs so defined. In Schuler and Jackson's (1987) widely cited formulation, it is argued that HR practices should be designed to reinforce the behavioural implications of the various 'generic strategies' defined by Porter (1985). Thus, it is implied, firm performance will improve when HR practices mutually reinforce the firm's (predetermined) choice of cost leadership, differentiation or focus as its competitive posture.

Some major criticisms have been made of the idea that HR practices should be driven by competitive strategy. First, such a model fails to recognize the need to align employee interests with the firm or comply with prevailing social norms and legal requirements (e.g. Boxall 1996; Lees 1997; Schein 1977) *in the course of* this process. Although the employer typically enjoys superior bargaining power, managers in firms must give some thought to how they can meet the baseline needs of employees whose skills are crucial to the firm's survival (Boxall 1998; Coff 1997). This is especially so in highly competitive labour markets, such as contemporary markets for IT skills. Secondly, the model has been criticized for its lack of sophistication in describing competitive strategy. Research by Danny Miller (1992), for example, suggests that competitive strategy is often multi-dimensional and subject to important variations across industries. It would be extremely unwise if HR strategists devised behavioural implications and HR policies from a typology of competitive strategy that may be misleading in their specific context. Thirdly, the model lacks sufficient attention to dynamics. While it is obviously important for firms to implement the human dimensions of any competitive strategy, ongoing environmental change implies they should do more than this (Boxall 1992). A more helpful model for practice is one in which fit with existing competitive strategy is developed *simultaneously* with flexibility in the range of skills and behaviours that may be needed to cope with exogenous shocks and different competitive scenarios in the future (see, for example, the framework developed by Wright and Snell 1998). HR strategy *should* give effect to the firm's current competitive goals, by recruiting and motivating people with the sort of skills and motivations needed in the firm's competitive sector. However, it is also highly desirable that it encourages staff to think 'outside the square', and helps to build the sort of skills needed for new business capabilities, technological advances or changes to customer expectations. Change, we are often reminded, is one of the few certainties of modern capitalism.

This last criticism helps us to refine the companion notion to 'external fit' – 'internal fit' or internal coherence of HR policies and practices around what might be called 'the desirable theme'. Clearly, firms should aim for positive 'bundling' (MacDuffie 1995) – like our earlier example of élite management consulting firms. They should try to avoid 'deadly combinations': policies that work in directly opposite directions such as strong training for teamwork but appraisal that only rewards highly individualistic behaviour (Delery 1998, 294). They should also try to avoid costly duplication of practices, such as over-designed selection systems where extra 'hurdles' add no further predictive power to the process[4] (Delery 1998, 293). However, the full portfolio of HRM is implicated in a range of strategic tensions in the firm, such as those we have just discussed between short- and long-run goals, and structural tensions between central co-ordination and managerial autonomy (Boxall 1999). Even in small firms, more than one desirable theme will need to be transmitted through the firm's HR policies and practices: a *blend* of messages about desirable skills and behaviour is needed (Wright and Snell 1998). Evans and Genadry (1999) have developed this point further through 'duality theory' in which they emphasize the value of 'constructive tension' to organizational development.

As an illustration, consider work by Pil and MacDuffie (1996), which forms part of a stream of research on automobile manufacturing: arguably the best longitudinal, industry-based study of changes in work and employment practices available anywhere in the world. They find a general increase in the use of high-involvement practices in the industry (which in this case extends well beyond the Anglo-American world). However, at the same time, firms have had to pursue downsizing, often of major proportions, the kind of action that reduces trust in the workplace and undermines employee commitment. This climate of insecurity, however, has not prevented management from seeking higher involvement from the remaining workforce. Here is a critical tension: between needing more skilful, more creative work while not being able to hold traditional staffing levels and offer traditional levels of employment security. As Walton *et al.* (1994) put it, management increasingly needs a blend of 'forcing' and 'fostering' behaviour as it wrestles with the problem of renewing the firm. We must understand 'internal fit', then, as a process that involves some tension among competing objectives in management and inevitably implies tensions among competing interests.

These sorts of criticisms are not fatal to contingency models of strategic HRM but *can* be used to strengthen them. Much of the problem with contingency theorizing in strategic HRM stems from the tendency of researchers to look for correlations between two variables, such as competitive strategy and HR strategy, occasionally moderated by a third variable. Such models are 'too thin', missing much of the interactive, multivariate complexity of strategic management in the real world. While we should try to avoid contingency models that are 'too thick' – throwing in everything plus the kitchen sink – we do need to evolve models that explain *most* of the important connections.

