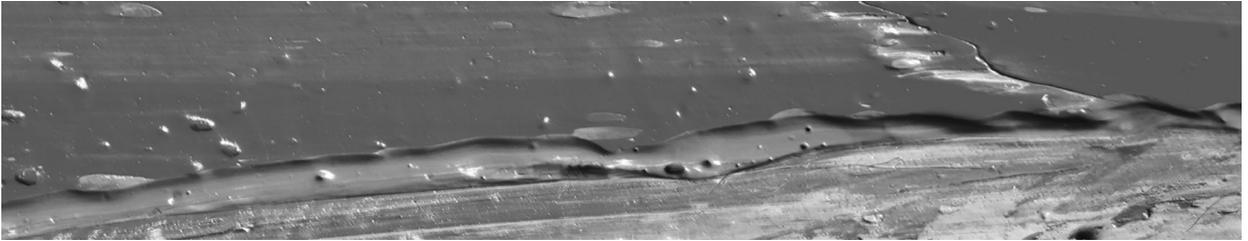
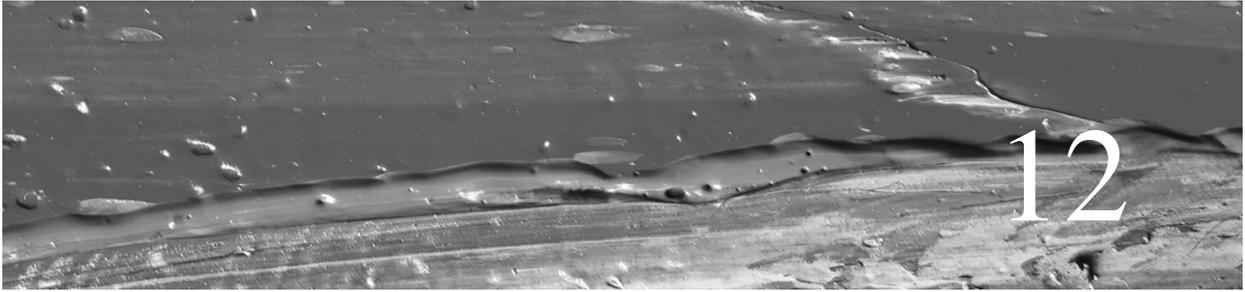


PART III

# Strategic Management







# Strategic Human Resource Management and Organizational Performance

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## INTRODUCTION

The field of strategic human resource management (HRM) has had many periods of evolution. Its roots trace back to the confluence of traditional HRM researchers focusing on individual practices with research looking to understand and examine the potential for contextual factors influencing if, when, and how human resource (HR) practices impact important organizational outcomes. The field has had several 'eras' in its short history, ranging from identifying and delineating systems (e.g. Arthur, 1992, 1994; Huselid, 1995; Delery & Doty, 1996), focusing on context (e.g. Youndt et al., 1996), exploring the HR architecture logic and workforce differentiation (e.g. Lepak & Snell, 1999, 2002) to more recently embracing mediational models with multi-level perspectives (e.g. Nishii, Lepak & Schneider, 2008; Liao et al., 2009) and strategic human capital (e.g. Nyberg et al., 2014; Kehoe & Tzabbar, 2015). Since the late 1980s, this field has made tremendous progress and the research has had a large impact on the field of management. With that said, many issues remain to be addressed.

The focus of this chapter is to provide a review of how the field has evolved and to focus more extensively on a number of research issues that are critical in addressing the better understanding

of how HR and performance are related. There are a number of outstanding reviews that exist (see Jackson, Schuler, & Jiang, 2014; Jiang, Takeuchi, & Lepak, 2013; Lengnick-Hall et al., 2009; Wright & McMahan, 2011) and our goal is not to replicate those reviews. Rather, we focus on a number of conceptual and methodological considerations that exist within the field to better understand the link between HRM and organizational performance. The remainder of the paper is structured as follows. First, we provide a historical review of the strategic HRM literature linking HR systems and organizational performance. Second, we extend this review to explore conceptual, measurement, and methodological issues that need to be addressed to move the field forward.

## BRIEF HISTORICAL REVIEW OF STRATEGIC HRM DOMINANT PERSPECTIVES

Historically, strategic HRM research evolved from more traditional HR research by focusing on several notable features – emphasizing HR systems, embracing the role of context, and shifting

from individual to organizational performance. Conceptually, these differences reflect the evolution of strategic thinking about the impact of HR and can be categorized as universalistic models, configurational models, and contingency models (Delery & Doty, 1996; Lepak et al., 2006).

*Universalistic models* within the earlier stages of the strategic HRM literature embraced the potential strategic value of how people are managed. The logic was that certain HR practices could directly impact individual, establishment, or organizational-level performance metrics. HR researchers have a long history examining how HR practices impact individual outcomes such as turnover intentions (Allen, Shore, & Griffeth, 2003), commitment and satisfaction (Kooij et al., 2010), task performance (Wayne et al., 2002), organizational citizenship behaviors (OCBs) (Podsakoff et al., 2009), and the like. In contrast, direct models with strategic HRM research focused on a broader set of outcomes that ultimately led to financial and market-based measures of firm performance (Rogers & Wright, 1998). As an example, Russell, Terborg, and Powers (1985) examined the relationship between training and organizational performance. Similarly, Gerhart and Milkovich (1990) showed that compensation plans can have a direct impact on firm performance. Pfeffer (1995) explored the notion of HR best practices by identifying successful companies and focusing on a handful of specific HR practices: employment security, selectivity in recruiting, high wages, incentive pay, employee ownership, information sharing, participation and empowerment, self-managed teams, training and skill development, cross-utilization and cross-training, symbolic equalitarianism, wage compression, and promotion from within. Looking across the research within this stream, the focus was on identifying whether certain HR tools were always beneficial or not for organizations.

As the field evolved, researchers within strategic HRM began to shift their emphasis away from individual practices to a focus on HR systems with a *configurational* perspective. Conceptually, the logic is that individuals are managed by multiple HR practices simultaneously and the impact of any one practice is interrelated with the impact of other HR practices on individuals. The idea of a configuration of HR practices – or an HR system – has generated considerable acceptance within the strategic HRM literature.

Within this focus, several key issues need to be emphasized. First, the configurational perspective places priority on the idea of internal alignment (Delery & Doty, 1996), which means that the impact of the system is dependent on the degree of

alignment among the components of the system. If the system is misaligned and different practices that are implemented are inconsistent or in conflict with one another, the power of the system is diluted. But when aligned, the signals and cues that the system imparts on individuals are accentuated. Second, these configurations are targeted in nature and this reflects some differences in the HR systems introduced in the literature. For example, researchers have discussed high performance work systems (Huselid, 1995), commitment-oriented HR systems (Lepak & Snell, 2002), high involvement (Batt, 2002; Guthrie, 2001), human capital enhancing (Youndt et al., 1996), network-building (Collins & Clark, 2003), service-oriented (Chuang & Liao, 2010), flexibility-oriented (Chang et al., 2013), and HR systems for knowledge intensive work teams (Chuang, Jackson, & Jiang, 2016). Researchers focusing on high performance work systems have demonstrated positive effects of these systems in important outcomes such as turnover rates, labor productivity, and financial performance (Huselid, 1995; Ichniowski, Shaw, & Prennushi, 1997). Other HR systems have also been found to positively affect their specific targets, such as social capital (Collins & Clark, 2003), service quality (Chuang & Liao, 2010), flexibility (Chang et al., 2013), and knowledge sharing (Chuang et al., 2016).

