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A Road Well Traveled: The Past, Present, and Future Journey of Strategic Human Resource Management

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Abstract

This article provides an overview of the field of strategic human resource management (SHRM) by tracing its roots, describing its current state, and predicting its future directions. We discuss some past stages in the evolution of the field, including eras of conceptual models, empirical examinations, and empirical critiques. We then discuss the present state regarding theory, the human resources (HR) system–performance relationship, multilevel analyses, fit and flexibility, and international HR research. Finally, we propose that future research needs to be more rigorous, more multilevel, more global, more focused on human capital, more integrated with strategy, and more integrated with practice.

INTRODUCTION

As firms seek to compete using all their available resources, their human resources (HR)—or people—have become a more important component to organizational success. This creates a need to not only manage people well, but to also do so strategically by aligning the workforce's skills and behaviors with the strategic needs of the business. This effort has increasingly been referred to as strategic human resource management (SHRM).

Wright & McMahan (1992) defined SHRM as “the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals” (p. 298). They noted that this definition differentiated SHRM from traditional human resource management (HRM) in that (a) it called for alignment vertically with the organization's strategy, and (b) it entailed coordination of HR practices horizontally through a pattern of planned action. In addition, they specified that SHRM focused on “. . . the determinants of decisions about human resource practices, the composition of the human capital resource pool (skills and abilities), the specification of required human resource behaviors, and the effectiveness of these decisions given various business strategies and/or competitive situations” (pp. 298–99).

Here, we examine the past, present, and future of research on SHRM. To do so, we first discuss the evolution of the field over its first 30 years. We then describe the current research themes that exist within the field. Finally we explore the directions in which we see future research developing.

HISTORY OF STRATEGIC HUMAN RESOURCE MANAGEMENT: WHERE WE HAVE BEEN

Although one could argue that the roots of the field of HRM date back to the dawn of civilization, most put its inception at the appearance of the first personnel department in the 1910s (Kaufman 2014). Kaufman suggests it evolved through phases of labor problems (1880–1919), industrial relations (1920–1950s), the separation of HR from industrial relations (1960s–1980), and contemporary HR (1980s to present). In this latter stage the field of HR saw the emergence of SHRM. This emergence was characterized by three shifts. First, the level of analysis moved from the effects of HR practices on individuals to its effects on organizations. Second, instead of focusing on individual HR practices, this field began to examine systems of HR practices. Finally, in recognizing the increasing importance of HR as a management tool, SHRM began to be discussed in the context of the firm's strategy.

As HRM became increasingly integrated in the business, the need to align the function with the business strategy was recognized. Foulkes (1975) was the first to note that the expanding role of the personnel function partially entailed tying HR activities to support business needs. Within a few years, authors increasingly called for aligning HRM with the strategy of the business (Beer et al. 1984, Fombrun et al. 1984), with Fombrun et al. titling their book *Strategic Human Resource Management*. Dyer (1985) distinguished between organizational HR strategies (those dealing with HR allocation, utilization, development, etc.) and functional HR strategies (those dealing with the HR department). He noted that the former are the ways in which firms align their people needs with their business needs, and the latter guide the HR function in supporting the organizational HR strategies.

The Era of Conceptual Models

Following these books, several research articles began exploring the relationship between HR and strategy. The journal *Human Resource Management* initially provided a platform for articles, both academic and practice-oriented, that sought to link HR and strategy. For instance, Miles & Snow

(1984) examined their organizational types, defenders, analyzers, and prospectors in terms of HR systems. By citing examples of companies in each of these types, and describing their HR systems, they implicitly proposed a set of associated HR practices. For example, they pointed to Lincoln Electric as a consummate model of a defender strategy with its unwavering focus on maintaining low costs.

As the field emerged, it gained credibility in the most academic of journals, particularly the *Academy of Management Review*. For example, Baird & Meshoulam (1988) argued that as firms grow and age, their HR systems similarly evolve. They noted that for these systems to be maximally effective, they must be aligned with the life cycle of the business, and each of the subsystems must be in alignment. Lengnick-Hall & Lengnick-Hall (1988) built a typology of HR systems by juxtaposing corporate growth expectations with organizational readiness to identify four types of systems: productivity, expansion, development, and redirection.

The Era of Empirical Examination

However, for several years conceptual and theoretical progress exceeded empirical progress. The rigorous empirical examination of SHRM began in the 1990s. Snell (1992) noted that several of the previous writers in SHRM had used the behavioral perspective that argues that different strategies require different behaviors, and therefore different HR practices to elicit those behaviors. However, he noted that these examinations had been quite normative, but without any descriptive empirical evidence to support them. Consequently he examined HR practices as a control system focused on inputs, behaviors, and outcomes. He found that both the administrative information and strategic context influenced the use of input, behavior, and output controls.

Snell & Dean (1992) examined the interactions among HRM systems and various components of integrated manufacturing technologies. They argued that several techniques under the broader concept of integrated manufacturing required more or less human capital within the workforce, and thus would be more likely to implement HRM systems as a means of building such human capital. They found significant support for their basic hypotheses in one of the first rigorous studies exploring the link between HRM and strategy (albeit manufacturing strategy). In a follow-up to the Snell & Dean study, Youndt et al. (1996) examined whether the simultaneous pairing of HRM systems and manufacturing strategies actually positively impacted performance. Using the data from the previous study and then gathering subsequent performance data from the same manufacturing organizations, they found that a human capital enhancement HR strategy was positively associated with employee productivity, machine efficiency, and customer alignment, but that this relationship was largely the result of pairing such an HR system with a quality manufacturing strategy.

However, the key empirical breakthroughs came with the publication of three seminal pieces, all of which tied a “system” of HR practices to some measures of organizational performance. Clearly, the most important of the three was Huselid’s (1995) paper linking HR practices to corporate financial performance. On the basis of a large sample of publicly traded companies, Huselid found a significant link between a firm’s HR practices and its return on assets (ROA) and Tobin’s Q (a measure of the market value of a firm relative to its book value). These results suggested huge financial payoffs to firms implementing what he termed high-performance work practices (HPWPs).