In this regard, a more sophisticated approach to contingency theory involves taking a 'configurational' perspective (Boxall 1996, 1999): one in which business strategy is seen as a '*Gestalt*' of critical, interdependent elements. These elements include such vital areas as sectoral choice, competitive strategy, suitable technology, structure and necessary levels of finance and human capital. A superior business strategy is one that links all of these pieces in a more effective configuration or gestalt (Miller 1981; Veliyath and Srinavasan 1995). Taking such a view, we are more likely to uncover some of the subtle interactions among strategic variables. For example, we are likely to find that the effect of competitive strategy on HR strategy, at least in manufacturing, is affected by the dominant technology used in the firm (Boxall 1999; Purcell 1999b; Snell and Dean 1992; Youndt *et al.* 1996). When a firm adopts advanced manufacturing technology, it may pursue up-skilling and quality management rather than the kind of de-skilling and task specialization more appropriate to earlier technological forms, *even if* its competitive goal is to achieve the lowest unit costs in the industry. As Koch and McGrath (1996, 351) demonstrate, very careful planning for staff is often valuable in capital intensive firms. Getting workers who 'love the gear' and can make it reach its productivity specifications is the priority in such cases. Even better, if workers can take the machinery beyond its productivity specifications (for an interesting illustration, see Leonard's discussion of Chaparral Steel (1998, Ch. 1)).

In summary, then, 'best-fit' models argue that HR strategy becomes more effective when it is designed to fit certain critical contingencies in the firm's specific context. After some early, fairly 'thin' contingency models, there may now be trends towards configurational models that are more capable of identifying the complex interactions involved in business strategy and towards more dynamic theory.

The 'Best-practice' School

Standing against contingency thinking are those writers who argue that organizations should adopt 'best practice' irrespective of context. In very simple terms, all firms will see performance improvements if only they identify and implement 'best practice'. We should, of course, remember that the idea of 'best practice' is not new. It was a major theme in the personnel management literature (Legge 1978) and remains as troublesome as ever.

Most enthusiasm for 'best practice' originates in the USA. Arguably, the most influential set of definitions at the present time is associated with Jeffrey Pfeffer's (1994) sixteen practices. More conveniently, Pfeffer (1998) has now summarized these down to seven:

- employment security
- selective hiring
- self-managed teams or teamworking
- high pay contingent on company performance
- extensive training
- reduction of status differences
- sharing information.

Definitions of 'best practice' are nearly always drawn from research on the four favourite sub-functions of undergraduate personnel psychology: selection, training, appraisal and pay. Most of this research is silo-based and aggregated by researchers who fail to identify their values or broader theoretical framework. Lists of best practices are often weak or silent on issues concerning work organization and employee voice (Marchington and Grugulis 2000). However, it must be recognized that aspects of 'best practice' are widely acknowledged by researchers and practitioners (Delery and Doty 1996, 806). In selection, for example, hardly anyone would advocate unstructured interviewing over interviews carefully designed around job relevant factors. Similarly, no one would advocate trait-based performance appraisal over processes that examine key job behaviours or outcomes. But beyond these sorts of straightforward prescriptions, we enter into much more difficult terrain.

Not only do lists of desirable practices vary significantly (Becker and Gerhart 1996; Dyer and Reeves 1995), but advocates of 'best practice' continue to fudge the question of goals and interests, long identified by Legge (1978) as a problem with this genre of business literature. What goals are being served by 'best practice'? Taking the distinction we made earlier between viability and sustained advantage, does 'best practice' serve one or the other? If it is the former, all firms in a sector need to implement it to remain viable (something, we might note, which will be

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logically impossible if one of the policy-sticks in the bundle of best practices is 'high pay', often expressed as 'pay in the upper quartile'). If, however, 'best practice' is about creating sustained advantage, only limited numbers of firms can achieve it and others will be disadvantaged accordingly (as we discuss in the section on the resource-based view of the firm). And then there is the problem of interests or *whose* goals are being served. If 'best practice' serves both shareholder[5] and worker interests, we can hardly object to it. Similarly, we agree some practice is bad for both parties and should be avoided. But what if a practice is good for corporate returns but bad for workers? Do workers get a real voice in deciding the issue (Marchington and Grugulis 2000)? And what if a practice is good for executives but not good for either shareholders or waged workers?[6] Pursuing these sorts of questions inevitably leads us into a position where the idea of 'best practice' must be heavily qualified. But let's not take this step right away. Let's pause to reflect on the research about 'best fit' and 'best practice'.

Assessing the Research Evidence

In assessing the research evidence, we must remember the critical distinction between studies that examine what firms actually do (descriptive research) and models of how firms can do it better (normative or prescriptive theory). In this section, we review the body of descriptive research before tackling the more difficult question of what kind of normative model should be advocated. The second step involves difficult judgements about appropriate values in business (Legge 1978), as we have already indicated.