The third primary historical perspective within the strategic HRM literature is a *contingency* view. Researchers adopting this perspective focus on potential contingencies that might impact the relationship between individual HR practices and organizational performance (a contingency perspective) or between HR systems and organizational performance (a contingent configuration perspective). The common theme among these two perspectives is that the impact of HR practices/systems depends on some contingency factors. Baird and Meshoulam (1988) noted that effective HRM needed internal alignment among the HR practices (internal fit), as well as alignment with organizational factors (external fit). Related, MacDuffie (1995, p. 198) noted that ‘an HR bundle or system must be integrated with complementary bundles of practices from core business functions’. Building on the conceptual appeal of these arguments, researchers have focused on a variety of contingency variables such as strategy (Miles & Snow, 1984), industry (Datta, Guthrie, & Wright, 2005; Jackson, Schuler, & Rivero, 1989), technology (Snell & Dean, 1992), and structure (Tsui et al., 1995).

Conceptually, however, the most appealing contingency remains business strategy. Researchers have adopted two approaches to examine the impact of business strategy on HR systems.

From one perspective, research has explored how business strategy moderates the relationship between HR systems and performance outcomes (e.g. Youndt et al., 1996). From another perspective, researchers have also examined the alignment between strategic orientation of a firm and its choice of HR initiatives (Arthur, 1994). However, inconsistent results have been found for both streams of research. For example, Youndt et al. (1996) found that pursuing a differentiation strategy strengthened the positive relationships of human capital-enhancing HR systems with employee, customer, and organizational outcomes. However, Chadwick, Way, Kerr, and Thacker (2013) found a weakening effect of differentiation strategy on the positive impact of high-investment HR systems in small firms. Similarly, previous studies have yielded mixed results when examining the alignment between business strategy and the adoption of HR systems. For example, some researchers found that firms pursuing a differentiation strategy tend to use high performance work systems (e.g. Arthur, 1992; Chen, Lawler, & Bae, 2005; Lawler et al., 2011), but the same relationship did not receive support in other studies (e.g. Chadwick et al., 2013; Guthrie et al., 2011). These inconsistent findings suggest that more efforts are needed to identify the factors that may confound the interaction or alignment between business strategy and the use of HR systems.

Beyond these broad conceptualizations, some researchers explored how organizations manage their architecture of human capital. Within this perspective, scholars focused on variability within organizations in the management of employees. As noted by Lepak and Snell (1999, 2002), companies differentiate between core and non-core workers and between internal and external workers. Core workers are directly and strategically valuable for firm competitiveness, while other worker groups are less critical for organizational success. As a result, organizations manage these workers differently. Lepak and Snell (1999) found that core workers were managed via a commitment-oriented HR system, while job-based workers were managed with a productivity-oriented HR system. External workers were managed with either a compliance or a collaboration-oriented HR system. As this stream suggests, we need to look at certain groups of employees as the point of reference – rather than the entire unit – as different groups are managed differently. Interestingly, while research has demonstrated the existence of differentiation in the workplace, research that examines the performance implications of this differentiation is lacking.

While research up to this point in time had focused on understanding how HR practices – individually or collectively – relate to organizational

performance, more recently, researchers have shifted the focus to look more deeply at why and how this impact occurs. This research strives to disentangle the mediating mechanisms by which HR systems, and their components, impact organizational performance. As might be expected, this shift has seen an increased focus on multi-level issues within strategic HRM research as well as focusing on decomposing HR systems into their subcomponents.

Conceptually, researchers have tended to adopt several theoretical perspectives and focus on some particularly obvious variables to understand how HR systems relate to organizational performance. For example, drawing from the resource-based view of the firm, some scholars have paid attention to the role of human capital as a linkage between HR and firm performance. Takeuchi, Lepak, Wang, and Takeuchi (2007) found that the impact between high performance work systems and relative establishment performance was mediated by human capital. Others have focused on social exchange theory to articulate why norms of reciprocity stemming from HR initiatives might encourage more positive or less negative employee attitudes. On a related note, scholars found that HR systems fostered aggregate perceived organizational support and affective commitment, which further related to in-role and extra-role behaviors and organizational outcomes (e.g. Chuang & Liao, 2010; Gong et al., 2009; Guest, 2001; Messersmith et al., 2011; Sun, Aryee, & Law, 2007; Wright, Gardner, & Moynihan, 2003).

Many of the mediating models have evolved to be more directly multi-level models that incorporate individual attitudes and behaviors into the discussion linking HR systems and organizational performance. As noted by Jiang et al. (2013), many of these models adopt a top-down logic, while some more recent studies have incorporated a bottom-up logic (Kozlowski & Klein, 2000). From a top-down point of view, researchers look at the impact of HR systems on individual attitudes and behaviors, which, in the aggregate, should influence organizational-level performance. For example, Takeuchi, Chen, & Lepak (2009) looked at the impact of unit-level high performance work systems on organizational climate which, in turn, was expected to be associated with individual-level job satisfaction and commitment. The analyses in that study supported a mediating role of climate in the HR system–employee attitude relationship. Similarly, Liao et al. (2009) studied the relationships between high performance work systems and service performance and found a mediating impact of human capital, psychological empowerment, and perceived organizational support. In addition, this study highlighted that

managers and employee ratings of HR systems had different relationships with the mediators – suggesting more complex models. Other scholars have adopted similar approaches (e.g. Aryee et al., 2012; Den Hartog et al., 2013; Jensen, Patel, & Messersmith, 2013; Kehoe & Wright, 2013).

Adopting a bottom-up perspective, some researchers have suggested that individual attitudes and behaviors may be aggregated to see their impact on higher-level outcomes. For example, Nishii et al. (2008) focused on individual HR attributions and individual attitudes (satisfaction and commitment) as drivers of organizational-level OCBs and customer satisfaction. By focusing on attributions, this study directly focuses on individual-level factors of perceptions as factors that individually impact key attitudes (commitment and satisfaction) that impact aggregate OCBs, which are, in turn, related to unit-level outcomes. Similarly, Aryee and colleagues (2012) found aggregate individual service performance to be related to unit-level performance. In their model, they focused on the cross-level influence of high performance work systems on individual service performance through individuals' experiences of HR systems and shared service climate.