About the same time MacDuffie’s (1995) exploration of the effectiveness of “bundling” HR systems with other systems in a manufacturing environment appeared. He found that automobile assembly plants combining team-based production systems with “high-commitment” HR systems and low inventory and repair buffers consistently exhibited higher quality and productivity than those using mass-production systems.

Delery & Doty (1996) then distinguished among universalistic (best-practice), contingency and configurational approaches to HRM systems. Using a sample of banks, they found that the universalistic approach explained the most amount of variation in financial performance but that the contingency and configuration approaches also explained variation. Thus, these early three studies assumed an HR system that was “horizontally aligned” and to some extent tested whether or not the system was “vertically aligned” (with strategy), with varying levels of support for the latter.

These three studies, appearing around the same time, all provided the foundation for an exponential growth in studies examining the relationship between HR practices and firm performance (e.g., Batt 2002, Cappelli & Neumark 2001, Collins & Clark 2003, Shaw et al. 1998, Gong et al. 2009, Kehoe & Wright 2013, Messersmith et al. 2011, Takeuchi et al. 2007, Way 2002). Rather than review this extensive literature, we note several meta-analyses that have examined this literature extensively.

First, Combs et al. (2006) examined 92 studies of the relationship between HR practices and performance. They estimated an overall effect size of 0.20 and found that the relationship was stronger for systems of practices (as opposed to single practices) and among manufacturing firms. Although this effect size is interesting, several researchers have called for a better explanation of what these effect sizes mean (Aguinis et al. 2010). As Combs et al. show using Huselid’s (1995) data as an example, “. . . a one standard deviation increase in the use of HPWP’s translates, on average, to a 4.6 percentage-point increase in gross ROA from 5.1 to 9.7 and a 4.4 percentage-point decrease in turnover from 18.4 to 14.0%” (p. 518). Although they do not mention it, using Huselid’s data, this would mean increasing from the mean value of 3.36 on his high-performance work system (HPWS) scale to a score of 4.34. Given the nature of how Huselid computed the scale score (average percent of employees covered by 13 practices), this would equate to moving from covering approximately 26% of employees to covering 33% of them with each practice.

Jiang et al. (2012) noted more recent approaches to HR systems distinguished among skill-enhancing, motivation-enhancing, and opportunity-enhancing subsystems and explored the differential effects of these on a variety of variables. They found that these subsystems related directly to human capital, employee motivation, voluntary turnover, and operational performance and that, additionally, these four variables mediated the relationship between the subsystems and financial outcomes.

Thus, the plethora of research examining the relationship between HR practices and performance has produced an abundance of evidence for the relationship. Few would dispute that statement. However, several individuals have critiqued the conclusions and the methodologies upon which they are based.

The Era of Empirical Critiques

As the volume of papers examining the relationship between HR practices and performance grew, several methodological questions arose around a few issues. Thus, this era, while not denying the importance of HR practices for increasing organizational performance, questioned the extent to which the methodologies used in these studies provided sufficient basis for drawing firm conclusions.

First, one early critique of the predominant single-source design for assessing HR practices emerged from data examining the inter-rater reliability of HR practice measures. Gerhart et al. (2000b) applied generalizability theory to HR practice measures, showing how it is possible to partition error variance due to time, items, and raters. Their analysis with a small sample of large firms found an extremely low level of inter-rater reliability. Huselid & Becker (2000) questioned several aspects of this analysis, particularly that the results of a low-*N* large company sample might

not generalize to other research in this area. Gerhart et al. (2000a) and Wright et al. (2001b) presented data from four more samples in a variety of industries and with companies of much smaller sizes and found similar results. The conclusion was not that single-source studies should not be used, but that researchers should try to gain multiple respondents whenever possible.

Second, several authors, based on cross-sectional designs, referred to the “increases in performance” that would be associated with “increases in HR practices.” For instance, Huselid & Becker (2000) stated, “Based on four national surveys and observations on more than 2000 firms, our judgment is that the effect of a one standard deviation change in the HR system is 10–20% of a firm’s market value” (p. 851). Two studies specifically addressed this issue. Guest et al. (2003) examined the relationship between HR practices and both previous and subsequent productivity and financial performance data among a sample of UK-based companies. They found that HR practices were positively related to later financial performance, but that this relationship disappeared once they controlled for past performance. Similarly, Wright et al. (2005) found that the correlations between HR practices and multiple performance measures were invariant across past, current, and future measures and that the correlations with future measures were significantly reduced after controlling for past performance measures.

At a broader level, Wall & Wood (2005) showed how two implicit conclusions—that HR practices were positively related to performance and that this relationship was causal—had infiltrated the SHRM literature, and then presented an innovative approach to critiquing the foundation for this conclusion. Taking the perspective of an expert witness in a court of law, they reviewed the research foundation for these conclusions. On the basis of this unique analysis, they concluded that “. . . it is premature to assume that HRM initiatives will inevitably result in performance gains, either in all situations or even where deemed appropriate by contingency arguments . . . there is a need, on the basis of the findings so far, to temper the claims being made” (p. 454).

These critiques lead us into a discussion about where the field of SHRM stands currently. They raised several issues that are beginning to be addressed, so we now turn to the current state of the field.

WHERE WE ARE TODAY

SHRM research has grown both in quantity and breadth over the past 30 years. In this section, we discuss four areas that, although not exhaustive, provide a comprehensive view of the current state of the field.

Theoretical Foundations

Wright & McMahan (1992) identified the six major theories that had been applied to understanding SHRM. However, three theoretical paradigms seem to dominate research in this area: the resource-based view (RBV) of the firm, human capital theory, and social exchange theory (SET).