First and most obviously, there is overwhelming evidence against a universal set of HR practices based on national variations in culture, market regulation and traditions of management. Cultural norms and the unique history of different societies always make some difference to the methods of labour management, if not to the ultimate goals of employers for productivity and profit. Take, for example, Wever's (1995) study of the different approaches to workforce governance in the US and Germany and their relative impacts on competitiveness. For her, the 'task facing German employers is to adapt some of the organizational lessons to be learned from the United States without sacrificing the strengths of the negotiated model' (p. 17). She does not counsel German firms to abandon their commitment to collectivism in pursuit of the kind of more individualistic, more flexible labour market implicit in much US 'best-practice' thinking. On a more micro level, take Wood's study of performance-related pay in which he finds that American notions of contingent pay[7] may be treated quite circumspectly in the UK, at least below the executive level. British manufacturing firms pursuing what Wood (1996) calls 'high-commitment management' are not likely to adopt this part of the typical American prescription,[8] finding that salaried pay, rather than bonus and piece-rate systems, better serves their objectives for high levels of employee involvement over time. Much more research could be cited, but there is no need to be pedantic about such an obvious point. While capitalist firms share very similar goals around the world, they do make a significant amount of adaptation to local beliefs, customs and laws in their pursuit of shareholder wealth. How on earth could it be otherwise?

Diversity in HR practices based on societal effects is one thing, but we discover increasing diversity when we examine research on the diffusion of 'best practice' in any major capitalist society. Let's take the United States because so much of the current debate turns on how we interpret certain key US studies. Why is there a 'diffusion problem' if there are certain well-known, highly productive work and employment practices (such as broadly defined jobs, teamwork and worker-driven problem solving)? If there are certain 'best HR practices' out there, why don't more firms adopt them? In the most comprehensive and careful survey to date, involving a cross-industry sample of 694 business units, Osterman (1994) finds some 35% of US private sector establishments with 50 or more workers have adopted such forms of work organization. But he points out that sectoral and organizational variables are important in explaining why some firms have adopted more of these practices than others have. The sort of employers most likely to adopt innovative work organization are engaged in sectors exposed to international competition, employ more advanced technology and pursue competitive strategies, which include a blend of quality and service dimensions as well as cost. Expert reviews, which stand back from a range of sectoral and organizational studies and assess the overall picture, reach the same conclusion. As Weinstein and Kochan (1995, 24) put it:

> . . . the overriding conclusion based on available evidence is that innovations are partially diffused across . . . industries and across the economy. Innovations are more widely diffused in (1) greenfield sites than in existing facilities, (2) in larger firms than in midsize and smaller firms, and (3) in high value-added industries such as autos, telecommunications, and computers than in clothing, finance, and health care.

In-depth research that examines the whole framework of business strategy – and not simply the HR elements – helps to explain why. Apparel manufacturing is an interesting case, one in which academics often upbraid management for not being more progressive. Sectoral research, however, shows that best practice (in this case, teamworking or 'modular manufacturing') does not diffuse unless firms can afford, and benefit from, the related investments in on-line retail information systems and the extra machinery implied by team-based production (Berg *et al.* 1996; Boxall 1999). The fact that an HR or IR expert might label teamworking as 'best practice' doesn't mean that clothing firms will adopt it if investment in the comprehensive 'technical and human system' it represents is not deemed worthwhile (see also Snell and Dean 1992, 492).

Overall, the US research suggests that high-commitment practices are most popular in those sectors where the firm competes through quality and service,[9] and can only remain viable through exploiting advanced technology (as in complex manufacturing) or through a highly skilled interaction with clients (as in professional services). In sectors where these conditions are not met, firms have adopted more modest employment policies, the kind of policies that are consistent with recruiting and retaining sufficient workers in the relevant labour markets (Nord 1999). Where labour markets are still very loose, this means that working conditions have remained static or deteriorated. (Anyone who looks at the broader social picture – in any of the 'Anglo-Saxon' economies – over the last 20 years can see that this is obviously the case.)

In effect, there is not much research that can be used to support a universalist case for any of the lists of best practices currently advocated in the USA or elsewhere. A searching examination by Wood (1999) of the concepts, measures and interpretations of universalist studies in the HRM literature argues for a lot of caution. We agree, noting two points in particular. First, most sectoral studies that show higher performance resulting from high-commitment HR practices, such as Arthur's (1994) study of steel minimills or Delery and Doty's (1996) study of bank loan officers, cannot be pressed beyond their sectoral boundaries, as the authors are usually careful to note. Secondly, those who believe Huselid's (1995) survey of 968 US firms provides support for his definition of 'high-performance work practices', must admit that there are methodological grounds for heavily discounting his finding that greater adoption of such practices would be economically rational for all firms (Purcell 1999b). He uses single respondents in firms, senior HR managers, to provide some questionable data. A moment's reflection tells us that questions such as 'What is the proportion of the workforce whose job has been subjected to a formal job analysis?' are going to reveal very little about the quality of management. Similarly, the question about the proportion of the workforce who underwent 'an employment test' before hiring tells us nothing about the validity and reliability of the testing. Nor does finding out what proportion of the workforce have access to grievance machinery tell us anything about whether management works with such procedures in ways that improve trust levels. At the end of the day, snap-shot surveys of single respondents which produce sophisticated statistics – but only by glossing over the segmentation of internal labour markets and the complexity of management processes in firms – have to be treated very circumspectly (Lowe *et al.* 1996; Marchington and Grugulis 2000; Purcell 1999b).

