

Strategic Human Resource Management: Prior Literature and Directions for Future Research and Practice

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ABSTRACT

Strategic human resource management (SHRM) has shifted the level of analysis from individual employees and human resource (HR) functions to organizations as a whole, and it has paid more attention to firm performance than to employee attitudes and well-being. In theory, this change should create a field of research that is related to the strategic interests of firms. In practice, this change has encouraged managers and policy makers to focus more on how important HR strategies and practices are from a variety of perspectives of firm performance. Some scholars, however, have noted that recent SHRM research has not generated new insights for both scholars and practitioners. I, however, do not believe in this argument and would like to propose that the future of SHRM research and practice is still bright. Nevertheless, SHRM researchers should understand the weaknesses of current SHRM paradigms and follow the new agenda of SHRM research and practice. In particular, to advance SHRM research and practice, researchers must pay attention to several levels of analysis, analyze the institutional contexts at the national and industry levels, incorporate more complex theoretical perspectives informed by institutional theory, and conduct more rigorous research based on the integration of both qualitative and quantitative research methodologies and multi-level research designs.

Keywords: Strategic Human Resource Management, High Performance Work Systems,
Institutional Contexts, Multi-Level Research Design

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บทคัดย่อ

การบริหารทรัพยากรมนุษย์เชิงกลยุทธ์ได้เปลี่ยนแนวทางและระดับในการศึกษาวิจัยด้านการบริหารทรัพยากรมนุษย์จากระดับของบุคคลและหน้าที่งานต่าง ๆ ด้านการบริหารทรัพยากรมนุษย์ไปสู่ระดับองค์การในภาพรวมและเน้นไปที่ผลประกอบการขององค์การมากกว่าทัศนคติ พฤติกรรม และความเป็นอยู่ของพนักงานในองค์การ ในทางทฤษฎี การเปลี่ยนแปลงนี้ก่อให้เกิดทฤษฎีและแนวทางการวิจัยที่เน้นไปที่ผลประโยชน์ในเชิงกลยุทธ์ขององค์การ ในทางปฏิบัติ การเปลี่ยนแปลงนี้กระตุ้นให้ผู้บริหารและผู้ออกนโยบายต่าง ๆ ให้ความสำคัญกับการที่กลยุทธ์และแนวปฏิบัติในการบริหารทรัพยากรมนุษย์ส่งผลต่อผลประกอบการของตัวองค์การในหลายแง่มุมอย่างไรก็ตาม นักวิชาการบางท่านตั้งข้อสังเกตว่า งานวิจัยด้านการบริหารทรัพยากรมนุษย์เชิงกลยุทธ์ในช่วงไม่กี่ปีที่ผ่านมาไม่ได้ให้มุมมองใหม่ ๆ แก่ทั้งนักวิชาการและนักปฏิบัติ ถึงกระนั้นก็ตาม ผู้เขียนไม่เห็นด้วยกับข้อสังเกตดังกล่าวและเชื่อว่าทิศทางการวิจัยและแนวปฏิบัติในการบริหารทรัพยากรมนุษย์เชิงกลยุทธ์ในอนาคตยังอีกยาวไกล หากแต่นักวิจัยและนักปฏิบัติจำเป็นต้องเข้าใจว่าวรรณกรรมด้านการบริหารทรัพยากรมนุษย์เชิงกลยุทธ์มีจุดอ่อนอย่างไร และมุ่งสู่ทิศทางใหม่ในการทำวิจัยในด้านดังกล่าวในอนาคต กล่าวคือ งานวิจัยและแนวปฏิบัติในการบริหารทรัพยากรมนุษย์เชิงกลยุทธ์ในอนาคตต้องให้ความสำคัญกับระดับของการวิเคราะห์ในหลาย ๆ ระดับไปพร้อมกัน วิเคราะห์บริบทเชิงสถาบันทั้งในระดับชาติและระดับอุตสาหกรรม นำมุมมองเชิงทฤษฎีที่ซับซ้อนมากยิ่งขึ้นโดยเฉพาะทฤษฎีที่ได้รับอิทธิพลจากทฤษฎีเชิงสถาบันเข้ามาเป็นส่วนหนึ่งของการวิเคราะห์ และดำเนินการศึกษาวิจัยโดยการออกแบบงานวิจัยที่ผสมผสานทั้งการวิจัยเชิงคุณภาพและงานวิจัยเชิงปริมาณเข้าด้วยกัน รวมถึงมีการออกแบบงานวิจัยแบบพหุระดับด้วย

คำสำคัญ : การบริหารทรัพยากรมนุษย์เชิงกลยุทธ์ ระบบการบริหารทรัพยากรมนุษย์ที่เน้นสมรรถนะสูง บริบทเชิงสถาบัน การออกแบบงานวิจัยแบบพหุระดับ

INTRODUCTION

Strategic human resource management (SHRM) has emerged as a field of academic study over the last thirty years. SHRM has shifted the level of analysis from individual employees and human resource (HR) functions, including recruitment and selection, training and development, performance management, and compensation management, to organizations as a whole, and it has paid more attention to firm performance than to employee attitudes and well-being (Batt and Banerjee, 2012). In theory, this change should create a field of research that is related to the strategic interests of firms. In practice, this change has encouraged managers and policy makers to focus more on how important HR strategies and practices are from a variety of perspectives of firm performance. Some scholars, however, have noted that recent SHRM research has not generated new insights for both scholars and practitioners. I, however, do not believe in this argument and would like to propose that the future of SHRM research and practice is still bright. Nevertheless, SHRM researchers and practitioners should understand the weaknesses of current SHRM paradigms and follow the new agenda of SHRM research and practice.

Thus, in this paper, I intend to review the central research questions and theoretical debates that have dominated the field of SHRM over the years and how much the empirical evidence of SHRM supports the major theories. Then, I develop my critique of the current SHRM literature and suggest an agenda for future SHRM research and practice that should provide both theoretical and managerial implications.