As a variation of several of these mediating perspectives, researchers have recently begun to decouple the HR systems into subcomponents. Conceptually, the logic is based on an existing perspective that HR systems operate by influencing three elements of employee performance: abilities, motivation, and opportunities to contribute. Building on the logic that individual and collective performance is a function of the abilities of the workers (ability), their effort and behaviors (motivation), and the nature of the work they perform (opportunities to contribute) within this AMO model, different HR practices target these elements differently. Moreover, there are domains or groups of HR practices within HR systems that align with these three elements of performance to drive employee attitudes and performance (Appelbaum et al., 2000; Delery & Shaw, 2001; Guest, 1998; Jiang et al., 2012a; Lepak et al., 2006). In a meta-analysis of the strategic HRM literature, Jiang, Lepak, Hu, and Baer (2012b) found that skill-enhancing HR practices have a stronger impact on human capital but a weaker impact on employee motivation than motivation-enhancing practices and opportunity-enhancing HR practices and that human capital and employee motivation partially mediated the impact of three HR dimensions on operational and financial performance. They were not able to include employees' opportunity to contribute as there was not enough research on that mediator in the literature.

Looking across these recent studies, it is evident that strategic HRM researchers have been very active looking into multi-level and cross-level factors that provide insights into the relationship between HR systems and organizational performance. A number of factors such as human capital, psychological climate, commitment, and OCBs have emerged as key factors that link these systems with valued performance metrics at the organizational level. With that said, however, there are a number of additional areas of research that are needed to advance what we know about the HR–performance relationship. In the remainder of this paper, we will focus on several critical conceptual considerations that we believe will further advance what we think about the relationship between HR systems and organizational performance, as well as measurement considerations and methodological considerations.

## LOOKING AHEAD

To better understand the relationship between HR systems and organizational performance, it is important to also take a step back and reflect on some of the key issues that remain to be addressed. A useful way to think about this is to separate conceptual issues and measurement and methodological issues. We will begin the discussion by delving into the conceptual issues facing HRM scholarship. Next, our discussion reviews some measurement issues that merit further attention. Lastly, we explore a number of methodological issues with a focus on future scholarship in the field.

### *Conceptual Considerations*

Researchers in strategic HRM have focused on a host of conceptual issues over the years and have drawn upon a number of different theories and theoretical perspectives to understand the relationship between HR systems and performance. The use of the resource-based view (Barney, 1991), as an example, focuses on how firms can leverage certain resources within their organization to achieve competitive advantage. Implicit in this is that firms identify and leverage resources, such as human capital, that can be deployed and, if valuable, rare, inimitable, and non-substitutable, provide organizations with a source of differentiation (Wright & McMahan, 1992). Implicit within this theoretical lens is that people are a potential

source of competitive success and the key is for HR researchers to better understand how to leverage employee talent to differentiate the firm. Similarly, researchers have incorporated a behavioral perspective within strategic HRM (Jackson et al., 1989) and emphasize that differences in organizational strategies require firms to elicit different role behaviors from employees to achieve their success. The key focus is to identify the key strategic initiatives and then align HR practices with those strategic considerations so that employees display the necessary behaviors in the work setting.

### *Bringing the individual back in*

One of the most recent advances in strategic HRM literature is to pay increased attention to individual-level factors in the HR systems–organizational performance relationship. And to be sure, research has made many important and substantive advances in this area. However, we do believe that there are some promising areas that dig deeper into the role of individuals within this relationship that need to be explored.

One conceptual consideration that researchers have increasingly raised is the notion that HR systems as intended or designed are not the same as HR systems as implemented (Wright & Boswell, 2002). In addition, HR systems as implemented are not always the same thing as to what employees actually experience regarding their HR practices that are implemented (Liao et al., 2009). Put simply, while organizations may have certain HR practices that they believe they are implementing, the nature of that implementation may vary across units, managers, individuals, and the like. Researchers in more traditional HR areas of scholarship have highlighted a number of ways managerial bias creeps into evaluation (Hoffman et al., 2010) or selection (Levashina, 2014) procedures, introducing variation in how employees experience HR systems. Building on this, researchers are increasingly focusing on the idea that what is intended by organizational leadership does not equate with what actually happens when practices are implemented throughout the workplace.

Part of the reason for this is that there is variance in how practices may be implemented. At a broad level, a company may have a certain policy but have different HR practices to implement that policy (Lepak et al., 2006). A policy of pay for performance conveys a certain idea about motivational efforts but if one unit uses piece rates and another unit uses commissions – the impact of that policy may differ because the practices are different. Employees exposed to different practices,

even within the same policy, experience different HR systems.

Moreover, what managers claim to do may not be the same as what employees feel has happened. Using empowerment as an example, managers may believe they are empowering their employees but the employee might disagree. Moreover, some employees might agree and some might disagree. The challenge is, conceptually, which matters more – what managers say they are doing or what employees believe they experience. If the goal is to better understand employee reactions to HR systems, the focus necessarily must shift to the employee perspective. To complicate matters further, how employees respond to the HR practices to which they are exposed is likely to vary, even within the same firm, based on their own perceptions of HR systems (Chang, 2005). As noted by Bowen and Ostroff (2004), the impact of HR practices on employees only operates through their interpretations. With this in mind, it is logical that not all employees respond to HR systems the same way. Indeed, Nishii and colleagues (2008) found that employees' attributions differ from one another, even when they are exposed to the same HR systems. These findings highlight the potentially critical influence of employee perceptions on their own attitudes and behaviors.

With this recognition, there has been a surge in recent research highlighting the potential impact of perceptions of HR by employees in the HR system–organizational performance relationship (Liao et al., 2009; Piening, Baluch, & Salge, 2013). Some researchers have focused on individual attitudes such as job satisfaction and commitment as important mediators (e.g. Barling, Kelloway, & Iverson, 2003; Boxall, Ang, & Bartram, 2011; Kuvaas, 2008), while others have focused on psychological empowerment as a mediator in the HR system – employee attitude as well as behaviors relationships (e.g. Boxall et al., 2011; Butts et al., 2009; Ehrnrooth & Bjorkman, 2012). Zacharatos, Barling, and Iverson (2005) focused on the roles of trust in management and psychological safety climate as mediators of the impact of HR systems on safety incidents. Boon, Den Hartog, Boselie, and Paauwe (2011) examined the role of person–organization fit and person–job fit as mediators in the relationship between perceptions of HR systems and employee outcomes.

Future research could benefit from additional inquiry into the factors that affect individuals' experiences with HR systems, as well as factors that influence HR system perceptions and affective and behavioral outcomes (Kuvaas, Dysvik, & Buch, 2014; Piening, Baluch, & Ridder, 2014). For instance, research examining the role of employees' positioning in formal and informal

social hierarchies within an organization could shed light on the idiosyncrasies affecting social information processing associated with the formation of HR practices perceptions (Stanton et al., 2010). Research that examines individual characteristics that generate variance in the saliency of different HR practices across individuals could inform scholars on both the formation and consequences of HR practice perceptions and experiences.