Academic and Managerial Implications

What, then, shall we conclude about the debate between 'best fit' and 'best practice'? While descriptive research demonstrates that the methods of labour management are inevitably contingent on context, including social, sectoral and organizational factors, does this invalidate all 'best-practice' thinking? Is there some way in which notions of 'best practice' might still lay a basis for prescriptive theory?

On this question, it helps if we make a distinction between the top layer of policy and practice and the underpinning layer of principle and process (Becker and Gerhart 1996; Purcell 1999b). We are most unlikely to find that any theorist's selection of best practices will have universal relevance, but principles and processes are a different matter. When we stand back and consider the broad tradition of research on employment relations, there is no doubt that, *ceteris paribus*, all firms are better off when they pursue certain principles (Youndt *et al.* 1996, 837). The most fundamental principle in labour management is the ongoing need to align management and worker interests in firms, at least at the level of a contract that meets the base-line requirements of both parties. In any context where workers have some labour market choice or develop powerful organization or enjoy strongly enforced labour market standards, this principle becomes more apparent – but it is always there (Boxall 1999; Coff 1997). Furthermore, we can be confident that organizational processes that build trust between management and labour will ultimately deliver better outcomes for both parties – as Fox (1974) convincingly argued and as current studies of psychological contracting continue to attest (e.g. Robinson and Rousseau 1994). As a general rule, it is much better to involve people in developing policies that affect them, than leave them out, as research on pay policies has long testified (Purcell 1999b). And it is always helpful if management delivers on its promises: any major gap between HR policy and HR practice will eventually demoralize, if not antagonize, the workforce (e.g. Grant 1999).

However, experience teaches us that the general principles and processes of 'good HRM' can rarely be sustained indefinitely or applied as favourably to all occupational groups. Sectoral disturbances, such as increasing competitive pressure, typically force trade-offs between management and labour, damaging trust relations (Fox 1974) and further segmenting the workforce between a core with critical skills and a periphery engaged on less important and more insecure work (Purcell 1996, 1999a). In less skilled, labour-intensive sectors where firms enter into a cycle of competition based on low-priced, standard levels of service, we can expect to see continuing patterns of low wages, part-time labour and limited career development (Marchington and Grugulis 2000). As recent American research demonstrates, there is little 'trickle down' of productivity-driven wage inflation from a growing, knowledge-driven economy to the lowest skilled workers (Nord 1999). The same conclusion can be reached about experience in the UK and other parts of the Anglo-American world.

In summary, there are certain broadly applicable principles and processes of good labour management but the methods firms adopt to reach their performance goals are inevitably affected by societal, sectoral and organizational factors. The sort of practices that are more desirable to employees – such as high levels of pay, training and security – are not cost-effective across all sectors or, indeed, across all types of labour in a single firm. As Kochan (1999) and Wever (1995) emphasize, we must look for a *system* of changes at levels *beyond* the firm, involving the state and wider patterns of economic and social development, if we are to grapple more effectively with the issues ultimately raised by the wide variation in contemporary employment practices.

Application to Human Resource Management of the Resource-based View of the Firm

The second major area of theoretical development in strategic HRM is associated with the resource-based view (RBV) of the firm. Discussion of the RBV is now a central dimension of any major review of the field of strategic management (see, for example, Conner 1991; Hoskisson *et al.* 1999; Mahoney and Pandian 1992). The theory of strategic management was dominated in the 1980s by 'positioning models' of the strategic problem, which tend to overemphasize the importance of selecting attractive industry positions and competitive postures. It is now a more balanced body of thought in which analysis of the internal characteristics of firms occupies an equally important role (Boxall 1996). Compared with the debate between 'best fit' and 'best practice', this area is much less well developed in the literature on strategic HRM. However, existing developments do suggest important lines for future enquiry.

Theoretical Focus of the Resource-based View

The RBV owes much of its genesis to a pathbreaking book on the growth of firms by Edith Penrose (1959). Arguing that her theoretical purpose was different from that of neo-classical price theory, Penrose (1959, 31) conceptualized the firm as 'an administrative organization and a collection of productive resources'. She distinguished between 'physical' and 'human resources' (*ibid.*, 24), with the latter including the knowledge and experience of the management team. Rather than subscribing to the neo-classical position of firm homogeneity within industries, the resource-based perspective works from the premise that competition does not eliminate all 'differences among firms in the same line of business' (Nelson 1991, 61). By defining firms as unique bundles of resources, it emphasizes the imperfection of 'factor markets': some factors needed by firms can be traded in markets but there are various productive capabilities which can only be internally developed (Wernerfelt 1984; Dierickx and Cool 1989; Teece *et al.* 1997). As factors of production become customized and expanded in distinctive ways, firms acquire characteristics – both good and bad – that are difficult for other firms to replicate.