By far, the RBV has emerged as the most popular theory. The RBV postulates that firms that can exploit resources that are valuable, rare, inimitable, and nonsubstitutable are able to develop or maintain a sustainable competitive advantage. Several authors have explored how the firm’s human capital (Wright et al. 1994) or HR systems (Lado & Wilson 1994, Boxall 1996) can provide sources of sustainable competitive advantage. Although these theoretical analyses have specified the ways that different aspects of a firm’s people can be a source of sustainable competitive advantage, more importantly the RBV has become almost the general paradigm within which all empirical research is based. For instance, almost every study examining the relationship between HR and performance (see also Huselid 1995, Jiang et al. 2012, Messersmith et al. 2011) refers to the RBV as at least a partial basis for exploring why this relationship should exist. However, researchers

are becoming more and more sophisticated in the understanding and application of the RBV to SHRM.

Central to the resource-based theory is the concept of economic rents. Rents refer to the value a resource provides beyond its cost. Competitive advantage for a firm implicitly relies on the assumption that firms possess a resource that generates rents and are able to capture the rents of that resource. Thus, Barney & Wright (1998) suggested that CEOs would not likely be a source of sustainable competitive advantage because their visibility would enable them to capture the rents they generated through demanding higher pay at the threat of leaving. However, the larger workforce, because of the inability to pinpoint the exact value of any individual's contributions, would be a more likely resource from which the firm could capture the rents.

Chadwick & Dabu (2008) provided an extensive and thorough exploration of the types of rents that could be generated through SHRM that would comprise a source of competitive advantage. Separating the roles of HR and HR practices/systems, they suggested that HR could (a) create a source of Ricardian rents (i.e., rents on a resource whose value was not known at the time of acquisition, such as buying a plot of land at the market price and then discovering oil underneath), (b) generate nontraditional Ricardian rents as components of organizational capabilities, and (c) create innovations that produce entrepreneurial rents. They further suggest that the role of HR systems is to support the exploitation of the previously mentioned ways HR can generate rents.

Importantly, criticisms have been leveled against the use of the RBV in SHRM research. Kaufman (2015a,b,c) identified several problems with how SHRM researchers may be misapplying the RBV, and we focus on two—one with regard to suggestions for implementing HR practices to drive performance and one regarding capturing the rents due to human capital. We address the former here and the latter after discussing human capital theory.

First, he noted the principle of “no rules for riches,” which suggested, as Barney & Clark (2007) stated:

Resource-based logic suggests that it is not possible to deduce rules for riches from strategic management theories, as persistent superior performance depends on valuable, rare, and costly to imitate resources. Rules for riches are rules that any firm can apply to gain sustained competitive advantages and economic rents. (pp. 237–38)

Kaufman (2015a,b,c) notes that multiple SHRM writers suggest managerial actions regarding the implementation of HRM practices that they argue will increase the performance of any firm, counter to the “no rules for riches” dictum.

Related to the importance of human capital to a firm's competitive advantage, human capital theory has increasingly emerged as a major theoretical framework in the SHRM literature. Originally proposed by Becker (1964), the theory initially explored why and how individuals choose to invest in developing human capital, conceptualized as characteristics of individuals that have value to organizations.

Lepak & Snell (1999) were some of the first researchers to clearly bring human capital theory into the SHRM literature, particularly tying it to the RBV. These authors noted that different types of human capital have different strategic value to a firm. Using the “value” of the human capital to a firm's strategic needs and the “uniqueness” of that human capital (how easy it is to acquire that human capital), they created a human capital architecture that illustrates the relative importance of certain human capital pools to a firm arguing for four categories: strategic (high value, high uniqueness), core (high value, low uniqueness), support (low value, low uniqueness), and collaborative (low value, high uniqueness). They suggested that firms manage each of these different categories with different HRM systems.

However, more recent discussion has focused on the types of human capital Becker (1964) describes. Becker proposed two types of human capital. General human capital consists of characteristics, such as education and health, that are valuable to all organizations. Specific human capital, such as knowledge of a firm's process for getting travel approved, is of limited value to any firm other than the focal firm.

Many applying human capital theory to competitive advantage suggested that general human capital could not be a source of competitive advantage because individuals could capture the rents of their human capital. This is because general skills are portable, and thus if the firm tried to capture the rents, individuals could simply move to another firm. However, firms could more easily capture the rents due to specific human capital because it has little or no value to other firms (Chadwick & Dabu 2008). This is a dilemma that Becker recognized, suggesting that firms and employees would need to find a reasonable balance that would incent the individual to invest in specific human capital and stay with the firm (Wright & McMahan 2011).

The relative potential of specific versus general human capital as sources of competitive advantage has been intensely debated. As previously mentioned, authors such as Chadwick & Dabu (2008) suggest that firms can better capture the rents from firm-specific human capital rather than general capital, and thus it has a greater potential to be a source of competitive advantage. However, Campbell et al. (2012) argued that under certain conditions the rents generated from general human capital can also be captured by the firm and thus can be a source of competitive advantage.

This is where Kaufman's (2015a,b,c) second criticism applies. He shows how implicitly or explicitly SHRM writers suggest that a firm's ability to build sustainable competitive advantage from HR rests on the ability of firms to capture the rents created from human capital. He notes that doing so may raise ethical questions, as it entails "exploiting" the value from human capital. More importantly, he notes that regardless of ethics, such a strategy likely would lead to feelings of unfairness among employees and thus create employee relations problems that potentially negate this advantage, as employees display less willingness to exhibit maximal effort on behalf of the firm.