CENTRAL RESEARCH QUESTIONS AND THEORETICAL DEBATES

The central research questions and theoretical debates in the field of SHRM will be divided into several phases. The first phase in the development of theory and research on the association between human resource management (HRM) and firm performance, the so-called SHRM, occurred in the 1980s (Guest, 2011). A series of articles and books (e.g., Fombrun, Tichy, and Devanna, 1984; Miles and Snow, 1984) that linked business strategy to HRM was published in this period. Miles and Snow (1984) classified organizations into four strategic types: defenders, analyzers, prospectors, and reactors. Thus, it is very important to match these strategic types with appropriate HRM strategies and practices for organizations to survive in their environments.

Then, in 1992, Wright and McMahan defined the concept of SHRM as “the pattern of planned HR deployments and activities that are intended to help organizations to achieve their objectives.” This article applied several theoretical perspectives, including behavioral perspectives (Schuler and Jackson, 1987a, 1987b; Jackson, Schuler, and Rivero, 1989), human capital perspectives (Becker, 1964),

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resource-based views (Barney, 1991), and institutional theories (Meyer and Rowan, 1977), to help explain the concept of SHRM and to respond to the critiques of SHRM as an academic field that the field of SHRM lacked a strong theoretical basis. For instance, a behavioral perspective assumes that firms implement HR practices as a means of controlling employee attitudes and behaviors. When employee attitudes and behaviors comply with the goals of organizations, these firms achieve higher productivity and better firm financial performance. Wright and McMahan (1992) also argued that to be effective, an organization must develop an HR system that achieves both horizontal fit and vertical fit.

Therefore, the second distinctive phase of SHRM occurred in the 1990s when the first set of survey-based and statistically analyzed studies of HRM and firm financial performance began to appear. The seminal paper was written by Huselid (1995), who focused on cross-industry studies. There were also other equally important papers such as Arthur (1994) and Ichniowski, Shaw, and Prensushi (1997) in the steel mills industry, MacDuffie (1995) in the automobile industry, Delery and Doty (1996) in the banking industry, and Batt (2002) in the call center industry. Except Batt (2002), most of the seminal work in this second phase, however, focused on the manufacturing industry. All of the seminal work empirically demonstrated that HR systems and/or practices were associated with better firm financial performance.

In the second phase of SHRM research (Guest, 2011), several scholars also continued to pay attention to the concept of horizontal fit and vertical fit (e.g. Huselid, 1995; Delery and Doty, 1996). Here, horizontal fit refers to the internal consistency among HR practices within an organization, whereas vertical fit refers to the alignment between the HR system and other organizational characteristics such as business strategies (Baird and Meshoulam, 1988; Delery, 1998; Wright and Sherman, 1999). SHRM scholars have continuously conducted research in this area to find support for the concept of “fit.” With regard to horizontal fit, scholars have argued that firms should create a bundle or an integrated system of HR practices that are internally consistent (alignment among HR practices) with one another to achieve desirable organizational performance (e.g., Arthur, 1994; MacDuffie, 1995; Huselid, 1995; Evans and Davis, 2005; Jiang, Lepak, Hu, and Baer, 2012; Posthuma, Campion, Masimova, and Campion, 2013). This system of HR practices is referred to as high performance work systems (HPWS) (Becker and Huselid, 1998; Huselid, 1995), high involvement HR systems (Lawler, 1992; Guthrie, 2001; Batt, 2002), high commitment HR systems (Arthur, 1992, 1994; Lepak and Snell, 2002), human capital enhancing HR systems (Youndt, Snell, Dean, and Lepak, 1996), sophisticated HR practices (Koch and McGrath, 1996), or innovative employment practices (Ichniowski, Shaw, and Prensushi, 1997). They are also referred to as “universal” HR perspectives in that these HR practices are likely to lead to better firm financial performance when applied across contexts and settings (Delery and Doty, 1996). The details of the first three terms will be discussed further.

First, the high performance work systems (HPWS) seems to be the HR system that has received the most attention in the prior literature (Lepak, Liao, Chung, and Harden, 2006; Shin and Konrad, 2014). HPWS, as described by Huselid (1995; 635), “can improve knowledge, skills, and abilities of firm’s potential and existing employees, increase their motivation, reduce shirking, and enhance retention of quality employees while encouraging non-performers to leave the firm.” Zacharatos, Barling, and Iverson (2005) also note that HPWS encompass elements of high involvement HR systems and high commitment HR systems but that HPWS are broader in terms of scope. HPWS consist of almost every type of HR practices described in the literature including selective staffing, intensive training and development, performance appraisal, individual and group incentives, benefits, teams, employee involvement, work-life balance programs, and information sharing. Second, the high involvement HR systems (HIHRS) are oriented toward the implementation of some HR practices that directly influence the nature and scope of the jobs that employees perform. For example, MacDuffie (1995) emphasizes the use of formal work teams, employee involvement groups, employee suggestions, and job rotation to help foster the involvement of employees. These HR practices finally lead to greater firm productivity and performance. Osterman (1994) focuses on the use of self-directed work teams, job rotation, total quality management (TQM), and quality circles to help empower employees. Third, the high commitment HR systems (HCHRS) focus on creating conditions that foster employees to commit to the goals of the organization and to exert efforts to achieve these goals (Whitener, 2001). Consequently, HR practices such as selective staffing, intensive training and development, internal labor market HR strategy (promotion from within), and a high level of compensation are included in HCHRS to help encourage a stronger connection between employees and organizations.