For strategy researchers, then, the main issue in the resource-based perspective is how firms can build unique, enviable clusters of human and technical 'assets' (i.e. resources or assets are not simply understood in an accounting sense but include any feature of the firm with value-creating properties). Resources are valuable when they enable the firm to take advantage of market opportunities or deal particularly well with market threats in a way that competitors are not currently able to (Barney 1991; Porter 1991). The task is to manage these scarce resources in such a way that rivals are frustrated in their efforts to eliminate or duplicate the advantage they provide. Nothing, of course, is immune to 'Schumpeterian shocks' (radical break-

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throughs that disturb technologies or basic concepts of business in the sector) (Barney 1991). However, there is scope for firms to differentiate themselves in ways that are relatively sustainable in a given competitive context. Relating the perspective to our previous section, we might say that resource-based models are mainly concerned with how to achieve 'unique fit' or 'exclusive practice'. The issue is one of how to build valuable, firm-specific characteristics and 'barriers to imitation' of them (Reed and deFillippi 1990; Rumelt 1997).

Much of the attention in the RBV, then, is focused on how firms might isolate scarce resources from the process of erosion that characterizes competition in capitalist economies. The following processes and features are seen as particularly important.

Unique timing and learning. Models proposed in the RBV are sensitive to history: to 'unique historical conditions' (Barney 1991, 107), 'first mover advantages' (Wernerfelt 1984, 173) and 'path dependency' (Leonard 1998, 35). Writers emphasize the way in which valuable, specialized resources ('asset specificity') are developed over time through opportunities that do not necessarily repeat themselves, through clever people who get together and combine their talents with other key resources and address these to important business opportunities at the time they emerge. It is not going too far to say that a combination of unique timing and learning is *the* fundamental 'barrier to imitation' or 'isolating mechanism'. The reality of this phenomenon is widely understood in the business community. The difficulty of escalating a firm's learning in an area where it has no experience is often a reason for takeovers. Acquiring firms often feel they cannot make a mark in a new sector (or a new region) without buying an established player who has built up the necessary client base, 'tacit knowledge' and operating systems. Very often, of course, acquiring firms are forced to pay a premium to buy such a business, compensating the historical owners for the specialized network and know-how they have developed over time. (And, in some cases, the premium is such that the firm is never so profitable again.)

Social complexity. The phenomenon of 'path dependence' is intimately, and obviously, linked to a second barrier to imitation, 'social complexity' (Barney 1991; Wright *et al.* 1994). As firms grow, they inevitably become characterized by complex co-ordination systems and various types of teamwork. The embeddedness of the firm's strengths in complex teamwork and connections is a kind of natural barrier to imitation by rivals, a prime reason why firms in some sectors (e.g. advertising, pharmaceutical research) will sometimes try to recruit an entire team of employees. Retaining an advantage through this organizational feature is inevitably a question of human resource strategy, of how well the firm aligns its interests with talented individuals and groups and extends their talents over time (Boxall 1996, 1998; Leonard 1998).

Causal ambiguity. As with social complexity, ambiguity about the cause/effect relationships involved in the firm's performance is an inevitable outcome of firm growth (Barney 1991; Reed and deFillippi 1990). However, the degree of causal ambiguity is obviously variable. While there is typically more ambiguity about the causes of high performance in the minds of competitors, McWilliams and Smart (1995) argue that it is probably overstated in respect of managers *within* the superior firm. Rationality is bounded and certain aspects of knowledge are always tacit, to be sure, but if one pushes the notion of causal ambiguity too far, management is virtually meaningless. Given enough research effort and internal debate, it must be possible within business units to plot a broad theory of how the business works, as advocates of the 'balanced scorecard' argue (Kaplan and Norton 1996).

Resource-based theorists, then, assert that high levels of idiosyncrasy among firms create possibilities for sustained competitive advantage. They also create the basis for competitive *dis*advantage (Purcell 1999a). However, a word of caution is needed before we get too carried away with the idea of differentiation. It is easy under the RBV to exaggerate the differences between firms in the same sector. All viable firms in a sector need some similar resources in order to establish their identity and secure some legitimacy (Carroll and Hannan 1995; Deephouse 1999; Peteraf and Shanley 1997). For example, banks must 'look like' banks (having the requisite information technology, for instance) and must satisfy investors and regulators that they can behave as responsible repositories and lenders of funds. These 'table stakes' (Boxall 1998; Hamel and Prahalad 1994) or 'enabling capabilities' (Leonard 1992, 1998) include the minimum HR policies and practices required by each firm to play the competitive game, as in our example of consulting companies earlier. The type of minimum HR system varies by sector. Compare, for example, what might be needed by a software house with what is required in a fast food outlet or a car assembly plant. 'Table stakes' are not simply examples of isomorphism, although there may well be elements of normative and mimetic practice, and customers might have power to coerce supply firms to adopt certain HR policies. The key point is that viable firms are *partially* rather than totally idiosyncratic. In HR terms, the task is to explain both similarities and differences, and, strategically speaking, to identify which features help a firm gain sustained competitive advantage over others, and how, and why some firms fail while others succeed.