This willingness to display effort leads us to the third, and more recent, theoretical entrant into SHRM research: SET. At a more micro level, SET has been increasingly applied in the SHRM literature. As we discuss in the next section, Strategic Human Resource Management and Firm Performance, although the link between HRM practices and performance has been well established, the mediating processes through which this relationship exists are less explored. Blau (1964) defined social exchange as "favors that create diffuse future obligations, not precisely specified ones, and the nature of the return cannot be bargained about but must be left to the discretion of the one who makes it" (p. 93). Thus, when applied to the human resource system–performance relationship, SET suggests that when individuals are treated well in a social relationship (or in this case by the firm), they may respond by increasing their effort in order to make the exchange a fair one. Takeuchi et al. (2007) hypothesized and found support for the mediating role of social exchange in the relationship between HR practices and firm performance. Similarly, Gong et al. (2009) used SET to explain why a performance-oriented HR subsystem would generate great affective commitment, and consequently better firm performance. They found support for their model. Similarly, Kehoe & Wright (2013) used SET to explain why certain HRM practices would elicit affective commitment among employees and found just such an empirical relationship.

Strategic Human Resource Management and Firm Performance

Clearly, the bulk of research in SHRM has focused on the link between HRM practices (termed, variously, high-performance work systems, high-commitment work systems, performance-oriented work systems, etc.) and organizational performance. As previously discussed, the

publication of Huselid's (1995) seminal study showing this relationship sparked an exponential growth in this literature. Although the nature of the positive relationship seems relatively unarguable, current research still has not come to definitive conclusions around several issues.

First, as previously discussed, a large discussion has emerged around understanding the mediating mechanisms through which HRM practices impact firm performance. Because these practices impact employees, it seems obvious that they have to change something about those employees in some way that ultimately results in higher firm performance. First, the practices could impact the knowledge, skills, and abilities of employees (also referred to as human capital). Thus, Takeuchi et al. (2007) suggested that HRM practices impacted the collective human capital of a firm. Similarly, Wright et al. (1998) found that in a sample of petrochemical refineries, HRM practices impacted refinery managers' evaluations of the skills of the operators in those refineries. They could also affect the motivation of employees (Wright et al. 1998). More specifically, several authors have examined affective commitment (i.e., the extent to which an individual emotionally identifies with the firm) of employees (Gong et al. 2009, Kehoe & Wright 2013). However, affective commitment, to impact performance, must be related to employee behavior. For instance, Messersmith et al. (2011) suggested that attitudinal variables such as commitment would encourage employees to exhibit organizational citizenship behaviors. Certainly, much recent research has attempted to shine light on the specific mediating mechanisms that work between HRM practices and firm performance.

Second, although the relationship between HRM practices and performance is well established, there is little or no consensus regarding which HRM practices should make up the HRM practices that are related to performance. Voicing early concerns, Becker & Gerhart (1996) noted that in the papers in their special issue on HR and performance there was not a single practice that appeared across all of the studies. Posthuma et al. (2013) conducted an extensive review of the HRM practices that had been used in HRM and performance studies and also found very little consensus. Langevin-Heavey et al. (2013) also noted that not only do researchers not agree on the specific practices, but they also do not agree on the scale (Likert, percentage, yes/no, etc.), scope (all employees or some group of employees), and source (HR managers, employees, etc.) of these HR practice measures.

Related to the challenge of identifying the consensus set of HRM practices that make up a "high-performance work system" is the overall conceptualization of a high-performance work system. Arthur (1994) originally conceived of HR systems as being either control or commitment oriented. Huselid's (1995) original study empirically showed two factors, employee skills and organizational structures and employee motivation. However, over time more researchers began to conceptualize HRM practice systems as being comprised of three subsystems with practices focusing on skill enhancing, motivation enhancing, and opportunity enhancing (Appelbaum et al. 2001). For instance, the previously discussed meta-analysis by Jiang et al. (2012) explored how these three subsystems may differentially impact outcomes. In addition, several researchers have used this conceptualization (Batt 2002, Gardner et al. 2011, Kehoe & Wright 2013, Liao et al. 2009). Thus, consensus seems to have emerged around this three-component view of HRM systems.

However, recent work has returned to the beginning of SHRM research and examines HRM practices in terms of control and commitment. This renewed conceptualization does not view the HR system as a continuum from control to commitment, but rather that these two aspects could be independent of one another. Su & Wright (2011) developed a measure of HRM practices that added control-oriented items such as an emphasis on work rules, punishment for violation of rules, and close supervision. They found that, in a Chinese context, these items explained significant incremental variance in performance beyond traditional "commitment" type practices. In a more elaborate study, they argued for two dimensions of HRM practices, commitment-eliciting and compliance-achieving, both of which could be simultaneously implemented. They found that

the firms combining these two approaches displayed significantly higher performance than those implementing only one or neither.

In addition to some of the methodological critiques of research on the HR practice–performance relationship, several conceptual critiques have emerged over the past few years. In particular, Kaufman (2015a,b,c) specifically addressed the flawed assumptions of the entire research stream on HRM practices and performance.

To provide the context, one must first note that, as previously discussed, a plethora of research has focused on establishing the relationship between HRM practices and performance. Also, as previously discussed, numerous authors have argued based on that consistent finding that firms would benefit from implementing more HRM practices rather than fewer. Finally, because of this, many authors have argued that the increasing competition in markets leads firms to compete by better managing their workforce through effective HRM practices. Thus, Kaufman notes that SHRM authors advocate for a more-is-better approach to implementing HRM practices. He also notes that these authors suggest that competition leads to HRM practices. The flaw in such arguments, he argues, is that all of these suggestions seem to ignore the real effects of competition.

He then notes several inconsistencies between the arguments of SHRM advocates and the reality of organizational decisions. For instance, if HRM practices have such a profound effect on performance, why don't all firms use them at their maximum level? And, if all firms used them at the maximum level, wouldn't the profits that come from implementing them be competed away? Using a marginalist economic approach, he then shows how firms likely face an optimal level of HRM practices that maximizes the return due to implementing them.

In summary, although the relationship between HRM practices and performance is not questioned, both the identification of HRM practices and the conceptualization of them remain areas lacking general consensus. These issues provide the basis for some of the future research issues we discuss in the final section.