Specifically, the HR practices in HPWS, HIHRS, or HCHRS are interdependent such that the inclusion of one HR practice necessitates the inclusion of others. Although there has been agreement that developing HPWS, HIHRS, or HCHRS leads to better organizational performance, there has been less agreement regarding individual HR practices that should be included to constitute these systems. For instance, on one hand, Arthur (1992, 1994) include the following HR practices into HCHRS: broadly defined jobs, employee participation, formal dispute resolution, information sharing, highly skilled workers, self-managed teams, extensive skills training, extensive benefits, high wages, salaried workers, and stock ownership. On the other hand, Huselid (1995) proposes that HPWS should consist of the following HR practices: personnel selection, job design, employee participation, incentive plans, training hours, a formal grievance procedure, attitude assessment, personnel selection, performance appraisal, promotion criteria, and recruitment intensity. Several themes, however, have emerged across the studies. The root of HPWS, HIHRS, and HCHRS is likely to promote three important employee outcomes: skill enhancement among employees, employee empowerment and participation, and employee motivation based on several types of incentives (Youndt, Snell, Dean, and Lepak, 1996; Batt, 2002; Combs, Liu, Hall, and Ketchen, 2006). Subsequently, Boxall and Macky (2009) have proposed that research must

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focus on the actual processes experienced by workers – including involvement and intensification – if we intend to understand how HPWS work to influence firm outcomes and how workers can work better.

Empirical research on horizontal fit, specifically on the concept of high performance work system (HPWS), has consistently found that this fit leads to better organizational performance outcomes. Arthur (1992, 1994) empirically tested the high performance work system in US steel minimills and supported the argument that the high performance work system was associated with higher productivity, lower scrap rates, and lower employee turnover. In addition, MacDuffie (1995) tested the HR practices as a “bundle” (referred to as HPWS) in the manufacturing industry (automobile industry) and found support for the use of an HR bundle similar to Arthur’s. Huselid (1995) found that the adoption of a high performance work system in firms across industries was associated with lower employee turnover and greater productivity and corporate financial performance. Moreover, Batt (2002) was among the first to empirically test the high performance work system in the service sector (call center settings). She also demonstrated that establishments implementing the high performance work system had lower employee quit rates and higher sales growth. A meta-analysis of the effects of high performance work system on organizational performance (Combs, Liu, Hall, and Ketchen, 2006) also confirmed that the use of high performance work system (as a system) had stronger effects on organizational performance than those of individual HR practices. In summary, the empirical evidence in the SHRM literature seems to support the positive relationship between horizontal fit and organizational performance outcomes across settings.

Scholars who have supported the concept of vertical fit have argued that there seems to be no one single best HR system. Rather, an organization’s business strategy is likely to augment or diminish the impact of HR practices on performance (e.g., Wright, Smart, and McMahan, 1995; Youndt, Snell, Dean, and Lepak, 1996). It is thus important to match organizational resources, i.e., employees, to an organization’s strategy. In other words, the fit between the HR system and the organization strategy is significant since it leads to superior organizational performance (Baird and Meshoulam, 1988). However, there has been scant empirical research that supports the vertical fit perspective (e.g., Wright, Smart, and McMahan, 1995; Youndt, Snell, Dean, and Lepak, 1996; Batt, 2000; Chadwick, Way, Kerr, and Thacker, 2013).

Wright, Smart, and McMahan (1995) empirically tested the vertical fit argument among basketball teams and provided evidence that strategies were associated with the acquisitions of specific HR skills. They also emphasized the need to match human resources and strategies to maximize organizational performance. Youndt, Snell, Dean, and Lepak (1996) also tested this argument but in manufacturing plants in the metal-working industry in the US. They found that the effect of an HR system focusing on human capital enhancement was significant when firms linked this HR system with a “quality”

manufacturing strategy. The quality manufacturing strategy was defined as a business strategy that focused on continually improving manufacturing processes to increase product quality and customer satisfaction. By contrast, they also found that an administrative HR system interacted with a “cost” manufacturing strategy and a “delivery flexibility” strategy. Thus, from this study, the vertical fit was significant. Therefore, it was not accurate to conclude that there were strong universal or best HR practices across contexts. Rather, the study of Youndt et al. (1996) was likely to support the “contingency” HR perspective (e.g., Schuler and Jackson, 1987a; Schuler and Jackson, 1987b; Lengnick-Hall and Lengnick-Hall, 1988; Delery and Doty, 1996).

In addition to the two empirical studies noted above, Batt (2000) also empirically supported the vertical fit argument. She tested this concept in the service sector (call center) and found that there was a fit between the business strategy and the HR system based on the strategic segmentation of customers into 3 main groups: residential customers, small businesses, and middle-market businesses. Moreover, Chadwick, Way, Kerr, and Thacker (2013) also indicated that the extent and nature of the influence of HPWS on small-firm labor productivity are contingent on internal and external boundary conditions. The internal boundary conditions are the differentiation business strategy and firm capital intensity. The external boundary conditions are industry dynamism and industry growth. In summary, the empirical evidence on vertical fit noted above supports the argument that the alignment between the business strategy and the HR system is positively related to organizational performance. In essence, the concept of vertical fit is likely to support the “contingency” HR perspective.

In line with the concept of vertical fit, Kehoe and Collins (2008) incorporated the contingency and equifinality perspectives and argued against the “universal” HR perspective by developing a theoretical model of the relationships between different business strategies and multiple HR systems. They proposed that different business strategies require different organizational and workforce competencies and behaviors. Thus, an organization must have an HR system that supports such competencies and behaviors to drive better organizational performance. On one hand, the exploration business strategy (March, 1991) fits well with the engineering HR system or the commitment HR system (Baron, Burton, and Hannan, 1999). On the other hand, the exploitation business strategy (March, 1991) fits well with the bureaucratic HR system or the autocratic HR system (Baron, Burton, and Hannan, 1999).