The discussion so far of the RBV might convince us that it contains some important truths but leave us wondering what we can do about it. A popular expression of the RBV is associated with the work of Hamel and Prahalad (1993, 1994) who argue that competitive advantage, over the long run, stems from building 'core competencies' in a firm, which are superior to those of rivals. Their writings constitute one of the more concrete, 'how to do it' models within the RBV, and are particularly important for leaders of multidivisional and international firms. CEOs of these firms are encouraged to identify the underlying clusters of know-how in their companies that transcend the artificial divisions of 'strategic business units' or might do so if they were appropriately managed. Sony's 'unrelenting pursuit of leadership in miniaturization' – manifesting itself in various products over time – is one of Hamel and Prahalad's standard examples (Hamel and Prahalad 1994, 119).

A similar analysis is advanced by Leonard (1992, 1998) whose framework helps executives to identify the distinctive or 'core capabilities' underpinning their products or services. In her framework, core capabilities are 'knowledge sets' composed of four dimensions: the 'content' dimensions, which include the relevant employee skills and knowledge and technical systems, and the 'process' dimensions, which include managerial systems, and values and norms. Her framework is perhaps the most helpful from an HR perspective. Managerial systems include the critical HR policies needed to recruit, develop and motivate employees with the relevant skills and aptitudes. She also emphasizes the interlocking, systemic nature of the four dimensions and the resulting tendency of core capabilities to become 'core rigidities' over time, unless firms learn to practise continuous renewal.

The models advanced by writers such as Hamel and Prahalad (1994) and Leonard (1998) inevitably lead to the conclusion that it is a firm's ability to learn faster than its rivals – and adapt its behaviour more productively – that gives it competitive advantage. The RBV encourages researchers to focus on knowledge and its creation and exploitation within firms (see, for example, Hedlund 1994; Hoskisson *et al.* 1999; Nonaka

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and Takeuchi 1995). On a practical level, executive interest in the area is increasingly dominated by models of knowledge management, of how to identify, protect and enlarge a firm's 'intellectual capital' (Edvinsson and Malone 1997). In his model, Zack (1999) has coined the term 'knowledge strategy' to cover the activities of acquiring, integrating, storing, sharing and applying knowledge in firms. It is not hard to see that the resource-based perspective leads to questions about the ways in which human abilities, motives and interactions can be used to make organizations better at learning and more adaptable in changing markets.

The Resource-based View and Questions of Strategic Human Resource Management

Influenced by the explosion of interest in the RBV, strategic HRM theorists have tried to address the question of how HR policies and practices might contribute some idiosyncrasy to firms. Wright *et al.* (1994), drawing on Barney (1991), develop the argument that while a firm's human resource pool may be a source of sustained competitive advantage, 'it is virtually impossible for HR practices to be rare, inimitable and non-substitutable' (Wright *et al.* 1994, 318). The role that HR practices may play is that of building the human capital pool and stimulating the kinds of human behaviour that actually constitute an advantage. Other firms may copy the practices but, if they lack the *quality* of employee talent, they will not compete away the advantage. The leading firm has, in effect, obtained a prime mover advantage in HRM (Wright *et al.* 1994, 319). As Kamoche (1996) and Coff (1997) emphasize, it then becomes critical for the leading firm to retain its high-performing workers if it is to sustain an advantage and deal successfully with the 'appropriability' problem: that of obtaining a worthwhile return to the firm from its employment contracts.

Like Wright *et al.* (1994), Mueller (1996) argues that top management's codified policy positions are unlikely sources of advantage because of their public visibility. Furthermore, he sees little enduring value accruing *to the firm* from highly mobile, self-serving senior managers. More likely to lead to sustained advantage are the subtle changes to routines deeply embedded in the firm's 'social architecture' (a term which, unlike 'culture', allows for 'the constructive role of deviancy') (Mueller 1996, 774). Mueller identifies a set of 'resource mobility barriers' (RMBs) that make it difficult for rivals to imitate such organizational behaviours. These can be summarized as a persistent, patient management process that generates valuable new skills within the firm's interdependent resource bundle. While Mueller explores this process more fully than other theorists in his 'outline of an evolutionary theory', he does not lay the same stress as Wright *et al.* (1994) on the quality of the human capital pool.

Boxall (1998, 1999) makes a distinction between 'human capital advantage' and 'organizational process advantage' in a framework that builds on the work of Wright *et al.* (1994), Mueller (1996) and others. Human capital advantage is possible if firms employ people with valuable but rare knowledge and skills, which are embedded by being to some extent firm-specific. Organizational process advantage, on the other hand, is a function of hard-to-imitate, highly evolved processes within the firm, such as cross-functional learning and labour--management co-operation. Accordingly, 'human resource advantage', the superiority of one firm's labour management over another's, can be thought of as the product of its human capital and organizational process advantages. To achieve sustained advantage through people, Boxall (1998) argues that management must nurture resources and processes that bring about high mutuality with talented workers and must similarly invest in employee and team development. This is a tall order for under-capitalized or financially vulnerable firms (such as small, young firms trying to compete against better-funded rivals) and for any firms with a heritage of labour-management mistrust (see also Ichniowski *et al.* 1997). Historical factors are very important with firms facing different managerial challenges in HR strategy across the phases of the industry life cycle (Boxall 1998).

