“How can we improve the effectiveness of HRM strategy? A model for future research”

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How can we improve the effectiveness of HRM strategy? A model for future research

Abstract

It is unclear what is meant by human resources (HR) practices at various levels: individual (micro); organizational (meso); and general (macro). An important objective of this article is to develop a model for future research into strategic HR management. Problem for discussion is how can organizations maintain their competitive position with the help of strategic HR management? Research questions: 1. How can strategic HR management be understood at different levels? 2. What knowledge base do the authors have for strategic HR management? Method of research – conceptual generalization. Findings: 1. The authors have developed a typology for the different levels (micro, meso and macro) and the various perspectives: behavioral; resource-based; knowledge-based and dynamic capabilities. 2. The authors have developed a research model for future research into strategic HR management, which takes account of the particular level and the knowledge perspective that has been applied. At the same time, the model illustrates examples of HR practices at different levels, HR management results, and organizational performance.

Keywords: HRM, HRM strategy, HRM practices, knowledge perspectives.

JEL Classification: M12.

Introduction

Definitions

HR management is defined here as the various HR practices at different levels (micro, meso, macro) used for the purposes of managing people within organizations.

Here we consider HR management as the aggregate of the functions performed by an HR department, or to quote Wright & McMahan (2001, p. 298): “It is the sum of the technical knowledge within each of these functions that we refer to as the field of HRM”.

Strategic HR management is defined here as the choices an HR department makes with regard to human resources for the purposes of achieving the organization's goals. This is analogous to the view of Storey et al. (2009, p. 3) and consistent with the definition we employ of HR management. This means that strategic HR management must be focused on the micro-, meso- and macro-levels. There are many definitions of strategic HR management. Some are mentioned below: “use of human resources in order to achieve lasting competitive advantages for the business” (Mathis and Jackson, 2008, p. 36); “management of the employees, expressed through management philosophy, policy and praxis” (Torrington et al., 2005, p. 28); “development of a consistent practices in order to support the strategic goals of the business” (Mello, 2006, p. 152); “a complex system with the following characteristics: vertical integration, horizontal integration, efficiency, partnership” (Schuler and Jackson, 2005).

Issue

The problem we take as our starting point is the confirmed gap in strategic HR management between theory and practice (Rynes, 2007, p. 985; Uysal, 2014). HR managers find it difficult to describe how HR practices promote value creation. Some links were described, however, in studies dating from the 1990s, when the concept of strategic HR management was first developed. Huselid’s classic study published in 1995 shows a statistical link between HR practices in relation to “turnover” and profit and market value. Since Huselid’s study was published, many studies have demonstrated similar links between HR practices and various markers of organizational performance. The problem however is that none of these studies have been based on clearly defined structures, or on a clear knowledge base. This makes accumulating knowledge difficult, and to a large extent we are forced to return to Huselid’s 1995 starting point in order to demonstrate the existence of such links. Accordingly, this area of research has been characterized by fragmentation, both in relation to levels (micro, meso, macro) and the knowledge base that has been applied. This is also the core of the problem that we will attempt to address in this article.

Research questions:

1. How can we understand strategic HR management at different levels?
2. What knowledge base do we have for strategic HR management?
Organization. First, we will briefly explain the methodology used in this article, and then sequentially organize the article in relation to the two research questions.

1. Methodology

In order to describe, analyze and discuss strategic HR management, we have used results and syntheses from research conducted by the most prominent HR researchers in the fields of HR management and strategic HR management, including White and Younger (2013, pp. 27-52), Ulrich (2013; 2013a), Ulrich and Ulrich (2010), Ulrich et al. (2012), etc.

We have also employed conceptual generalization (Adriaenssen and Johannessen, 2015) in order to identify a pattern in the existing research.

The following is a brief explanation of conceptual generalization. For a more in depth account, readers are referred to Adriaenssen and Johannessen (2015), and Bunge (1998).

Research falls into two main categories: conceptual generalization and empirical generalization (Bunge, 1998, pp. 3-50, 51-107, 403-411). Conceptual generalization is an investigation where the researcher uses other researchers’ empirical findings in conjunction with his or her own process of conceptualization in order to generalize and identify a pattern. This contrasts with empirical generalization, where the researcher investigates a phenomenon or problem that is apparent in the empirical data and only thereafter generalizes in the light of his or her own findings (Bunge, 1998, pp. 403-411). The starting point for the researcher in the case of both empirical and conceptual generalization will be a phenomenon or problem in the social world.