Multilevel Issues

Although the field of SHRM began with a focus on the organization level of analysis, as it has evolved researchers increasingly recognize the requisite multilevel nature of all aspects. For instance, most studies of the relationship between HRM practices and performance examine the HRM practices for a job or group of jobs within the organization. Thus, whether measured as the report of an HR manager or the aggregated measure of several employees' reports, the HRM practice measure represents the practices for an organization. This measure then is correlated with an organization-level measure of performance. However, each practice affects individuals who perceive the practice, evaluate the practice, and react to the practice affectively and behaviorally (Wright & Nishii 2012). So the link between the organization-level practice and organization-level performance must take place through individuals.

Ostroff & Bowen (2000) were among the early researchers specifically exploring the multilevel nature of SHRM. These authors introduced the concept of HR system strength. They characterized strong HR systems as visible, acceptable, consistently administered, effectively administered, internally consistent, and intense. They argued that such systems create strong climate perceptions and beliefs about the psychological contract. However, their entire analysis relied on individual's perceptions of the practices.

Nishii et al. (2008) explored how HR practices related to customer satisfaction. They argued that it was the attributions that employees made regarding management's reasons for the practices that would impact their attitudes, behaviors, and ultimately unit performance. The authors found that employee attitudes improved when employees attributed positive motives behind HR

practices (e.g., employee enhancement) to management, but negative motive attribution (e.g., cost and employee exploitation) was associated negatively with employee attitudes. Additionally they found that employee attitudes were positively associated with citizenship behaviors, which were associated with customer satisfaction.

More recently, Den Hartog et al. (2013) noted that employee perceptions are assumed to mediate the link between HRM practices and HR outcomes. In a multisource (managers and employees) and multilevel study, they found that employee perceptions of HRM mediated the relationship between implemented HRM and both employee satisfaction and unit performance.

Fit and Flexibility

Another area within the field of SHRM deals with the concepts of fit and flexibility. Nadler & Tushman (1980) define congruence (or fit) as “the degree to which the needs, demands, goals, objectives, and/or structure of one component are consistent with the needs, demands, goals, objectives, and/or structure of another component” (p. 90). Wright & Snell (1998) noted that fit, because it entails congruence between two or more dynamic constructs, can only be considered a state, i.e., fit at Time 1 does not guarantee fit at Time 2. Flexibility, however, represents more of an underlying organizational capability, but it can only be measured over time, i.e., demonstrating fit at Time 1 under one set of circumstances and then fit again at Time 2 under a different set of circumstances.

The concept of fit has been assumed without question since the inception of the field. The entire field emerged from the assumption that to maximize organizational effectiveness firms must seek to align (or fit) their HRM systems to the strategy of the firm (Baird & Meshoulam 1988, Jackson et al. 1989, Lengnick-Hall & Lengnick-Hall 1988, Miles & Snow 1984). Wright & McMahan (1992) noted in their definition of SHRM that it entailed two types of fit, what they termed vertical fit, or fit with the strategy (or other aspects of the organization), and horizontal fit, referring to fit among the various HRM practices.

In terms of vertical fit, Wright & Sherman (1999) pointed out that little empirical evidence exists for this concept. Huselid's (1995) seminal study explored virtually all of Venkatraman's (1989) conceptualizations of fit in trying to test for a fit effect between HR practices and strategy. However, he found little evidence of such fit. Similarly, Delery & Doty's (1996) contingency models of HRM practices tested several different potential fit relationships. Although they did find some evidence of fit between strategy and a few HRM practices, their results could by no means be considered robust or consistent support.

Wright & Sherman (1999) explained why this fit effect might exist but not be observed. They hypothesized that HRM practice measures tend to state generic practices (e.g., pay-for-performance) that should be effective regardless of strategy. However, they suggested that the fit may be regarding the aimed outcome of the practices. For instance, in firms emphasizing customer service, it may be that the extent to which the pay-for-performance system defines performance in terms of customer service, a positive relationship exists between the system and firm performance, but pay-for-performance systems that define performance in terms of cost cutting may have little or even a negative relationship with firm performance because it would drive behavior inconsistent with the strategy.

However, flexibility in HRM has received significant research attention and support. Wright & Snell (1998) defined HR flexibility as an organization-level construct indicating a firm's ability to reconfigure resources quickly to meet new strategic challenges. They noted that flexibility could exist in terms of employees' skills, employees' behaviors, and HR practices. For each of these categories, there could be resource flexibility (the breadth of different uses for that particular concept) and coordination flexibility (the ability to quickly change and reconfigure the focal concept).

Using this framework, Bhattacharya et al. (2005) developed a measure of HR flexibility and found that this flexibility was related to firm performance among a sample of manufacturing firms. Ketkar & Sett (2009) demonstrated similar results. Beltrán-Martín et al. (2008) found that HR flexibility was related to firm performance and that it mediated the relationship between high-performance work systems and performance. Chang et al. (2013) developed a measure of flexibility-oriented HR systems and found that this measure was related to firm absorptive capacity, which was in turn related to firm innovativeness and market responsiveness.

Two more recent developments have emerged from Way and colleagues. First, regarding the measurement of HR flexibility, Way et al. (2015) developed and validated a multi-item scale. Their scale consists of subscales assessing resource flexibility in HR practices, resource flexibility in employee skills and behaviors, coordination flexibility in HR practices, coordination flexibility in employee skills and behaviors, and coordination flexibility in contingent worker skills and behaviors. Across seven samples, they found (*a*) consistent confirmation of this five-factor structure, (*b*) that the five-factor structure assesses an underlying HR flexibility second-order factor, and that the measure exhibited good discriminant and convergent validity. Some of their analyses demonstrated a positive relationship between the measure and firm performance as evidence of the measure's consistency within the nomological net.