As yet, there are very few field studies exploring the RBV in strategic HRM. In the only case-based, longitudinal study so far, Boxall and Steeneveld (1999) explore the RBV in a sample of engineering consultancies. They examine whether any firms in the sample have established any form of sustained advantage over rivals through superior HR strategy. The study reinforces the point noted earlier that firms need certain kinds of similar human resources simply to become and remain viable in their competitive sector. Engineering consultancy firms need a critical mass of contract-winning engineers ('rainmakers'), something they cannot achieve without the time-honoured incentive of employee ownership and related HR practices, such as selective staffing and internal development. They also need to construct and renew an astute leadership group, capable of steering the firm through business cycles and new competitive challenges. The study shows that without timely and effective leadership succession, these firms are most unlikely to survive major crises. In effect, there are certain critical human resources and capabilities that form part of a firm's 'table stakes': 'strategic assets' required by all viable firms. The path to sustained advantage, however, lies beyond these common resource bundles. In order to leapfrog other firms, leaders of professional service firms may increasingly be drawn to mergers which greatly enlarge the stock of human capital associated with a firm – although post-merger relations have to be managed very carefully if process advantages are to be achieved. The study confirms Mueller's (1996) view that it takes significant time and 'enlightened energy' to develop organizational routines that deliver sustained levels of superior performance.

Assessing the Value of the Resource-based View in Strategic Human Resource Management

Coming through existing work on the RBV, then, are strong concerns with the management of knowledge and with organizational adaptability, issues which mean that HR researchers could, if they wished, play a major role in developing this body of theory. Managing knowledge inevitably means managing both the company's proprietary technologies and systems (which don't walk out of the door at the end of the day) and the people (who do). It must imply management of the ongoing interaction between these two aspects of a firm's knowledge system (Cutcher-Gershenfeld *et al.* 1998; Nonaka and Takeuchi 1995). This means that the fundamental issues of how to recruit, develop and motivate key people must be central to any RBV model (see, for example, Leonard 1998, 13–16). What is vital now is that HR researchers approach these questions with a better focus on the important dependent variables involved. In other words, how should HR activities be carried out if continuous knowledge creation and organizational renewal are the desired outcomes? This focus suggests a couple of key concerns.

Building human capital structures. If better management of the human capital associated with the firm's capabilities is desired, in what ways should firms build their employment structures? As practitioners readily attest, there is increasing competition for key knowledge workers. At the same time, even the best-funded firms can rarely afford to 'throw heaps of money' at all possible workers or maintain expensive, inflexible promises of job security for all those who provide labour services of some kind (Boxall 1996). Decisions about how best to segment and co-ordinate the internal labour market are becoming increasingly crucial to firms. How should firms identify, attract, motivate and develop 'core' workers (Lepak and Snell

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1999; Purcell 1996, 1999a)? What types of work should be allocated to the 'periphery' where services are likely to be contracted in much more transactional terms? Overall, what are the risks or tensions that need to be managed in core/periphery strategies if firms want to build and renew valuable capabilities over time?

Fostering learning and organizational agility. The first area of interest leads naturally to a broader concern with the quality of learning processes developed in the firm over time (Kamoche and Mueller 1998), and with the general problem of adaptability. What are the characteristics that make organizations more agile in knowledge-dynamic environments (Dyer and Shafer 1999; Teece *et al.* 1997)? What is the impact of different types and blends of HR policy on the tensions that need to be managed as organizations wrestle with achieving favourable returns in the current context while preparing appropriately for the challenges of the next one (Evans and Genadry 1999)? This set of concerns implies that HR researchers need to think more systemically, to consider the configurational or gestalt qualities required of HR strategy to contribute to sustained competitive advantage (Boxall 1999; Purcell 1999b). Rather than a narrow focus on a limited set of tired constructs from personnel psychology, we need a broad conception of HR strategy which embraces the full implications of work and employment systems. HR strategy must be linked to other key dimensions of management and be understood dynamically (Boxall 1998; Kamoche and Mueller 1998). As a result, this area of interest challenges HR researchers to work more collaboratively with other business academics. In our view, this means particularly specialists in IT and operations management as well as organization behaviourists, all of whom have a stake in issues associated with knowledge, learning and the management of change.

Both of these points have been expressed in terms of the firm and its strategic management. Before moving on, we should note that both areas of interest can, and should, be extended from the firm-level of analysis to broader models of the role of industry clusters and the state in fostering a knowledge economy and society (see, for example, Porter 1990).

In summary, we should encourage both of these (interrelated) concerns, while remaining alert to limitations in the RBV paradigm. As noted earlier, much of the RBV literature overemphasizes the concept of 'competitive advantage'. It needs to be balanced by a range of other theoretical traditions – including schools of organization theory which emphasize legitimation processes and models of interest alignment in various schools of employment relations (Boxall and Steeneveld 1999; Purcell 1999a; Deephouse 1999; Oliver 1997). Overall, the RBV is a valuable ally for theorists in strategic HRM and its growing emphasis on knowledge management and organizational agility provide key signals to HR researchers who want to be relevant to the strategic management debate. However, the RBV is not a sufficient basis for the broad conceptual framework HR researchers need in fieldwork and executives need in HR planning.