### *Group-level issues*

Research is also needed that examines HR systems at the team or group level of analyses. Although substantial evidence has shown the positive impact of HR practices or systems at the individual level or organizational level of analyses, limited attention has been paid to understanding what practices should be adopted to manage teamwork, how those practices impact team outcomes, how the team-level relationship may affect individuals within a team through a top-down logic, and how the team-level outcomes may influence the outcomes of the higher-level unit through a bottom-up logic. The answers to these questions are extremely important given the prevalence of work teams in contemporary organizations.

HRM research at the team level of analysis may begin with exploring HR practices that are most appropriate to enhance teamwork effectiveness. Scholars have explored specific selection and staffing (Klimoski & Zukin, 1999), training (Stevens & Yarish, 1999), measurement and feedback (Jones & Moffett, 1999), and compensation practices (Lawler, 1999) that are compatible with different types of work teams (e.g. production teams, service teams, project teams, and parallel teams). In a recent study, Chuang and colleagues (2016) conceptualized and developed an HR system for knowledge-intensive teamwork and examined the role of this HR system on knowledge acquisition and knowledge sharing. Their study set an example for examining the role of HR systems for other types of work teams in the future.

Moreover, studies are needed to examine the mediating mechanism through which HR systems can affect team outcomes. Kirkman and Rosen (1999) found that team-based HR practices can affect team-level outcomes through team empowerment. Similarly, Mathieu, Gilson, and Ruddy (2006) found that training and work design affect customer satisfaction and team effectiveness through team empowerment and team process in subsequence. These two studies indicate that, in addition to the mediating roles of attitudes and climate that have been identified in individual-level and organization-level studies, researchers

may focus on the interaction and coordination among team members as a unique mediator of the HR–performance relationship at the team level of analysis. For example, researchers may combine strategic HRM research and team research to examine how HR systems impact constructs that have been commonly studied in the team literature, such as team potency, team cohesion, and team coordination.

Another approach that may advance our understanding of the impact of HR systems on team outcomes is to identify the boundary conditions of these relationships or examine how HR systems work with other factors to affect team effectiveness. As one of the first studies on this topic, Chuang and colleagues (2016) found that empowering leadership substituted for the impact of HR systems for knowledge-intensive team work on team knowledge acquisition and knowledge sharing. They also found that knowledge tacitness weakened the positive relationship between HR systems and knowledge tacitness. Their findings suggest that the impact of HR systems at the team level of analysis may depend on other factors that are frequently examined in the team literature. For example, team characteristics, such as interdependence and composition (Campion, Papper, & Medsker, 1996), may affect the extent to which HR systems can affect team effectiveness.

Furthermore, researchers are encouraged to explore how work teams serve as a connector between organizational and individual-level relationships (Jiang et al., 2013). To date, very little attention has been paid to the mediating role of team-level HR systems or team-level variables in the relationship between HR systems at the organizational-level and individual-level outcomes. Studies in this aspect may help better understand why and how HR systems influence individual-level, team-level, and organization-level outcomes. As an example, Chang, Jia, Takeuchi, and Cai (2013) tested one of the first three-level models in strategic HRM research and found that the cross-level impact of high-commitment work systems on employee creativity was moderated by team cohesion and team task complexity. Given the prevalence of teams within organizational settings, future research is needed that explicitly embraces team-level factors that may moderate, or mediate, the HR–performance relationship. Researchers have made some strides down this path but further research is needed.

### *Strategic human capital*

A relatively recent undertaking by strategic HRM scholars has been their contribution to the growing body of research on strategic human capital.

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Research on strategic human capital has emerged as a joint effort by strategic HRM and strategy scholars to better understand the human capital-based micro-foundations of firms' strategic capabilities, and to more effectively account for differences in value creation and capture, performance, and competitive advantage across firms (Coff & Kruscynski, 2011).

One challenge, however, is that strategic HRM and strategy scholars have approached this area of inquiry somewhat independently (Wright, Coff, & Moliterno, 2014). The strategic HRM scholars have placed more attention on the HR-related side of the equation and have focused on the management of human capital to leverage employee talents. At the same time, researchers with more strategy- or economics-based orientations have placed more attention on the nature of differences in human capital within and between organizations and the potential that these differences might have for competitive advantage. Interesting, while these different disciplinary lenses have gravitated toward different areas of focus, the field of strategic human capital has incorporated several areas of inquiry related to how HR and organizational performance are related. A brief overview of three core topics, which have received substantial attention in strategic human capital research, highlights several opportunities for strategic HRM scholars to further explore HR systems and organizational performance.

### Stars

A core focus in strategic human capital research is heterogeneity or variability in the value-creating potential of employees. This emphasis on heterogeneity places primary focus on differences in employees' knowledge, skills, and abilities (KSAs) – combined with other relevant individual and organizational attributes – that contribute to variance in organizational performance. Within this line of inquiry, one stream of research that has garnered significant attention focuses on star employees – individuals who demonstrate exceptional productivity and enjoy broad external status relative to other individuals in their field (Groysberg, Lee, & Nanda, 2008; Oldroyd & Morris, 2012). Research on stars has addressed the implications of stars' performance and status on their colleagues' and organizations' value-creating capabilities (e.g. Kehoe & Tzabbar, 2015), strategic decisions (e.g. Liu, 2014), work activities (e.g. Burke, Fournier, & Prasad, 2007), and performance (e.g. Hess & Rothaermel, 2011).

The focus on stars parallels our earlier discussion of the literature focusing on the HR architecture and workforce differentiation but with a few

noticeable differences. While the architectural literature has focused on identifying differences in how different groups are managed based on their relative status (i.e. core versus non-core), research focusing on stars has focused on the implications of heterogeneity of human capital and the presence of stars in organizations in particular. This is a fruitful area for future research to advance our knowledge of how HR systems relate to organizational performance in several ways.

First, prior research demonstrates that stars make disproportionately large contributions to their firms' performance through their individual productivity (Zucker & Darby, 1997). But a question is if these stars can also contribute to firm performance by helping colleagues' productivity through collaboration (Kehoe & Tzabbar, 2015) and helpfulness (Oettl, 2012). From this perspective, a key research question is how organizations can best manage stars, and their colleagues, to raise the performance of their less productive peers while still ensuring that stars are provided the time and resources required for their own continued individual productivity.

Second, research has identified stars based on established records of performance and broad industry status – two attributes that often require time to develop over the course of an individual's tenure in an industry (Tzabbar & Kehoe, 2014). Future research would benefit from an examination of the emergence and decline of stars' productivity. For instance, what factors predict the emergence of a star in an organization or industry? Do these factors tend to be more individual, social, or organizational in nature? Are there organizational interventions that influence this emergence? Can the decline in a star's performance be predicted (see Oldroyd & Morris [2012] for some insight into this question)? What can organizations do to prevent or curb the decline of a star's productivity?