More recently, however, Way et al. (2016) have noted that virtually all of the research on HR flexibility tests for a positive relationship between it and performance. However, the theory underlying flexibility would indicate that the importance of flexibility (and thus its relationship with performance) depends upon the dynamicity and predictability within the firm's external environment. Because investments in flexibility may be costly, one would expect a positive relationship only in dynamic environments; in stable environments, the cost of building flexibility might far outweigh its benefits. In testing this moderating relationship, Way et al. find support for the hypothesis that HR flexibility is beneficial only under conditions of change.

INTERNATIONAL STRATEGIC HUMAN RESOURCE MANAGEMENT

SHRM is a complicated field of study, often touching on multiple disciplines, such as psychology (e.g., motivation), sociology (e.g., teams), law (e.g., negotiations), organizational theory (e.g., HPWSs, organizational design), and economics (e.g., labor markets) (Schuler et al. 1993). Adding an "I" to SHRM (ISHRM or SIHRM) to recognize international issues only further broadens the scope of topics and research available to SHRM scholars by drawing attention to contextual, economic, institutional, and cultural challenges facing HR in multinational corporations (MNC or MNE). Because an exhaustive review of SIHRM goes beyond the scope of this article (see also Stahl et al. 2012), we chose to highlight a few core themes of particular interest.

Studies of international business have been around for some time (e.g., Coase 1937), originating economic theories' attempts to explain international expansion of multinational firms based on transaction costs (Coase 1937, Williamson 1981), market imperfections (Hymer 1970), or internalization (Buckley & Casson 1976). Although each of these theories touched upon HRM-related issues, they were not based in the HR literature or theory. For example, Hymer discusses how the senior-most employee in an international subsidiary might be a person of modest importance to the overall corporation. Williamson includes a section on managing human assets in which he discusses an organization's decision to internalize specific employee skills through training or to contractually source these skills from the external labor market.

A more explicit and exclusive consideration of international issues from an SHRM perspective took place in the 1990s (Schuler et al. 1993, Taylor et al. 1996). Schuler et al. (1993, p. 422) offered a formal definition of SIHRM: "human resource management issues, functions, and policies

and practices that result from the strategic activities of multinational enterprises and that impact the international concerns and goals of those enterprises.” Following this definition, the authors outline a conceptual framework for SIHRM in MNEs. This framework begins by describing the organizational structure of an MNE, considering both interunit linkages (integration) and internal operations (differentiation). Interunit linkages are the connections between subsidiaries of a parent organization that operate in different countries and contexts, in other words, the intraorganizational network. These linkages involve both differentiating and integrating disparate parts of the organization. Internal operations, however, are focused primarily on how local units operate, independent of other subunits. Internal operations are shaped through institutional pressures emanating from local laws, cultures, regulations, norms, and values (DiMaggio & Powell 1983), although they may still be influenced by the corporate parent (Kostova 1999).

In addition and related to an MNE’s structure, SIHRM is influenced by exogenous and endogenous factors (Schuler et al. 1993). Exogenous factors can include the industry, national, or regional characteristics. Industry factors include competing firms, suppliers, customers, and types of products or services (Porter 1991). Endogenous factors, those housed within the organization, may include organizational structures (Bartlett & Ghoshal 1998, Harzing 2000), headquarters’ attitudes regarding international operations (e.g., ethnocentric, polycentric, or geocentric), corporate strategy, and international experience of the parent organization (Schuler et al. 1993). Endogenous and exogenous factors will largely determine the nature of interunit linkages between subunits. The more closely aligned these factors are between units the greater opportunity for knowledge sharing, practice transfer, and efficiency.

SIHRM’s role within an MNE is therefore focused on coordinating the organization’s HR philosophy and policies while responding to local pressures and demands (Schuler 1992). SIHRM can accomplish this through (*a*) balancing local and expatriate talent, (*b*) adapting HR policies to local conditions, and (*c*) relaying the vision/strategy of the organization. Outcomes of SIHRM related to the internal operations of the organization may include improved communication, information/knowledge sharing, organizational learning, or strengthened culture. Ultimately, these improved internal processes allow the organization to be more flexible, adaptive, and globally competitive (Schuler et al. 1993).

Taylor et al. (1996) builds upon Schuler et al. (1993) by integrating contingency and resource-based perspectives. These authors identify firm resources at three levels: national, firm, and affiliate. National resources include economic, human, cultural, and other resources of the parent firm’s country (e.g., labor laws, educational systems, or regulations). These resources cannot provide a unique competitive advantage against other firms operating within the same country (who would also have access to those resources) but may be advantageous when competing against firms from other countries. Next, firm-level resources are those owned by the parent organization and may include physical, organizational, or human assets (Barney 1991). These are typical resources in the resource-based perspective. Finally, affiliate-based resources are possessed by specific subunits of the larger organization. These resources can be shared throughout the organization, allowing different subunits and geographies to potentially benefit from resources originating in other parts of the world. The ability of affiliate resources to provide value outside of their originating region is dependent upon the organization’s ability to successfully transfer resources between locations.

Finally, Taylor et al. (1996, p. 966) identify three types of SIHRM orientations, “the general philosophy or approach taken by top management of the MNC in the design of its overall IHRM system, particularly the HRM systems to be used in its overseas affiliates.” These include adaptive, exportive, and integrative orientations. Adaptive SIHRM orientations are focused on local responsiveness at the expense of ease of transferring practices and knowledge around the broader firm. Exportive orientations exist at the opposite extreme, where the parent company’s policies

are pushed upon local affiliates with little room for local customization. Finally, integrative orientations combine the adaptive and exportive orientations, allowing for the parent organization's philosophy and policies to be modified to align with local conditions.