Consistently, Lepak and Snell (1999) and Lepak and Snell (2002) proposed a human resource architecture that seems to support the “contingency” HR perspective. The use of different HR configurations is associated with different employment modes for employees. The notion of the “internal development” mode posits that firms are more likely to develop their own employees internally by investing in firm-specific education, training, and development when these skills are not transferable. The use of the “make” approach or internal development mode fits well when the strategic value

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and uniqueness of human resources are both high. In other words, when human resources are both valuable and unique, firms are more likely to use the internal development mode. By contrast, when human resources are valuable but not unique or when skills are widely transferable to other firms, firms are more likely to use the “buy” or “acquisition” employment mode. Put simply, firms are likely to hire employees externally instead of developing them internally in this latter scenario. They also argue that different firms even within the same industry may place great emphasis on different employment modes. For instance, one firm may prefer to develop its employees internally, whereas other firms are likely to adopt the “buy” approach.

The notion of the internal development mode is aligned with the literature on an “internal labor market” (e.g., Doeringer and Piore, 1971; Osterman, 1984a, 1984b; Kanter, 1984; Osterman, 1987; Osterman and Burton, 2004; Osterman, 2011; Bidwell and Keller, 2014; Cappelli, 2015), whereas the notion of “acquisition” is consistent with what Doeringer and Piore (1971) and Kanter (1984) term “the external labor market” or what Cappelli (2008) terms “outside hiring”. The “internal labor market” has been defined by Doeringer and Piore (1971: 2) as “an administrative unit, such as a manufacturing plant, within which the pricing and allocation of labor is governed by a set of administrative rule and procedures”. The main point of this term is that the pricing of the labor market and its allocation functions occur within a firm or an establishment (Osterman, 1984a).

Subsequently, Cappelli (1999) argues in his famous book “The New Deal at Work” that the notion of the internal labor market or what he terms “the old deal” faded and was likely to disappear and what he terms “the new deal” has replaced it. The new deal is classified as the concept of “employability”. In this respect, there is no lifetime employment. The relationship between employers and employees is open-ended. Whether each side gains or loses depends on the negotiation between the two parties and the state of the labor market. In this case, companies are not willing to invest in firm-specific training since employees can hop from their companies to others at anytime, depending on the state of the labor market. Thus, employees need to acquire training on their own. The emergence of postsecondary institutions is the most obvious example of a place where employees acquire such training.

In his 2008 book “Employment Relationships: New Models of White-collar Work”, Cappelli states that there are new paradigms of finding talents (Cappelli, 2008). Firms are likely to find talents (i.e., managerial and professional employees) externally instead of developing them internally. This argument seems to support that the new deal for talents or managerial and professional employees has also occurred. Specifically, he states that when firms have vacant positions and need talents, they turn to the outside market for hiring. That said, when firms change their direction or strategy, the new strategy typically requires different competencies that do not exist internally. In this situation, firms then turn to what Cappelli terms “outside hiring” instead. The term “outside hiring” is aligned with what Doeringer

and Piore (1971) and Kanter (1984) previously defined as “the external labor market.” The company typically finds talent externally when talents cannot be found within the firm context.

In the second phase of SHRM research, there were also several articles demonstrating that published studies in the SHRM field used an array of different HR practices and measured HR practices in different ways (Dyer and Reeves, 1995; Becker and Gerhart, 1996). The implication was that SHRM scholars needed a sounder conceptual basis for determining the appropriate HR practices to be included in HPWS. There seems to be less agreement among SHRM scholars regarding this issue. In addition, some scholars, particularly in the UK, viewed the emergence of HRM in general, and of HPWS in particular, as a new form of exploitation of workers (e.g., Legge, 1995; Keenoy, 1997).

In summary, the central research questions of the SHRM literature became clear in the second phase of SHRM research as follows: How is human resource management associated with better firm financial performance? How does human resource management influence organizational outcomes? Does human resource management lead to better firm financial performance? What is the black box between HRM and firm financial performance?

The third phase of SHRM research addresses how to open the black box between HRM and firm financial performance (e.g., Wright and Boswell, 2002). What are the key roles of workers in helping SHRM scholars understand the relationship between the two main factors noted above? One of the most popular trends in SHRM research to open the black box is the examination of mediating mechanisms through a multilevel theoretical perspective (e.g., Liao, Toya, Lepak, and Hong, 2009; Takeuchi, Chen, and Lepak, 2009). A synthesis of what we know about these mediating mechanisms at different levels of analysis would be helpful in identifying future SHRM research directions (Jiang, Takeuchi, and Lepak, 2013).

1) Firm- or Unit-level of Analysis: There are two major theoretical perspectives that SHRM researchers have adopted at the firm- or unit-level of analysis: the resource-based view of the firm (Barney, 1991) and human capital theory (Becker, 1964). The resource-based view of the firm and human capital theory suggest that internal assets or organizations such as human capital have the potential to provide value in setting firms apart from their competitors and have the potential to serve as a barrier to imitation if such assets are appropriately managed. In the context of SHRM research, the level of human capital is directly influenced by HR practices that are aimed at recruiting/selecting and training/developing employees (McMahan, Virick, and Wright, 1999; Wright and McMahan, 1992).

Therefore, it is not surprising that several studies have considered the level of human capital to be a mediator of the relationship between HR systems and firm- or unit-level performance. For instance, Takeuchi, Lepak, Wang, and Takeuchi (2007) examine a sample of Japanese establishments and discover that the manager-rated collective human capital of employees mediate the positive relationship between HPWS and establishment performance. Youndt and Snell (2004) also find that

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human capital acts as a mediator of the relationship between several HR configurations and firm-level performance. Some SHRM researchers have also examined the influence of HR practices rather than HR systems on firm performance, demonstrating the role of human capital as a mediator between these two factors (Cabello-Medina, Lopez-Cabrales, and Valle-Cabrera, 2011; Hsu, Lin, Lawler, and Wu, 2007).