Third, given the disproportionately large impact stars' contributions have on firm performance, it would be worthwhile to determine how stars are best managed on a holistic level. Research focusing on HR systems and organizational performance has tended to focus on managing a group of workers as a whole. The challenge, however, is that stars contribute more. What are the implications for disproportionately investing in stars if their contributions warrant it? Would there be repercussions from non-stars for excessive i-deals for stars? At the same time, would HR systems that differentiate stars from non-stars positively or negatively relate to firm-level performance? In part, we would need to evaluate any potential tradeoff between enhanced performance of a small number of stars relative to potential diminished

performance for a larger number of non-stars that feel mistreated.

### *Employee mobility*

Strategic HRM researchers have traditionally viewed employee mobility from the costs and benefits of acquiring employees through attraction and selection, as well as losing employees through turnover. However, strategic human capital researchers have examined employee mobility as a process that influences the ongoing inflow and outflow of knowledge, social capital, and organizational routines, in addition to the individuals who enter and exit the organization. By examining employee mobility in this light, we can view mobility as a strategic issue with implications that span beyond the immediate consequences of losing or gaining an employee. As an example, some studies have begun to examine the antecedents and consequences of losing unit-level knowledge, skills, and abilities through collective turnover (Hausknecht & Holwerda, 2013; Nyberg & Ployhart, 2013), how the quality of employees who leave an organization affects the firm-level performance (Campbell et al., 2012; Carnahan, Agarwal, & Campbell, 2012), and how organizational norms affect the quality of employees who exit (Ganco, Ziedonis, & Agarwal, 2015).

Strategic human capital researchers have also examined mobility from a social capital lens. This has included studies taking a relational perspective on the effects of employee mobility among suppliers, buyers, and competitors on focal organizational performance (Carnahan & Somaya, 2013; Somaya, Williamson, & Lorinkova, 2008), how co-mobility with colleagues impacts the transferability of individuals' performance to new organizations (Campbell, Saxton, & Banerjee, 2014; Groysberg & Lee, 2009; Groysberg et al., 2008), and research examining how stars' relationships with colleagues within a firm affects the disruptiveness of their turnover (Tzabbar & Kehoe, 2014). Finally, another stream of research has explored the phenomenon of 'learning-by-hiring', focusing on the inflow of new talent and its effect on learning and change in a hiring firm (Corredoira & Rosenkopf, 2010; Dokko & Rosenkopf, 2010; Tzabbar, Silverman, & Aharonson, 2015).

Future research that bridges traditional HRM issues regarding mobility with these strategic issues would shed more light on how HR systems relate to performance. For instance, it would be beneficial to understand how organizations can best manage newcomer onboarding and socialization – not only to familiarize new hires with the organization's culture, routines, and workforce, but also to improve their abilities and opportunities to

employ knowledge gained in their previous organization with their new employer. A parallel line of research might address how organizations can strategically manage turnover. In particular, in addition to understanding how organizations can reduce or eliminate the exit of stars, understanding the impact of mobility on the HR systems–performance relationship would benefit from developing knowledge around how organizations can most effectively mitigate the losses and, in some cases, reap benefits from the loss of top employees.

### *Relational perspectives on human capital*

A third area of focus in strategic human capital research relates to the social nature of human resources. This work suggests that individuals' value-creating potential depends not only on their knowledge, skills, and abilities, but also on the resources and opportunities available to them as a function of their social contexts. For example, research has explored the role of the organizational social context in the emergence of unit-level human capital (Ployhart & Moliterno, 2011; Ployhart et al., 2014), in specific innovative capabilities (Kang, Morris, & Snell, 2007), and how the collaboration and helpfulness of stars impact their colleagues' performance (e.g. Grigoriou & Rothaermel, 2014; Kehoe & Tzabbar, 2015; Oettl, 2012), as well as potential liabilities associated with employees' social capital such as information overload requests (Oldroyd & Morris, 2012).

While a relational focus on human resources is certainly not unique to the strategic human capital literature (e.g. Collins & Clark, 2003; Collins & Smith, 2006), research on understanding how HR is related to organizational performance would benefit from considering the roles of interpersonal relationships and social context in the study of human resources. For instance, scholars could address questions involving the role of formal HR practices in fostering a social context that supports the development of superior unit-level human capital (Nyberg et al., 2014). Furthermore, research would benefit from exploring the relative importance of employees' interpersonal, dyadic relationships versus the broader organizational social context in facilitating opportunities to leverage employees' human capital – along with the configuration of HR practices which best supports the most beneficial balance. Incorporating our previous discussion of the need to understand group dynamics in these relationships reinforces the need for these informal and interpersonal considerations to understand how HR and organizational performance are really related.

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### Measurement Issues

In addition to the conceptual issues, there are a host of measurement considerations that must be addressed. The first issue focuses on the outcome measure of focus-organizational performance. The second and third issue relate to the predictor-HR systems and assumptions we make about the role of time and equality of influence of the components within the HR systems under investigation.

### What is performance? And who is telling us?

Researchers have modeled strategic HRM with the implicit assumption that firm performance serves as the dependent variable. However, considerations regarding the appropriateness of performance metrics requires further grounding in theory (Rogers & Wright, 1998). Empirically, firm-level performance outcomes have generally consisted of accounting, financial, and stock-market measures. If we think about organizational performance from these different metrics, it becomes evident that how we define organizational performance matters. If our focus is on market-based metrics, the role of the HR system on stock price is pretty distal. Moreover, stock performance is a function of many factors well beyond HR systems. Modeling the relationship between an HR system and market-based metrics may show a positive relationship due to other factors, or a negative relationship, equally due to many factors. Moreover, these metrics may move in opposite directions. For example, proximally, focusing on accounting-based measures introduces other assumptions about what we mean by performance. Focusing on return on assets as an example, from an HR point of view, a manager may artificially inflate their return on assets by decreasing costs in their group through layoffs. Return on assets may go up; long-term health may go down.

Recognizing these challenges, it is important to accept that performance is multidimensional and involves various performance metrics that may involve alternative, and at times possibly conflicting, goals (Venkatraman & Ramanujam, 1986). A multidimensional perspective of performance also

allows for comparisons of short- and long-term gauges of performance, some of which are likely to be distal to HR systems, while others remain more proximal. These considerations, shown in Table 12.1, which allow for a pragmatic view of the differential effects HR systems have on organizational performance.

It is possible that any particular HR system could have a negative impact on short-term proximal measures, but a positive impact on long-term distal measures, or vice versa. When researchers predict organizational performance – they need to be clearer about what that means. Unfortunately, a large majority focus just on ‘organizational performance’ or ‘firm performance’ without clearly articulating what that really means. As a field, strategic HRM research has tended to place priority on the predictor and less on the criterion. While our focus has historically been on understanding whether, and when, HR systems matter, it is important to not lose sight of the likely reality that they matter differently for different outcomes.