Both Schuler et al. (1993) and Taylor et al. (1996) suggest one way for MNEs to gain competitive advantage is through leveraging regional resources and knowledge in other parts of the MNE's intraorganizational network. Knowledge and practice transfer can occur in a variety of ways (Gupta & Govindarajan 1991, Szulanski 1996) and have received considerable attention in management literature. Specific to SIHRM, researchers have found that expatriate assignments can be effective ways to transfer knowledge if those employees are selected based on their competency to transfer knowledge (Chang et al. 2012). Expatriates who are able to transfer knowledge can have a positive effect on subunit performance (Wang et al. 2009). Other studies have also shown that SIHRM policies can increase a subunit's absorptive capacities by enhancing employees' motivation and ability to learn and share knowledge (Minbaeva et al. 2003).

WHERE WE ARE GOING

Having described the historical path and current landscape of SHRM research, we now turn to examining the future trends and prospects. Our predictions are that over the coming years this field will see six developments.

Increasing Rigor

As the "Era of Empirical Critique" signaled, SHRM research will continue to see an increase in the level of rigor used in empirical research. This does not suggest that past research was not sufficiently rigorous for drawing any valid conclusions. Rather, it recognizes that as any field of inquiry evolves over time, it necessarily grows in rigor. Because no study eliminates all threats to validity, later researchers are able to identify common threats that may preclude drawing definitive conclusions. By then designing studies that minimize those threats (while having threats that may not have existed in the previous studies), researchers can provide more rigorous and robust tests of the focal relationships.

For instance, Huselid's (1995) study asking heads of HR about the HPWS within their firms provided unique findings that sparked volumes of later research. Gerhart et al.'s (2000a,b) examination of the low inter-rater reliability of single-source measures of HPWS noted the desirability for trying to gain HRM practice measures from multiple sources. This does not create multisource data as a new prerequisite for any study, but rather focuses attention on the multiple sources of error variance (time and rater) in addition to that which was previously recognized (items).

Similarly, some of the research showing the potentially dual causality in the relationship between HRM practices and performance (Guest et al. 2003, 2013; Wright et al. 2001a) pointed out the inability of current data to suggest that a "change" in HRM practices would necessarily result in a "change" in firm performance. This sparks more research seeking to gather longitudinal or panel-type data to more validly assess the extent to which HRM practices can causally influence firm performance.

Finally, much SHRM research has been conducted by those trained in more of a micro-organizational behavior or psychology background, and thus, their statistical modeling techniques reflect such an orientation. Gerhart (2007, 2013) has specifically addressed issues regarding the modeling of the HRM practice-performance relationship. In particular, he notes how much of this research has ignored the endogeneity problems, and what that means for the kinds of conclusions that can be drawn. Consequently, he proposes several approaches that should be considered as future researchers explore this relationship.

Increasing Multilevel

As discussed previously, the field has evolved to increasingly recognize that the phenomena we study cross organizational, unit, and individual actors. Although studies can still focus singularly on one or another of these levels of analysis, we believe that research in this area will increasingly trend toward multilevel.

At a theoretical level, few attempts have been made to develop multilevel theories of SHRM. Probably the most extensive was that of Bowen & Ostroff (2004), who used communications theory as a way of explaining how HRM systems might impact individuals. However, even that attempt was not a clear multilevel theory of SHRM. Subsequent efforts by Wright & Nishii (2012) and Guest et al. (2013) have clearly stated the multilevel nature of the phenomenon. However, these would be better described as process models than true theories.

Empirical research, however, has increasingly brought multilevel analyses to bear. Studies such as Nishii et al.'s (2008) and Den Hartog et al.'s (2013) have simultaneously addressed organization and individual-level data. However, these might better be characterized as cross-level studies than comprehensive multilevel studies. However, as more sophisticated statistical techniques such as multilevel structural equation modeling are mastered by researchers in this area, we expect to see more extensive multilevel examinations in the SHRM literature.

Increasing Global

Whetten (2008) identified two approaches to the research of international business: theories of context and theories in context. Theories in context take existing theories (historically derived by Western academics) and place them in new settings. This research approach attempts to test one idea in different settings. This theory borrowing is the typical way international research is conducted. Traditional SHRM models, derived using largely American organizations and samples, are extrapolated by testing the same hypotheses using non-US samples. This approach can develop new theoretical insight by finding contexts in which existing empirical and theoretical research fails.

Theories of context look at how contexts challenge, change, or alter existing theories. Theories of context are focused on understanding what it is about the context that explains differences in observed behavior. To develop more theories of context, Whetten suggests creating cross-national research teams to incorporate alternative perspectives that may lead to new theoretical insights. One such example is Su et al. (2017), who find the Chinese context provides a different perspective on commitment and control HRM practices and that HRM systems that incorporate control-oriented practices (more acceptable in Chinese contexts) provide greater performance.

Specific avenues for potential future international SHRM research may include exploring the effect of culture congruity between parent and subunit countries on the effectiveness of knowledge and practice transfer, moving from both parent to subunit and subunit to parent. Additionally, future research may explore how corporate HR may partner with community leaders to fill gaps in necessary skills of the local workforce. Many developing countries do not have a sufficiently robust and formalized educational system to prepare their local labor market to participate in a global economy. This requires subunits to rely more heavily on expatriates who often fill short-term assignments that disrupt subunit continuity.

Increasing Human Capital

As previously discussed, early explorations in the area of SHRM had human resources (people) as a central variable. Writers discussed the implications for different strategies on the different kinds of people needed, the different skills necessary, and the different behaviors required (Wright & McMahan 1992). However, after Huselid (1995) demonstrated the link between HRM practices

and performance, many researchers diverted their focus from the actual people to the practices that allegedly impact those people.

Although HRM practices still garner significant research attention, several researchers have re-engaged with examining the “humans” in SHRM. For instance, research on the HRM-performance linkage has increasingly attempted to specify the mediating mechanism through which HRM practices impact performance. Clearly this requires bringing several aspects of people into the equation, aspects such as skills (Wright et al. 1998), affect (Gong et al. 2009, Messersmith et al. 2011), and behaviors (Kehoe & Wright 2013, Messersmith et al. 2011).