Another perspective that SHRM researchers have applied to explore the mediating mechanisms of the relationship between HR systems and firm performance is behavioral perspectives (Schuler and Jackson, 1987a, 1987b; Jackson, Schuler, and Rivero, 1989). This theory explores the role of employee behaviors as a mediator of the relationship between HR systems and firm performance. Consistently, many researchers have applied social exchange theory and the organizational climate literature to help explore factors that mediate the HR-performance relationship. HR systems have been suggested to be an antecedent to organizational climate, which can further influence employee behaviors and firm performance (Ostroff and Bowen, 2000; Lepak, Liao, Chung, and Harden, 2006). For instance, Collins and Smith (2006) find that an organizational climate of trust, coordination, and shared codes and language act as a mediator between the high commitment HR system and knowledge exchange and combination, leading to better firm performance. Chuang and Liao (2010) and Rogg, Schmidt, Shull, and Schmitt (2001) also find similar results. In terms of social exchange theory (Blau, 1964; Gouldner, 1960), when organizations care about employee well-being and invest their budgets in developing HR systems, employees are expected to reciprocate by showing positive attitudes and behaviors toward organizations. Several SHRM scholars have found that HR systems foster perceived organizational support and affective commitment among employees, ultimately leading to better organizational outcomes (e.g., Gong, Law, Chang, and Xin, 2009; Sun, Aryee, and Law, 2007; Messersmith, Patel, Lepak, and Gould-Williams, 2011).

Additionally, SHRM researchers have applied the ability-motivation-opportunity (AMO) framework to explore the mediating mechanisms of the HR-performance relationship (Jiang, Lepak, Hu, and Baer, 2012). This framework suggests that employees' ability, motivation, and opportunity to perform are the three main elements of employee performance. Thus, HR systems can be associated with firm performance through their influence on these three elements (Appelbaum, Bailey, Berg, and Kalleberg, 2000; Becker and Huselid, 1998; Delery and Shaw, 2001; Gerhart, 2007; Guest, 1997; Lepak, Liao, Chung, and Harden, 2006). Finally, SHRM researchers have examined the role of several types of organizational capabilities as the mediator of the HR - performance relationship. For example, knowledge integration (Collins and Smith, 2006), adaptive capability (Wei and Lau, 2010), absorptive capacity (Chang, Gong, Way, and Jia, 2013), organizational ambidexterity (Patel, Messersmith, and Lepak, 2012), and HR flexibility (Beltran-Martin, Roca-Puig, Escrig-Tena, and Bou-LLuser, 2008) act as the mediator of the relationship between the HR system and firm performance.

In summary, firm- or unit-level SHRM research has primarily relied on human capital theory (Becker, 1964), the resource-based view of the firm (Barney, 1991), behavioral perspectives (Schuler and Jackson, 1987a, 1987b; Jackson, Schuler, and Rivero, 1989), the organizational climate literature (Reichers and Schneider, 1990), social exchange theory (Blau, 1964), the AMO framework, and the organizational capabilities perspective (Teece, Pisano, Shuen, 1997) to understand the questions of “why” and “how” HR systems or a bundle of HR practices are associated with firm- or unit-level performance.

2) Individual-Level of Analysis: Although most SHRM research has primarily relied on firms or units as its level of analysis, some researchers (e.g., Wright and Boswell, 2002; Nishii and Wright, 2008) have encouraged SHRM researchers to focus more on understanding employees’ perceptions of and reactions to HR systems. Employees may have different perceptions of their HR systems that are different from those reported by managers (Liao, Toya, Lepak, and Hong, 2009) and from those reported by other employees exposed to the same HR systems (Nishii, Lepak, and Schneider, 2008). SHRM research at this level of analysis typically examines the psychological and motivational mechanisms through which employees’ perceptions of HR systems or a bundle of HR practices are associated with their attitudes and behaviors (e.g., Boxall, Ang, and Bartram, 2011; Boon, Den Hartog, Boselie, and Paauwe, 2011). For instance, psychological empowerment acts as a mediator of the relationships between perceived HR systems and employee attitudes such as job satisfaction and employee’s behaviors such as customer-oriented behaviors.

3) Multilevel of Analysis: The main argument behind this level of analysis is that HR systems designed at the firm or unit level need to be experienced by individual employees to influence their knowledge, skills, and abilities of these individuals as well as their motivation and work efforts. Individual employee outcomes are then aggregated to impact firm- or unit-level outcomes and financial performance. In this regard, recent SHRM research has integrated macro- and micro-level HRM research to examine the influence of HR systems on individual attitudes and behaviors (e.g., Aryee, Walumbwa, Seidu, and Otaye, 2012; Jensen, Patel, and Messersmith, 2013; Jiang, Hu, Liu, and Lepak, 2015; Van De Voorde and Beijer, 2015). Jiang, Takeuchi, and Lepak (2013) propose that there are two main common themes of these multilevel HR studies: they tend to explore individual outcomes as mediating variables, and they consider two main mediators in the relationships – employees’ perceptions of HR systems and the shared organizational climate.

Finally, current SHRM research seems to be in a fourth phase of growing sophistication and complexity. This development means that SHRM research must be integrated with the notion of sustainability to become sustainable HRM (Kramar, 2014). Additionally, this stream of research should apply the multilevel model to understand the HR - performance relationship by linking the individual with the firm or unit level (e.g., Liu, Gong, Zhou, and Huang, 2017). The first papers of the multilevel

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model in SHRM research are Ostroff and Bowen (2000) and Bowen and Ostroff (2004). This issue is similar to the multilevel of analysis discussed above in that SHRM research must integrate both the macro- and the micro-level of analysis to understand the relationship between HR systems and firm performance. Jiang, Takeuchi, and Lepak (2013) propose that future SHRM research should explore how HR systems designed at the firm or unit level are transferred into employees' perceptions of HR systems. Additionally, future SHRM research should explore how team-level variables mediate the relationship between firm- or unit-level HR systems and individual-level outcomes. In addition to multilevel SHRM research, Jiang, Takeuchi, and Lepak (2013) also propose that SHRM research should pay attention to boundary conditions for the effects of HR systems on outcomes. There are several moderating factors that SHRM scholars should focus on such as national-level factors, industry-level factors, organizational-level factors, or some other contextual factors. Thus, it is critical to examine how these moderating factors or contextual factors affect the generalizability of the multilevel model and the extent to which employees can mediate the influence of HR systems on performance in different contexts.