Conceptual generalization and empirical generalization are strategies that are available for answering scientific questions. Which of these strategies one chooses to use will be determined largely by the nature of the problem and “the subject matter, and on the state of our knowledge regarding that subject matter.” (Bunge, 1998, p. 16). Conceptual generalization, which is the strategy underpinning our investigation here, is “a procedure applying to the whole cycle of investigation into every problem of knowledge.” (Bunge, 1998, p. 9).

1.1. Research question 1: How can we understand strategic HR management at different levels?

Through a literature review of strategic HR management, Wright and Boswell (2002) found that research had focused on single or multiple HR practices in order to discover the relationship between HR practices and organizational performance. In addition, the various studies were spread across various levels, i.e. individual level (micro) as well as group and organizational levels (meso).

Wright and Nishii (2013, p. 99) say the following about the research at the various levels: “To date SHRM researchers have focused on examining true variance at the organizational level, with relatively less attention being paid to variance at other levels of analysis.”

Storey et al. (2009, pp. 4-5) indicate three levels in strategic HR management: the individual level, or micro; the organizational level, or meso; the external level, or macro. These three levels can be further divided in different ways. To avoid confusion, it is important to be explicit concerning which level is being discussed; however, it must also be kept in mind that strategies adopted at one level can affect one or more of the other levels. This relationship can be shown in a Boudon-Coleman diagram, which was developed by Bunge (1998, pp. 76-79) on the basis of insights made by the sociologists Boudon and Coleman. The purpose of the diagram is to show the relationship between the different levels, such as the macro and micro-levels. For instance, changes at the macro-level, such as technological innovations, can lead to increased income at the micro-level.

An important purpose of the diagram is to identify which processes maintain or change the phenomenon or problem under investigation. The Boudon-Coleman diagram represents a “mixed strategy” (Bunge, 1998, p. 78), which Bunge uses in his research. Bunge states: “When studying systems of any kind a) reduce them to their components (at some level) and the interaction among these, as well as among them and environmental items – but acknowledge and explain emergence1 whenever it occurs: and b) approach systems from all pertinent sides and on all relevant levels, integrating theories or even research fields whenever unidisciplinarity proves to be insufficient” (Ibid). The purpose of this research strategy is to arrive at a deeper and more complete explanation of behavior in social systems at various levels. This also applies to research related to strategic HR management.

A figurative representation of the Boudon-Coleman diagram, as well as the different levels is shown in Figure 1.

1 An emergent is if something new occurs on one level that has not previously existed on the level below. By emergent we mean here: “Let S be a system with composition A, i.e. the various components in addition to the way they are composed. If P is a property of S, P is emergent with regard to A, if and only if no components in A possess P; otherwise P is to be regarded as a resulting property with regards to A” (Bunge, 1977, p. 97).
1.2. Research question 2: What knowledge base do we have for strategic HR management? We will very shortly describe the following perspectives: behavioral; resource-based; knowledge-based; and dynamic capabilities. These perspectives are chosen because together they cover the micro, meso and macro-levels, and because these four knowledge bases are consistent with HR management issues in the knowledge society we see emerging (White and Younger, 2013; Ulrich, 2013a).

Finally, we will develop a typology that integrates the various knowledge perspectives and different levels (micro, meso, macro).

1.2.1. The behavioral perspective. In this perspective, we are concerned with roles and behavior (Jackson et al., 1989; Becker and Huselid, 1998). One focuses less on employees’ knowledge, skills and proficiency (Wright and McMahan, 1992, p. 305). The main focus is on internal conditions, even if one does not ignore the influence of the external world on the achievement of objectives (Schuler and Jackson, 1987).

The purpose of the various HR practices in this perspective is to influence and shape employees’ attitudes and behavior. The most effective attitudes and behavior will be context and situation dependent. In this perspective, strategic HR management should aim to utilize those HR practices that most effectively contribute to realizing organizational objectives.

Concerning the relationship between HR management and strategy, Wright and McMahan (1992, pp. 303-304) say the best model is possibly Schuler and Jackson’s (1987), which takes as its starting point Porter’s competitive strategy model (Porter, 1980). Schuler and Jackson’s model was used to discuss how to develop innovation, promote quality processes and reduce costs in organizations.