Furthermore, research concerning the relationship between strategic HRM and organizational performance relies on survey data in addition to archival data. Therefore, *who* is being surveyed in the organization becomes just as important as *what* is being measured. Typically, survey data is compiled through responses provided by HR professionals. However, individual attributions made by employees regarding an HR system explain important attitudinal and behavioral responses observed within the organization (Nishii et al., 2008). Ignoring divergent perspectives and attributions of HR systems reduces our ability as a field to examine the role individual perspective has on the phenomena of interest. Divergent perceptions of HR practices have been shown across studies on high performance work systems (Kehoe & Wright, 2013; Liao et al., 2009), environment (Boyd, Dess, & Rasheed, 1993; Tosi, Aldag, & Storey, 1973), information privacy (Woodman et al., 1982), and motivation (Ilardi et al., 1993).

Equally important, the accuracy of the information is crucial. Accuracy of perceptions regarding the construct being measured may be a function of the conceptual distance between an individual being surveyed and the key construct being

**Table 12.1 Implications of temporal and performance measures on outcomes associated with HR systems**

	<i>Proximal</i>	<i>Distal</i>
Short-term	Employee morale	Stock price
Long-term	Turnover	Competitive advantage

measured. For example, employees are more likely to accurately provide an assessment of company climate (a more proximal outcome), but less likely to accurately assess the strategy or competitiveness of the firm (more distal outcomes). Greater emphasis for *what* is being measured as well as *who* is being surveyed will improve our understanding of HRM systems and organizational performance.

### The role of time

Temporal considerations play a crucial role in our ability to define, examine, and better understand organizational and managerial phenomena (Bluedorn & Denhardt, 1988; Zaheer, Albert, & Zaheer, 1999). Consideration of temporality also provides an opportunity to begin thinking beyond the static influence of HR toward their influence over time in terms of the pace, trajectory, and cyclicity of change (Ancona et al., 2001; Blount & Janicik, 2001; Lawrence, Winn, & Jennings, 2001; Rogers & Wright, 1998).

The role of time can influence the way theoretical constructs and the relationships between them are conceptualized, examined, and interpreted (George & Jones, 2000). Theoretically, failing to address *when* X causes Y, *how long* we hypothesize X to influence Y, and the *stability* of the influence of X over time places our ability to draw causal inferences on tenuous footing (Mitchell & James, 2001). Empirically, time has been conceptualized and studied in two basic ways. One way has been static – generally tested through cross-sectional studies. The focus has primarily rested upon the effect of a policy or set of policies on individuals at one point in time.

However, the factors that explain short-lived organizational phenomena may be different from

those explaining longer-term phenomena (Zaheer et al., 1999). Beyond cross-sectional studies, causality has been inferred through longitudinal studies aimed at better capturing the impact of policies over multiple periods. This second conceptualization of time has produced studies embracing longitudinal, time-series, and panel data. In the context of focusing on the relationship between HR systems and organizational performance, the role of time has received some attention. As an example, researchers such as Bergh (1993), Rogers and Wright (1998), Wright and Sherman (1999), and Wright, Gardner, Moynihan, and Allen (2005) have explored the impact of HR systems on performance metrics over time. But there are additional considerations of time that need to be addressed beyond simply longitudinal forces.

Looking to future studies, research needs to embrace the reality that employees work for employers over a period of time. Yet, the influence of any particular HR practice on that employee may be bounded in certain periods of time (Orlikowski & Yates, 2002). Socialization practices, for example, would logically have greater impact on employees early in their tenure than later in their tenure. Recruitment procedures, at least as experienced by employees, are likely to be most salient soon after joining a company with decreasing impact over time. This does not mean recruitment would have direct effects on the quality of human capital at the organizational level at any one time. But it does suggest that any one employee's reaction to their exposure to HR practices would likely change the more distant they are from their experience in the recruiting process. In contrast, certain pay schemes and/or benefits programs are likely to be more or less valued over the course of someone's career – likely corresponding

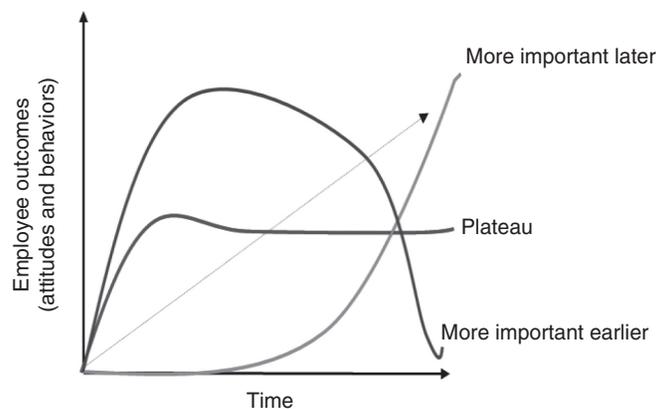


Figure 12.1 Influence of HR practices on employee outcomes across time

with issues related to family changes and health concerns as individuals age. Figure 12.1 shows a conceptual example of how individual HR practices might impact any one person over time.

Looking at Figure 12.1, there are a variety of issues that emerge. First, different HR practices may have differential effects over one's career. For example, early in one person's career, some components of the HR system would likely be more influential (say, compensation), while other practices might be more prominent later in one's career (say, retirement contributions) – even when exposed to the exact same HR system. Operationally, it is conceivable that focusing on a single HR system might lead to stronger results for certain groups of employees in similar tenure or age, and weaker results for those in other targeted age groups. It is also possible that when we think of alignment within HR systems – we should think of temporal alignment. This would suggest that an HR system could be designed and structured differentially across employees – with some policies and practices more suited for more junior employees with others for more senior employees. Designing an HR system beyond hierarchical levels in an organization, and to adjust for employees' career stage, allows for greater fit between employees and the organization. Although speculative, these issues highlight the need to consider time as a component of the HR systems themselves; not just longitudinally.

The focus on differential effects of time raises additional considerations regarding HR systems – that is, the role of influence. Rather than focus on individual HR practices, greater emphasis has been placed on the various practices contained within an HR system (Delery & Doty, 1996; Huselid, 1995; MacDuffie, 1995; Osterman, 2000). At a broad level, this suggests two things. First, not all practices are equally important at any one point in time. If we focus on an HR system with five practices, taking the average scores makes sense if all five practices are equally influential. But, suppose they are not due to time, saliency, attributions, or some other factor. When this happens, our measure of influence would not reflect the actual impact of the HR system because it would be underestimating the impact of the particularly salient or important practice and overstating the impact of the less salient practice. If the particular practice that is salient is positively related to employee outcomes, the impact of the HR system on the employee would be skewed to be stronger. In contrast, if the salient practice is negative, the impact of the HR systems on the outcome may be decreased.