In conclusion, over the past thirty years of SHRM research (see Table 1 for summary of SHRM research), the main research questions and theoretical debates of the field still have not changed. SHRM researchers are in the process of examining the relationship between HR systems and firm performance. How are HR systems associated with firm performance? Additionally, what is the black box between HR systems and firm performance? The conceptual and methodological issues, however, are more challenging than those in the past years. To advance the field, SHRM research may have to accept the view from other fields such as comparative institutional research to understand the boundary conditions and the influence of HR systems on firm performance at different levels of analysis such as at the national level and the industry level. I propose that SHRM research should not focus only on the organizational level, unit level, or individual level. It sounds very interesting to observe the antecedents of HR systems and practices and how such systems and practices are designed and implemented at different levels of analysis. Now, I turn to the topic of empirical evidence to support the major SHRM theories.

Table 1: Summary of SHRM research over the past 30 years

Phase	Main Concepts/Findings/Theories
Phase 1 (1980–1990)	<ul style="list-style-type: none"> Defining SHRM from several theoretical perspectives Examining the association between HRM and firm performance
Phase 2 (1990–2000)	<ul style="list-style-type: none"> Defining horizontal fit (HPWS, HIHRS, and HCHRS) and vertical fit (contingency approach) Testing the association between HRM and firm performance across industries
Phase 3 (2000–2012 or 2013)	<ul style="list-style-type: none"> Opening the black box between HRM and firm financial performance through a multilevel theoretical perspective Exploring mediating moderating mechanisms
Phase 4 (– current)	<ul style="list-style-type: none"> Integrating SHRM with the concept of sustainability Applying the multilevel model to understand the HR-performance relationship by linking the individual with the firm or unit levels Focusing on moderating factors such as institutional-level factors, national-level factors, industry-level factors, organizational-level factors, or some other contextual factors

EMPIRICAL EVIDENCE TO SUPPORT THE MAJOR THEORIES

A large body of SHRM research over the past thirty years has shown that the implementation of HR systems or a bundle of HR practices is associated with positive outcomes across levels of analysis such as greater commitment among employees (Gong, Law, Chang, and Xin, 2009), lower turnover (Batt, 2002; Batt and Colvin, 2011), higher productivity and product quality (MacDuffie, 1995), better service-oriented performance (Chuang and Liao, 2010), better safety performance (Zacharatos, Barling, and Iverson, 2005; Tregaskis, Daniels, Glover, Butler and Meyer, 2013), better firm innovation (Zhou, Hong, and Liu, 2013), productivity increases among employees (Shin and Konrad, 2014; Posthuma, Campion, Masimova, and Campion, 2013), a lower level of job burnout (Kilroy, Flood, Bosak, and Chênevert, 2016), employees' affective commitment, organizational citizenship behavior, and intent to remain with the organization (Kehoe and Wright, 2013; Alfesa, Shantzb, Trussc, and Soaned, 2013), a lower level of job dissatisfaction and ill-being among employees (Wood and Ogonnaya, 2016), an improved team service climate (Flinchbaugh, Li, Luth, and Chadwick, 2016), and higher financial performance (Huselid, 1995; Mitchell, Obeidat, and Bray, 2013). This stream of research has addressed several dimensions of firm or organizational outcomes. Dyer and Reeves (1995) classify organizational outcomes into three main types: HR outcomes, operational outcomes, and financial outcomes. HR

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outcomes are the outcomes that are most directly related to HRM in an organization, including turnover, employee commitment and behaviors. Operational outcomes refer to the outcomes that are most directly related to the goals of organizational operations, including productivity and product quality. Finally, financial outcomes can be defined as the outcomes that are directly related to the economic goals of an organization, including sales growth, return on assets, and Tobin's Q.

In other words, practically, prior SHRM research implies that on one hand, organizations must design the HR system that is aligned with the organization's business strategy. On the other hand, the HR system must consist of detailed HR practices that support one another to help employees and organizations achieve a variety of goals such as lower turnover rates, better firm innovation, higher sales growth and profitability, and greater commitment among employees.

In this paper, however, I argue that the empirical evidence to support the major theories that HR systems are related to firm performance has "modestly" progressed over the past thirty years. This is reflected in the somewhat mixed and somewhat cautious conclusions from several important review articles over the years (e.g., Becker and Huselid, 1996; Wright and Gardner, 2003; Wall and Wood, 2005; Combs, Liu, Hall, and Ketchen, 2006; Guest, 2011; Boxall and Macky, 2009; Paauwe, 2009; Batt and Banerjee, 2012; Batt and Hermans, 2012). For example, Wright and Gardner (2003) conclude that HR practices are at least weakly associated with firm performance. Wall and Wood (2005) summarize that the influence of HR systems on firm performance is promising but only circumstantial because of inadequate research designs. Additionally, Wright, Gardner, Moynihan, and Allen (2005) review 66 empirical SHRM studies that analyze the relationship between HR systems or a bundle of HR practices and firm- or unit-level performance, finding that the majority of these studies used a post-predictive research design. In this case, the implication is that these studies measured HR practices after the performance period, with the result that those practices actually predicted "past" performance, not "future" performance (Paauwe, 2009). Moreover, conclusions on most relationships between HR systems and firm performance cannot be drawn. The reverse causation is also possible, which means that firms with decent financial performance may have slack resources and implement high performance work systems.

Specifically, there are several methodological debates in SHRM research that may influence the empirical evidence to support the major theories in the field.

1) Identifying bundles of HR practices: Paauwe (2009) and Boselie, Dietz, and Boon (2005) demonstrated that there are a variety of different HR practices used in the 104 studies they examine. To date, there has been no fixed or single agreed-upon list of HR practices to be included in HR systems. Boselie, Dietz and Boon (2005) propose that twenty-six HR practices are used in different studies; however, there are four HR practices that are the most popular used in these studies: selective recruitment and selection, training and development, performance management, and contingent pay

and rewards. Additionally, there is still no agreement on how to measure the HR practices within HR systems.