1.2.2. The resource-based perspective (RBP). The resource-based perspective is the most commonly used theoretical framework when researching HR management and strategic HR management, say Boxall and Purcell (2008), Paauwe et al. (2013, p. 5) and Delery and Shaw (2001), inter alia. The perspective has been particularly important when attempting to explain the relationship between strategic HR management and organizational performance (Wright et al., 2001). The emphasis on internal resources, which this perspective focuses on, legitimizes the idea that human resources are crucial for an organization’s competitive position (Wright, et al. 2001, p. 702).

However, it is argued that only those individuals who possess core competencies of the organization are of crucial importance for the organization’s competitive position (Lepak and Snell, 1999). If we assume that core competencies are the most crucial resource for businesses, then the development and application of this resource will be of particular importance. Logically, this will relate to the importance of an organization’s ability to learn more quickly and efficiently than the competition (Boxall, 1996, p. 65). Core competencies are, as a rule, related to the core processes in an enterprise, i.e. the activities the organization is designed to do. It is thus the emphasis on human resources related to core competencies that link strategic HR management to a focus on core processes and competencies (Ulrich, 1991; Urich & Brockbank, 2005).
1.2.3. The knowledge-based perspective. The knowledge-based perspective is defined here as creating, expanding and modifying internal and external competencies to promote what the organization is designed to do (Grant, 2003, p. 203).

It was Grant (1991; 1996) who conceptualized the knowledge-based perspective. Grant considered an organization a place where knowledge was integrated and used for a specific purpose. According to Grant, it is individuals who develop knowledge while the organization integrates this knowledge and applies it in order to reach certain goals. Therefore, we say that this perspective relates to both micro and meso-levels.

From the late 1990s onwards, many researchers emphasize the importance of knowledge, regarding it as the most essential resource of businesses (Grant, 2000; 2012). They take the resource-based perspective as their starting point, but focus specifically on the different types of knowledge as drivers of how organizations can maintain and improve their competitive position (Barney, 1991; 1995; 2001; Grant, 1991; Nonaka and Takeuchi, 1995; 2002).

1.2.4. Dynamic capabilities. Dynamic capabilities stem from the resource-based perspective and evolutionary thinking in strategy literature (Teece, 2011; 2013, pp. 3-65; 82-113; Nelson and Winter, 1982). The dynamic perspective attempts to explain what promotes an organization’s competitive position over time, through innovation and growth (Teece, 2013, p. 10).

The original thinking concerning dynamic capabilities may be related to Teece et al. (1997). These authors defined dynamic capabilities as an organization’s ability to create, develop and modify its internal and external expertise in order to address changes in the external world.

Later works expanded the concept of dynamic capabilities to include an organization’s ability to create changes in the market (Eisenhardt and Martin, 2000; Teece et al., 2002). The modification of the original definition has involved a greater emphasis on resources other than expertise, which Teece et al. (1997) initially focused on. Whatever the development of dynamic capabilities, both Helfat et al. (2007) and Teece (2013, p. 9) say that the basis of the perspective rests on tacit knowledge, organizational processes and senior management skills. This links dynamic capabilities closely to the knowledge-based perspective. The difference here is that the knowledge-based perspective focuses on the micro and meso levels while dynamic capabilities have its main focus on the meso and macro levels.

Dynamic capabilities focus not only on resources within an organization, but also the resources an organization controls and is dependent on in the external world. The word dynamic refers to the fact that an organization repeats activities and processes in a pattern or routine and not only as an ad-hoc activity (Helfat et al., 2007, p. 5).

1.2.5. Developing a typology for the four knowledge perspectives on different levels. After this review of the knowledge base of strategic HR management, we have developed the following typology that integrates the various knowledge perspectives in relation to the different levels.

Fig. 2. The knowledge base and levels of strategic HR management: A typology

2. Analysis and implications

It seems reasonable to assume that strategic HR management has garnered much attention because it has the potential to change how one thinks about organizations (Wayne, 2015). There is an assumption that if organizations are to survive in the global knowledge economy, then thinking about HR management must move more towards the organizational (meso) and external (macro) levels, rather than continuing to focus so strongly on the individual (micro) level, as HR management has tended to until now (Darwish, 2013, p. 1). This assumption has focused attention on the link between HR management and organizational performance (Bratton and Gold, 2012, p. 50). Two historical perspectives have dominated attempts to
understand this link: system theory and the strategic perspective (Darwish, 2013, p. 1). Today the dominant perspective is one that takes a more integrated approach, involving the application of knowledge from various different perspectives (Storey et al., 2009, pp. 4-6; Truss et al., 2012, pp. 139-159; Combs et al., 2006; Jiang et al., 2012).