Second, discussion of the relative influence of HR practices within an HR system highlights the need to examine the relationships among the

HR practices within an HR system. This particular topic is not new to the literature, although it has not received the focus it warrants. As noted by Delery (1998), HR practices within an HR system may have multiple relationships – additive, substitutive, and interactive. HR practices may have an *additive relationship* in which they have independent, non-overlapping effects on the outcome (Delery, 1998). However, HR practices do not exist independently or in isolation from other practices. Assuming that the effectiveness of any individual practice is a function of the other practices contained within the system, synergies between practices may emerge that exert non-linear, synergistic effects on organizational outcomes not captured in additive relationships (Delery & Doty, 1996; Doty & Glick, 1994). Beyond the complementarities that exist among practices in a system, interactive relationships may also reveal potential redundancies and substitutability. That is, a practice will become redundant if added to a system already including a practice in which it serves as a substitute.

While these potential relationships are well accepted, additional research is needed that explicitly examines how the parts of the system work together to influence relevant individual and organizational outcomes. On a related point, it is important to recognize that when we look at configurations of HR systems, different practices may be more oriented toward different outcomes. Scholars have argued that fit among HR practices within a system is achieved when all of the practices promote the same organizational outcome (Wright et al., 2005). This particular focus could prove helpful when examining HR systems relative to the intended outcome as well as the relevant influence of the components of these systems.

### **Methodological Issues**

Beyond measurement considerations there are several methodological concerns that influence our understanding of the HR system–organizational performance relationship. These methodological concerns are closely related to the measurement issues we discussed previously. Therefore, researchers need to consider how to measure the key variables in a relationship and how to design the study simultaneously.

### **Causal relationship and longitudinal design**

Numerous studies have presented evidence of significant and meaningful associations between HR systems and outcomes at different levels of

analyses, but the challenge of providing strong evidence to show the causal direction relating HR systems to performance outcomes remains unmet. Three criteria have to be satisfied in order to establish causality: there is a relationship between the presumed predictor and the outcome; the presumed predictor precedes the outcome in time; and there are no other competing explanations for the relationship between the presumed predictor and the outcome (Duncan, Duncan, & Strycker, 2013).

The first condition has been met in most published studies of strategic HRM. However, many of these studies have failed to meet the second and third conditions because of the prevalence of cross-sectional research designs. Some scholars have tried to address this issue by using a longitudinal design in which HR systems were measured at Time 1 and performance outcomes were collected at Time 2 (e.g. Wright et al., 2005). They also controlled for performance at Time 1 when examining the impact of HR systems on Time 2 performance in order to exclude other competing explanations for the HR–performance relationship. However, this approach to testing for causality has been criticized as too restrictive (Duncan et al., 2006), which makes the relationship between HRM systems and performance outcomes become non-significant after considering the autoregressive effect of Time 1 performance. Therefore, several scholars have started to use an alternative approach to establish causality recently. For example, Wang and Shyu (2009) collected four panels of data to examine the relationship between HR systems and subsequent changes in outcomes. Using latent growth modeling, Wang and Shyu showed that HRM system effectiveness predicted rates of change in innovation and labor productivity, providing a model for future research to examine the influence of HR systems on outcomes of interest. Similarly, scholars have also adopted this approach to draw a stronger conclusion about the causal relationship by examining how the trajectories of HR systems or HR practices related to the changes in employee and organizational performance over time (e.g. Kim & Ployhart, 2014; Piening et al., 2013).

Looking to future research, a more rigorous way to demonstrate the causal relationship between HR systems and performance outcomes may be field experimental designs in which researchers can not only measure causes and effects at two different times but also exclude competing explanation for the HR–performance relationship. Given the difficulty of conducting field experimental studies, there has been a lack of available evidence about how the changes in HR systems may affect performance outcomes. However, this approach is

not insuperable as demonstrated by research on other organizational topics (e.g. Martin, Liao, & Campbell, 2013). Certainly, scholars have called for more rigorous methodological approaches for delineating causal relationships between HR and firm performance (Wright et al., 2005). Additional considerations have questioned the balance between accuracy and applicability of models proposing a causal link between HR and firm performance (Ellsaesser, Tsang, & Runde, 2013).

### *International consideration*

With more strategic HRM studies conducted in different cultural contexts, a set of questions worth exploring are whether the adoption of HR practices or HR systems vary across different countries and how the impact of HR systems may be affected by culture, socioeconomic conditions, and other national differences. International HRM scholars have paid attention to the use of HR systems in different countries by studying the prevalence of HR systems in subsidiaries of multinational companies (e.g. Fey & Bjorkman, 2001; Lawler et al., 2011; Minbaeva et al., 2003). Collaboration among scholars from different countries, such as the World Class Manufacturing project (Schroeder & Flynn, 2001) and the Cranet project (Tregaskis & Brewster, 2006), has also been taken to understand the use of HR systems across countries.

In terms of the comparison of HR systems' impact in different countries, we would suggest two approaches for future research. On the one hand, we encourage more efforts to examine the impact of HR systems that have been shown to be beneficial in Western organizations in non-Western cultures. For example, Gong et al. (2009) used a sample of Chinese organizations to examine the impact of HR systems on managerial commitment; Liao et al. (2009) tested the cross-level impact of high performance work systems using a Japanese sample; and Aryee et al. (2012) examined a similar model by sampling organizations from Ghana. As these studies accumulate, researchers may rely on meta-analytic techniques to summarize and compare the HR–performance relationships found in different countries and explore how country-level factors may explain the variations in the relationship between HR systems and firm performance. Rabl, Jayasinghe, Gerhart, and Kuehlmann (2011) conducted a meta-analytic review of 54 studies and found country differences in the relationship between high performance work systems and business performance. Their findings may be verified and complemented as more studies from different countries become available. On the other hand, international HRM scholars may identify HR

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practices that are unique to a specific culture (e.g. Eastern culture) and examine whether these practices can be integrated into HR systems that have been commonly studied in Western cultures.

### Sampling choices

As noted previously, strategic HRM scholars typically ask HR managers or senior managers to report the extent of use of HR systems in organizations. This approach seems reasonable because HR managers or senior managers are more likely to be involved in designing HR systems and, as a result, tend to have better knowledge of HR systems than other organizational members. Especially, when researchers use descriptive measures to assess HRM systems (e.g. the proportion of the workforce receiving formal performance appraisals), managers who are familiar with specific HR functions may be most knowledgeable to provide the numerical ratings of HR systems (Huselid & Becker, 2000). To further reduce measurement error, some scholars have suggested asking multiple informants about the use of HR practices and confirm their responses with each other based on inter-rater agreement and inter-rater reliability indices (Gerhart, Wright, McMahan, & Snell, 2000). In addition, the choice of informants needs to be consistent with research questions and levels of analysis. If researchers are interested in the effect of HR systems on employee outcomes at the team or individual level of analysis, it may be important to consider employees' opinions about HR systems. But if researchers want to investigate the impact of objective HR practices on labor productivity across organizations, it may make more sense to obtain the information from multiple managers who are familiar with HR practices for certain groups of employees.