2) Using single or multiple raters: Guest (2011) summarizes that a methodological issue that continues to be debated concerns who should provide information about the HR practices used in an organization. Several SHRM researchers have frequently called for multiple informants about the implementation of HR practices. It is possible that the use of a single informant such as senior HR managers in large organizations (at the corporate level) may distort the results because these senior HR managers may not know what is going on at the level of establishments or units. In this case, the level of analysis is also significant in that an analysis at the level of establishment may better reflect the HR practices used in each organization.

Jiang, Takeuchi, and Lepak (2013) also suggest that measuring HR systems by only asking senior HR managers may not precisely capture the influence of HR systems at different levels of analysis. In this case, it is possible that employees' experience of HR systems may be different from those reported by managers. Thus, future SHRM research should pay more attention to multilevel analysis by collecting information about HR systems from both managers and employees.

3) Measuring organizational outcomes variables: Guest (1997) and Paauwe (2009) analyze the SHRM research conducted over the past several years and conclude that SHRM research needs organizational outcomes variables that are more proximal in terms of what HR systems (or a bundle of HR practices) can actually affect such as changes in employee attitudes and behaviors (e.g., motivation, trust, turnover, and absenteeism) and subsequent changes in other operational outcomes such as the quality of products or services and productivity. The use of financial outcomes variables such as return on assets and return on equity is too distal until it is very difficult to find the relationship between two factors (HR systems and financial outcomes). SHRM researchers must design rigorous research to link HR systems (or a bundle of HR practices) both to past performance and to future or "subsequent" performance to produce stronger empirical support for SHRM theories.

4) Demonstrating causal relationships between HR systems and organizational outcomes: The majority of SHRM research over the past several years has still been conducted cross-sectionally. Jiang, Takeuchi, and Lepak (2013) review SHRM research over the past thirty years and find that "although researchers have attempted to explain how HR systems contribute to organizational performance by examining the mediation process, the cross-sectional design in most previous research cannot ensure causality of those mediating relationships." Therefore, the issue of causal relationships seems to be more serious in multilevel research because the relationship in multilevel model needs a longer period of time to unfold. SHRM researchers must conduct "longitudinal" research that allows them to examine the influence of HR systems and organizational performance over time and to establish the causal relationships between these two factors.

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In summary, SHRM researchers have been able to demonstrate the importance of HR systems for organizational performance over the past several years, but there are several methodological issues to which SHRM researchers must pay more attention to demonstrate stronger empirical evidence to support the major SHRM theories and to strengthen SHRM practices. Next, I specifically assess the weaknesses of the current SHRM paradigms and suggest an agenda for future SHRM research that should provide both theoretical and managerial implications.

CRITIQUE OF THE SHRM LITERATURE AND AN AGENDA FOR FUTURE SHRM RESEARCH AND PRACTICE

In a period in which the importance of SHRM appears to be strong and growing, I highlight four main weaknesses of the current SHRM literature and propose four recommendations (in order of importance) for future SHRM research and practice (see Figure 1).

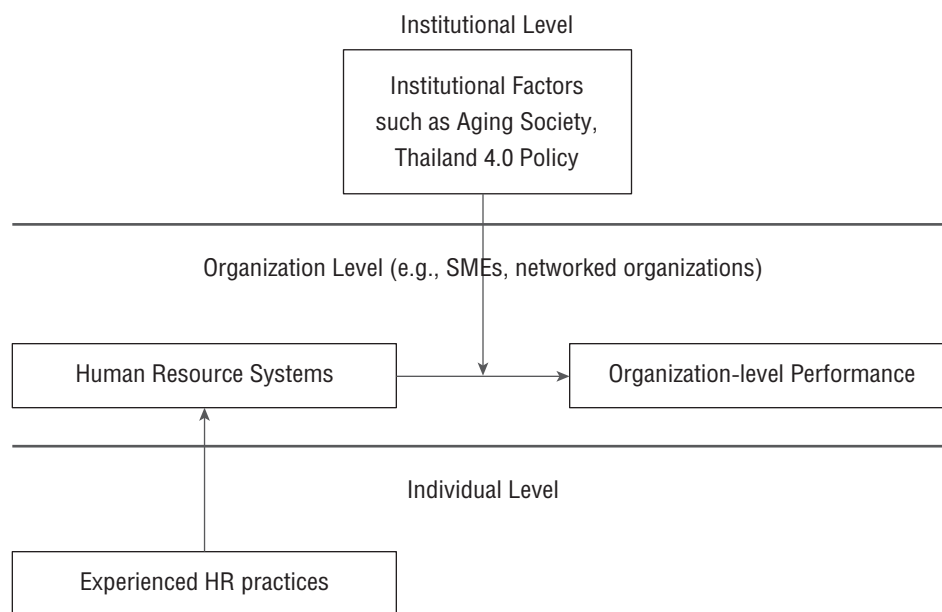


Figure 1: Agenda for Future SHRM Research and Practice

First, most SHRM studies, particularly those published in US journals, do not pay attention to the institutional background or contexts of studies or sometimes treat such institutional backgrounds or contexts as “control variables.” Most of the research locations are large firms in developed countries, and these firms are chosen because of convenience sampling. Batt and Banerjee (2012) concluded that emerging market economies represent only 4% of the SHRM studies in US journals and that the majority of these studies are conducted in mainland China. Additionally, research does not pay attention to how the factors at the national level or the industry level impact the influence of HR systems on

organizational performance. It is possible that some institutional factors in each country, including industrial relations institutions, skill and training institutions, and labor market institutions, may affect the relationships between HR systems and firm performance at the organizational level. In this case, the multilevel model should be very helpful in helping SHRM researchers explore this relationship.