Several empirical investigations have attempted to demonstrate a link between HR practices and organizational performance (Huselid, 1995; Delery and Dorty, 1996; Guthrie, 2000). Researchers have also attempted to understand the mechanism or drivers underlying such a link (Wright et al., 2005). Bowen and Ostroff (2004) have developed a model to demonstrate the link. Their conclusions, which are founded in communications theory, are that different HR practices indicate to employees how they should react in different situations.

Early research in the United States into the link between strategic HR management and organizational results was ambiguous (Wright and Snell, 1998; Welbourne and Cyr, 1999). Research is ongoing, however, into the link between strategic HR management and organizational performance (Storey et al., 2009, pp. 4-6; Truss et al., 2012, pp. 139-159). Today, one can say that there is confirmed evidence of a link between strategic HR management and various organizational results (Combs et al., 2006; Jiang et al., 2012). However, we know little about the social mechanisms, or drivers, that may explain this link.

If we clarify the theoretical basis for research on strategic HR management, we can map out the various findings in a more orderly manner. This mapping can provide us with insight into which HR practices lead to which results. The practice that exists makes it almost impossible to explain the empirical findings of research on strategic HR management (Mabey et al., 2002). Mabey et al. express this in the following way: “This is why it is so hard (in fact impossible) to obtain agreement on what SHRM really is; and this is why we find such a strange confusion and medley of different sorts of writings with different sorts of approaches and agenda” (Mabey et al., 2002, p. 6).

The research model we have developed in response to Mabey’s statement, and which is developed on the basis of this article, is shown in Figure 3. Figure 3 incorporates the various levels shown in Figure 1 and the knowledge bases shown in Figure 2.

What we have done is propose a framework both for different knowledge bases (Figure 2) and for different levels for research and the implementation of strategy (Figure 1). This is integrated in Fig. 3, which shows the suggested analytical research model.

**Conclusion**

The problem for discussion in this article was: **How can organizations maintain their competitive position with the help of strategic HR management?** The short answer to this question is as follows:

1. Organizations must be explicit as to what theoretical perspective or perspectives are being applied (behavioral perspective; resource-based perspective; a knowledge-based perspective; dynamic capabilities) when implementing strategic HR management.

2. Organizations must be explicit about the level at which this theoretical perspective is being
applied (micro/individual, meso/organizational, meta/external world) when implementing strategic HR management.

3. The effective implementation of strategic HR management is dependent upon organizational awareness of the links between HR practices at different levels, the desired results of HR management, and the desired level of organizational performance.

Suggestions for further research

Empirical research has attempted to find how variations in the use of different HR practices in different organizations influence variations in organizational performance. In contrast, there has been little research into this link within individual organizations. There has been an assumption that HR practices are similar within individual organizations. In order to gain greater understanding of how HR practices affect performance within an individual organization, we wish to obtain a different kind of knowledge by focusing on longitudinal case studies. The assumption here is that one may well imagine people will react differently to similar HR practices. If this assumption is correct, HR practices will be benefited by research that is designed with aims other than identifying variations between organizations.

Variation between different organizations also tells us nothing about the social mechanisms or drivers behind the link between HR practices and performance. In order for the explanation of any variation to have practical relevance, it is important to understand the social mechanisms at work. In order to generate knowledge about the social mechanisms, it is important not to conflate different levels of logic (micro, meso, macro), and also different knowledge perspectives (e.g., behavioral perspective; resource-based perspective; a knowledge-based perspective; dynamic capabilities). If research is not consistent in these two areas, ultimately one will simply be left with a great deal of knowledge about variations between HR practices and organizational performance. HR practices will gain little from this knowledge, however, because we will have failed to identify the social mechanisms that explain the links.

Against this background, we propose the following research design:

1. It is necessary to develop a larger meta-analysis that addresses the distinctions between the different levels (micro, meso, macro) and theoretical perspectives applied in the research (behavioral perspective, resource-based perspective, a knowledge-based perspective, dynamic capabilities). This may clarify what findings exist within different knowledge perspectives and different levels. In this way, we may come closer to evidence-based research into strategic HR management.

2. It will be important to focus on the social mechanisms that may explain the links found in empirical research. If we fail to do this, we will simply be gathering a mass of data about variations, without being able to suggest what HR practices should do to promote performance and how this will occur.

3. More research into the link between different HR practices and performance within individual organizations will also be necessary in order to increase our knowledge base about ways in which strategic HR management can contribute to improving an organization’s competitive position.

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