**Best Practice (Universalist), Best Fit (Contingency), and Configurationalapproach to HRM**

In first two classes we have developed a framework to analyze the “fit” of HRM policies with the context. We applied it to XYZ and concluded that if alignment is close to context and business strategy, then firm performance will be superior. In effect we followed “contingency” approach to HRM policy making, which propounds that there are distinct practices which might be suited to different contexts. This is view opposed to **“best practice”** approach to HRM wherein organizations will benchmark best practices and “imitate” them (This is very common in practice and many times such practices fail). Many times organizations have to adopt best practices because of “institutional” pressures (clients, industry bodies, government). However, research evidence is very clear that HRM systems will improve firm performance more if “**best fit”** approach is followed.

Further we also discussed the HRM system property of **equifinality**i.e.,

***Same HR system outcome could be achieved by applying two different set of HR policies.***

Thus we can conclude that contingency view (best fit) is more valid approach to HRM, however we can have different mix of HRM policies (or what we call technically **configurations**) to achieve same outcomes. For example in XYZ two HRM system deliverables or outcomes are – **Highly productive behavior of XYZ employees, and sense of ownership among employees**. To get above two outcomes we studied the policy configuration of XYZ HRM. We now understand that same outcomes could have been achieved by a different configuration or mix of policies. However to get those outcomes we analyze HRM policy set for following system **complementary properties**:

1. **Additive effect:**

Sense of ownership = stock ownership+ egalitarian culture+ open communication+ flat structure+ advisory board (say in critical decisions)+ Guaranteed employment + Low supervision

Additive property is that the effect is enhanced in additive way with each implementation of additional element in above equation. Even if one is 0, overall effect will not be 0.

1. **Interactive or synergetic effect**

Sustainably very high productivity over a very long period = Productive behavior due to incentive system x Sense of ownership.

We discussed that if one of above is 0 outcome will be 0. Also the negatives of incentive policy are mitigated by sense of ownership, so both are complementary to each other.

1. **Substitution effect**

It is same as equifinality property. In XYZ we discussed that there can be a rigorous selection process and a self selection based induction (probation) process which can achieve same outcome i.e., employees fit to the organizational culture and work norms.

So outcome = AxBywhere x=0 , y=1 OR x=1, y=0; A and B are two different policy choices

So based on above complementary properties, one can understand why different configurations of HR practices can produce same outcome.