Paauwe (2005) proposes a model of “context-based SHRM” and emphasizes the importance of treating institutional backgrounds or contexts as one of the factors that may influence SHRM theories. Moreover, small- or medium-sized enterprises (SMEs) have been neglected in most SHRM studies because access to these firms is difficult and/or secondary data are not available. SHRM research should pay more attention to this issue. Actually, some researchers have already started using SMEs as their sample (e.g., Chadwick, Way, Kerr, and Thacker, 2013), but their sample is still located only in the US. Furthermore, the use of firms or corporations as the unit of analysis may not reflect the changing world of work. Currently, firms or corporations have shifted to networked organizations along the global supply chain. To date, SHRM research has not captured this fact.

Future research should thus explore whether a bundle of best HR practices used in large-sized organizations is different from a bundle of best HR practices used in SMEs in an emerging market economy, including Thailand. Because SMEs play an important role in the Thai economy, it is crucial to practically examine the influence of HR practices on SMEs’ performance and to identify best HR practices for SMEs in Thailand. SMEs’ entrepreneurs should finally use these best HR practices to benefit the business operations of SMEs in Thailand.

Additionally, future research should also explore the influence of lead firms in networked organizations on supplier firms in terms of the implementation of HR systems and performance outcomes. This research agenda should also provide practical implications in that, currently, many organizations have transformed themselves into networked organizations in the global supply chain. Thus, it is important to realize whether and to what extent the HR strategies and practices of lead firms influence the performance of these networked organizations. Specifically, the top managers of lead firms are able to foster networked organizations in their global supply chain to implement best HR strategies and practices that ultimately lead to better organizational performance among all of the firms in their global supply chain.

Second, related to the first critique, SHRM research has not had much progress over the past thirty years because it has still focused on “firms” as its main level of analysis without examining the institutional contexts that affect the strategic choices of the firm. In essence, SHRM research treats “firms” as a closed system, even though firms are considered to be an open system that is influenced by several external factors. SHRM research has thus focused on opening the black box between HR systems and performance by searching for and analyzing several types of mediating and/or moderating factors at the firm level, individual level, or multilevel (individual and firm levels). There has been

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scant SHRM research that pays attention to institutional contexts or boundary conditions such as the aging society and Thailand 4.0 policy. Research should therefore examine the factors beyond the firm or organizational level that may influence the relationships between HR systems and firm performance. In addition, SHRM research should also be conducted in several countries, particularly in emerging market economies such as Thailand, to reflect the diversity of research locations and to realize how different institutions in each type of economy influence the relationships between HR systems and firm performance. This seems to be a fruitful research agenda for the field that will provide both theoretical and practical contributions. In essence, it is very interesting for managers and professionals in Thailand to understand how HR systems affect firm performance in the context of the aging society and Thailand 4.0 policy. These managers are thus able to design HR systems that fit with these contexts, leading to better organizational performance in the current context of the country.

Third, SHRM studies published in several top-tier US journals have applied a very narrow set of data collection and data analysis techniques. Most of these studies have relied on the use of survey-related tools and statistical analysis as the data analysis techniques. In this regard, more rigorous research designs in terms of the measurement of variables, the use of multiple instead of single survey respondents, longitudinal research designs, and separate sources of data for independent and dependent variables are required to solve the common source biases. These studies, however, have not paid enough attention to the use of qualitative research methods or mixed-method research designs to help explore the relationship between HR systems and organizational performance. By contrast, the SHRM research published in several top-tier UK journals are more likely to use qualitative research methods including case study research to help examine this relationship; however, the cases are typically chosen based on convenience sampling, or sometimes, researchers rely on only a single case. In this case, I propose that the use of mixed-method research designs, including the use of multiple case studies in the first stage and the use of survey research in the second stage, should work best in developing new SHRM theories and fostering the generalizability of the theories themselves. In other words, the findings from this type of research design should have both theoretical contributions for international scholars and managerial implications for practitioners and managers.

Finally, SHRM research has paid little attention to the performance outcomes of a variety of stakeholders including suppliers, customers, and local communities. Rather, the SHRM field has primarily focused on narrow performance outcomes of organizations based on the principle of maximizing shareholders' value. Additionally, most performance outcomes studied to date have been considered "positive" indicators. Moreover, this research has primarily focused on skilled and managerial employees. The generalizability of this stream of research may be questionable in that the majority of the workforce in the world at present works in small firms and most of them are low-wage workers. Future SHRM research should therefore examine the relationships between HR systems and performance outcomes

from a variety of perspectives to advance the field. The negative indicators of HR systems may also be very interesting and should help contribute to this field.

To conclude, to advance the SHRM research and practice, researchers must pay attention to several levels of analysis, analyze the institutional contexts at the national and industry levels, incorporate more complex theoretical perspectives informed by institutional theory, and conduct more rigorous research based on the integration of both qualitative and quantitative research methodologies and multi-level research designs (see Table 2 for a summary of future SHRM research and practice).

Table 2: Summary of the Agenda for Future SHRM Research and Practice

<ul style="list-style-type: none"> • Exploring whether a bundle of best HR practices used in large-sized organizations is different from a bundle of best HR practices used in SMEs in an emerging market economy, including Thailand
<ul style="list-style-type: none"> • Exploring the influence of lead firms in networked organizations on supplier firms in terms of the implementation of HR systems and performance outcomes
<ul style="list-style-type: none"> • Analyzing several types of institutional factors or boundary conditions such as the aging society and Thailand 4.0 policy and how these factors influence the relationships between HR systems and organization-level performance across levels of analysis.
<ul style="list-style-type: none"> • Using mixed-method research designs, including the use of multiple case studies in the first stage and the use of survey research in the second stage, should work best in developing new SHRM theories and fostering the generalizability of theories themselves.
<ul style="list-style-type: none"> • Examining the relationships between HR systems and performance outcomes from a variety of stakeholders' perspectives.

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