In addition to the inter-rater agreements issue that has been emphasized when measuring HRM systems and performance criteria in strategic HRM research, scholars also need to pay attention to other measurement issues that are common to management research, including random measurement error, transient errors in responses, and the lack of truly parallel measures. To avoid these issues or reduce these errors, researchers may pay special attention to the survey administration process to make sure that participants understand the meaning of the items and have reliable and sufficient information to respond to the items. In addition, researchers may use multiple ways to measure the same variable to justify the validity of the measure of HRM systems and performance criteria. For example, Takeuchi et al. (2009) measured HRM systems by asking managers with

objective items. This measure was validated by employees' responses to a subjective measure of HRM systems.

As we discuss earlier, who should be asked to provide the information of HR practices and performance outcomes is related to the conceptual distance between the informants and the construct being measured. Although managers serve as an important source, they are not the only source for information on HR systems. With the increasing use of perceptual measures (e.g. whether performance appraisals for employees are based on objective, quantifiable results), employees who are the direct subjects of HR systems can also report how they experience HR practices. Obtaining employees' perceptions of HR systems is especially relevant when researchers believe that HR systems influence firm performance through employee outcomes and employee outcomes are directly determined by employees' perceptions. In this case, measuring HR systems by only asking managers may bias the relationships between HR systems and organizational outcomes. However, focusing on employees' opinions of HR systems does not indicate that employees provide more accurate information about HRM systems than managers. Research is needed to explain why the discrepancy between managers' and employees' perceptions of HR systems exists and how to narrow the gaps between managers' and employees' perceptions of HR practices (e.g. Den Hartog et al., 2013).

Sampling issues within strategic HRM research also involves the assessment of outcome variables. If researchers are interested in the impact of HR systems on individual attitudes, employees may be the most appropriate informants to provide such information. But to reduce common method bias, employees' perceptions of HR systems and their attitudes and psychological experiences may be collected with a time lag. To further address the concern of common method bias, it may be optimal for managers or coworkers to evaluate focal employees' behavior and performance at work as individual-level outcomes. Regarding the outcomes at the unit level, researchers need to consider whether the outcomes are shared perceptions that should be measured at the individual level and then aggregated to the unit level (e.g. organizational climate), or are configural constructs that originate from individual characteristics and emerge through a compilation process (e.g. human capital) or are global constructs that should be measured directly at the unit level (e.g. sales growth) (Ployhart & Moliterno, 2011).

Sampling issues may become more complex when a strategic HRM study tests a multi-level model. Multi-level scholars suggest gathering

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a sample with adequate variability on the variables of interest at all relevant levels in the model (Kozlowski & Klein, 2000). This may require researchers to not only collect information from multiple individuals within a unit (e.g. firms, business units) but also sample individuals from enough units to ensure substantial variability at the unit level. This process may be time-consuming and labor-intensive, and researchers need to balance between the appropriateness and feasibility of research design.

Time is another factor researchers need to consider before gathering a sample. Related to the previous discussion of longitudinal design, scholars need to theorize what time lag would be appropriate between the assessment of HR systems and the rating of outcome variables and whether the same variables need to be measured several times in order to examine their trajectories. It has been suggested that it may take a longer time for HR systems to have an impact on organizational performance than on individual attitudes and behaviors. Therefore, a short-term longitudinal design may be sufficient for examining the effect of HR systems on individual outcomes but a longer period may be necessary to detect the changes in outcomes at the unit level. In addition, both HR systems and outcomes can be measured several times within equal intervals if researchers are interested in testing a growth model that may examine the trajectories or patterns of the changes in HR systems and outcome variables. Future research that explores the time lag between implementation and impact would be particularly beneficial.

### *Levels of analysis*

It is important to re-emphasize several issues related to levels of analysis in strategic HRM research. First, multi-level analysis is fundamental to the field of strategic HRM research because HR systems are related to organizational performance by affecting employee outcomes. The field has accumulated some evidence for the top-down impact of higher-level HR systems on individual outcomes (e.g. Liao et al., 2009; Takeuchi et al., 2009), but more research is needed to explore how the lower-level outcomes can be linked to unit performance through a bottom-up process. The effort in this area can advance our understanding of why and how HR systems affect outcomes at different levels of analysis.

Moreover, strategic scholars have argued that individual organizations are within broader collectives such as strategic groups, industries, and sectors (Drnevich & Shanley, 2005). This perspective suggests that the HR–performance relationship may be considered as lower-level phenomena

that may be affected by factors of those broader collectives. The results of these kinds of studies may help us better understand boundary conditions of the HR–performance relationship that is usually examined at the organizational level of analysis. Researchers may also borrow the experience sampling method from psychology research to examine how perceptions of HR systems may change within individual employees. This method may ask employees to provide their opinions of HR systems several times during a period. For example, researchers may track new employees' experiences of HR systems over a year. In this case, individuals may operate at a higher level in the analysis and researchers may explore whether there are different patterns in the changes of employees' experiences of HR systems and what individual characteristics (e.g. experience, education, ability, and personality) may affect the change patterns. Finally, although multi-level research design has become increasingly popular, it does not mean that the single-level model is already outdated for strategic HRM research. The choice between a single-level design and a multi-level design should be driven by the research questions of interest. Researchers need to consider measurement issues, sampling issues, and level of analysis simultaneously when designing their research. Rather than suggesting a 'best practice' of doing strategic HRM research, we would recommend that future research chooses the most appropriate approach by taking account of all the previously mentioned factors.

### **CONCLUSION**

At the outset, the key objective of this chapter was to take stock of what we know about the relationship between strategic HRM and organizational outcomes and to explore critical areas for further research. As this review suggests, researchers have made great progress establishing a firm foundation. At the same time, many issues remain regarding how we conceptualize these relationships as well as what we consider as factors in these relationships. We explored critical issues regarding operationalization and methodologies for examining these relationships to provide greater insights and rigor into what we know about these relationships, when they exist, and how they relate.

This review is certainly not exhaustive of all possible research opportunities. Research that combines these issues could prove quite novel and important. As an example, researchers

might explore how the management of different employee groups, in combination, relates to group and organizational outcomes. Does disproportionately investing in stars pay off if 99% of the workforce are not star workers? For organizational performance, in the short term, it might be better to overinvest in stars or core employees to capture their contributions and signal their value while simultaneously underinvesting in non-core workers to save money. Likewise, when focusing on star employees, a key question that often comes up is the relationship between value creation and value capture. Stars are rewarded precisely due to their key contributions toward organizational success. At the same time, however, stars are in a position, due to their increased mobility, to increase their ability to capture, through wages or other benefits, some of the value they create. While this might appear as i-deals, how do other employees react when some employees get more than others? Relatedly, issues concerning secrecy in terms of pay (Colella, Paetzold, Zardkoohi, & Wesson, 2007; Schuster & Colletti, 1973) and i-deals (Hornung, Rousseau, & Glaser, 2009; Lai, Rousseau, & Chang, 2009; Rousseau, Hornung, & Kim, 2009) merit further attention. These scenarios represent just a few of the many important research questions that need to be explored. We hope this chapter helps contribute to that endeavor.

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