Conclusions

Analysis in strategic HRM is concerned with identifying the strategic choices associated with the use of labour in firms and with explaining why some firms manage them more effectively than others. Strategic choices in HRM involve political compromises as well as serious cognitive challenges. Theory in strategic HRM is made more complex by a range of factors, including the segmentation of internal labour markets, the influence of diverse contexts, and the interdependencies of strategic management in firms, among others. As a field, strategic HRM is important to researchers and students who want to understand business strategy better and of great practical significance to executives –

particularly to those executive teams that want to stand back from the detail of labour management and review the firm's performance as an employer.

In this paper, we have explored two major areas of research and theoretical development in strategic HRM: the debate between 'best-fit' and 'best-practice' models and the spillover into HRM of ideas associated with the RBV of the firm.

Existing descriptive research illustrates the ways in which the HR policies and practices of firms are heavily shaped by contextual contingencies, including national, sectoral and organizational factors. The diffusion debate – in the USA (and, indeed, elsewhere) – shows that the more desirable employment conditions (such as high pay, good security and strong internal development) are limited to jobs and sectors where firms are trying to exploit advanced technology or have needs for high levels of employee know-how. However, the fact that diffusion of these sorts of practices is limited does not invalidate what most researchers and practitioners would recognize as the general principles and processes of 'good HRM'. Any kind of ongoing employment relationship depends on an *adequate* alignment of interests between the parties. Very weak alignments between employers and employees usually compromise the viability of the firm through debilitating turnover and low productivity. Having said this, we must recognize that adequate alignment in many sectors of the modern economy, and in low-skilled occupations in nearly all sectors, is achieved with modest levels of wages, training and security. In these situations, employers often regard high-skill, high-commitment strategies as uneconomic in relation to the benefits. While all employers will benefit from avoiding the real 'howlers' of HRM – practices that are well-known for their dysfunctional or perverse consequences – they are often constrained by industry and organizational economics from implementing a deluxe version of 'best practice'.

Our discussion of the best-fit/best-practice debate does imply a bigger set of questions for those who want to see them. If we are concerned about major social and economic issues, debates in strategic HRM should be related to questions that extend well beyond the firm-level of analysis. Along with several others, we take the view that theory in strategic HRM should link to debates about the kinds of market regulation and social capital that are needed to offer more secure, more rewarding work for a larger section of our society. This is becoming a more critical nexus of academic work in the social sciences generally because of the widespread concern over income inequalities, worklife balance, and social fragility in the 'knowledge economy'.

The second body of work we discussed, the RBV of the firm, does not provide a sufficient basis for the theory of strategic HRM but does offer some useful signals on how to carry forward research on HR strategy. Trends in the RBV literature are pushing all those interested in strategy towards studies of intellectual capital, learning processes and organizational adaptability. Researchers in HRM could, if they wished, play a central role in these developments. Questions of how to attract, motivate and develop workers with critical skills and aptitudes must be fundamental to any model of knowledge-based competition. One line of enquiry for HR researchers involves deeper exploration of the links between business capabilities and core/periphery models of employment. This is important to firms, many of which may be managing the tensions involved poorly, and thus compromising their chances of long-run survival. Another line of enquiry involves examining the role of HR strategy in the dynamics of adaptation (including both innovation and imitation). This implies a need to study organizations in a much more interdisciplinary or systemic way, linking concepts of HRM with ideas developed in such areas as IT, operations and organizational behaviour much more effectively than we

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have in the past. It also implies a need, as has been said several times before, to work with the kind of longitudinal methods that allow for assessment of the ways in which interconnected dimensions of management change over time.

Notes

1 Guest (1987) made the same observation about the renaming of many personnel management textbooks as HRM textbooks.
2 A strategic group is a cluster of firms in the same industry which compete for clients in the same kind of way and develop strong 'mutual understandings' (Peteraf and Shanley 1997).
3 More accurately, we are talking about the competitive strategy of a business unit with one major line of products or services. For convenience, we will persist with using the word 'firm' and leave aside the complex issue of multi-product and multidivisional firms (see Purcell and Ahlstrand 1994).
4 Consider the example of the firm that needs good structured interviewing and reference checking of job applicants but decides to design an 'assessment centre' with five or six kinds of test involved. Chances are that much of the assessment centre is an expensive white elephant.
5 Assuming, in this case, uniformity of interest among shareholders.
6 This is the problem, arguably, with many share option schemes and exit packages used for company directors.
7 Such notions are also controversial in the USA but still widely advocated there (Becker and Gerhart 1996).
8 Often called a 'high-performance work system' in the USA. We prefer Wood's (1996) terminology because it is more descriptive of the character of the practices involved.
9 As well as, or instead of, unit costs.

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