Increasing Integration with Strategy Researchers

Several researchers have called for integrating strategy and HR literatures, particularly as a means of pursuing multilevel research (Aguinis et al. 2011, Huselid & Becker 2011). The emphasis on human capital has enabled traditional SHRM researchers to better connect with strategy researchers (Wright et al. 2014). Wright & McMahan (2011) noted that strategy researchers have increasingly attended to human capital as a critical strategic resource, yet focused very little on the practices that acquire, motivate, develop, and retain that human capital. HRM researchers, however, had focused more on the HRM practices–performance relationship and less on the actual human capital. In addition, strategy researchers have a deeper understanding of organizational-level strategy processes, whereas HRM researchers tend to have greater knowledge of individual- and team-level processes. Consequently, bringing these two complementary perspectives and knowledge bases together can result in significantly greater progress than these two fields progressing independently of one another.

As an effort to bring these two fields together, the Strategic Management Society (SMS) created the Strategic Human Capital Interest Group. This interest group focuses on the links among strategy, human capital, and firm performance, and has attracted a variety of researchers from HRM, organizational behavior, strategy, organization theory, and economics. As Wright et al. (2014) note, however, bringing these divergent groups together does not necessarily mean cooperation will take place because of their disciplinary divides (Molloy et al. 2010). In their special issue on human capital they discovered that researchers from different fields bring diverse paradigms regarding what good research looks like. Consequently, they discovered that papers liked by strategy reviewers were hated by HRM reviewers and vice versa. Certainly, these divides have not yet been bridged.

However, these researchers increasingly interact with one another across SMS meetings as well as other smaller, more focused conferences (Nyberg & Wright 2015). Such conferences serve as platforms for facilitating communications, learning one another’s languages, and better understanding and appreciating alternative research paradigms.

Increasing Integration with Practice

Interestingly, as we noted at the beginning of this article, early work in SHRM had a pointedly practice-oriented tone. However, probably in efforts to make the field relevant in more academically oriented journals such as *AMJ* and *AMR*, the field drifted into more theoretically deep and empirically rigorous emphases. Again, this created a situation where two streams of SHRM writing developed relatively independent of one another. Consequently, academic writings became less linked to what is going on in practice (Krscynski & Ulrich 2015), and practice-oriented writers became less concerned about rigor.

For example, David Krscynski writes, “As I evaluate my own research I find several core theoretical arguments that create interesting theoretical contributions but do not pass the sniff

test in practice. These arguments pass the academic sniff test by effectively identifying assumptions and/or theories in tension, but practicing managers would not relate to the phenomena I describe . . .” (Krscynski & Ulrich 2015, p. 367). World-renown consultant Dave Ulrich writes, “I . . . write the article with real concern. Managers are often lured by the newest, shiniest toy (in this case popular or new management practice). They implement the new management practice with good intent, but lack a thorough understanding of why, when, or how the new toy really works. Absent rigorous theory, management best practice is isolated and illusory” (Krscynski & Ulrich 2015, p. 367).

Evidence seems to be mounting that this theory-practice gap may be slowly closing. The advent of several academic centers such as the Center for Effective Organizations (University of Southern California), the Center for Advanced HR Studies (Cornell University), and the Center for Executive Succession (University of South Carolina), to name a few, links researchers with executives. The increased interaction provides executives with an increased appreciation for the evidence-based findings that can help them better manage their workforces. Simultaneously it puts the real problems, challenges, and issues faced by firms front and center for researchers, who can then apply their theory/research skills and attention to providing more evidence-based guidelines to help firms perform more effectively (see **Table 1** for opportunities for future research).

Table 1 Opportunities for future research

Opportunities for future research	Suggestions
Increased rigor	SHRM research could <ul style="list-style-type: none"> ■ Use multiple raters and data sources to improve reliability ■ Temporally separate independent and dependent variables to establish causal direction ■ Test and control for endogenous variables
Increased multilevel	SHRM research could <ul style="list-style-type: none"> ■ Develop theoretical models that describe multilevel phenomenon through emergence processes ■ Use different levels to test multilevel and cross-level effects (e.g., individual-unit, unit-organization, organization-industry, organization-national)
Increased global	SHRM research could <ul style="list-style-type: none"> ■ Distinguish between theories of context and theories in context ■ Increase use of cross-national samples ■ Explore transnational intraorganizational networks
Increased human capital	SHRM research could <ul style="list-style-type: none"> ■ Develop theoretical specificity concerning which and why certain individual KSAOs affect outcomes ■ Increase granularity of human capital measures
Increased integration with strategy research	SHRM researchers could <ul style="list-style-type: none"> ■ Focus on leveraging human capital compared to managing human capital ■ Read literature from strategy, economics, or other fields to learn vernacular ■ Incorporate new methodologies, including data sources and analytical tools
Increased integration with practice	Academics and practitioners can partner to <ul style="list-style-type: none"> ■ Help academic research have real-world relevance ■ Improve the theoretical foundation of practice-oriented research ■ Pair rich practitioner data with corresponding academic rigor ■ Distribute academic findings through practice-oriented publications

Abbreviations: KSAOs, knowledge, skills, and other characteristics; SHRM, strategic human resource management.

CONCLUSION

The field of SHRM has moved beyond infancy and adolescence to a state of relative maturity. Tremendous theoretical and empirical progress has occurred over the past almost 40 years. Several consistent findings, such as the positive relationship between HRM practices and performance, have been revealed, albeit with numerous questions about the nature of causality in this relationship. The field has expanded in terms of methodologies, areas of focus, geographic representation (of both researchers and data sets), and theoretical frameworks.

Our hope and expectation is that these trends will continue over the next 40 years. As people become more and more critical to organizational success, the management of them as both strategic resources and human beings worthy of dignity and respect increases in importance. We hope that this article helps to guide research in this area that helps organizations to become more effective and the people working in them to experience greater satisfaction and personal growth.

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Errata

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