

Strategic Human Resource Management: Back to the future?

A literature review

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Foreword

Edward Houghton, Head of Research and Thought Leadership, CIPD

Taking stock is a difficult task to get right, particularly in a world where fashions, fads and trends are all around us, shifting the landscape on which we stand.

For practitioners, in the middle of this complex and fast changing world, it is easy to be seduced by the next big idea, the next technological solution. But, without stopping and drawing on our understanding of the foundations – the theories, ideas and practices core to what we do – it is much harder to take firm steps forward.

Being reflective by looking back into evidence is often considered the preserve of academics alone, but we now believe it has to be at the forefront of practice as a profession. It's so critical to the CIPD that we have placed evidence central to our vision for the future of the people professions and we recognise, as part of this new vision, a trio of key concepts: that people professionals are principles-led, evidence-based and outcomes driven. The act of taking stock informs all of these important ideas.

There are very few foundational concepts in human resources management (HRM) which have attracted so much intrigue and debate like Strategic HRM. Despite over 30 years of scholarship, countless conferences, books and journal articles, there still appear to be some important questions that need further development within the theoretical space.

Firstly, as more progressive HR practices are undertaken, greater amounts of data are collected and can potentially be analysed, and more stakeholders are served by HR practitioner, it's clearly important to ask: is SHRM fit for purpose? And what can we say has been the impact of SHRM on the work of the people profession – has SHRM delivered the outcomes it promised, particularly with regards to connecting HR to outcomes of performance. Thirty years later, now is the ideal moment to stop, breathe, and revisit what we know about this core concept of human resources management.

This work unpicks some of the central components of what we believe strategic HR to be, to try and offer a refreshing take on the decades of research that have led human resources and management scholars to this point. As it does this, this paper reflects back on the central premise of a literature review and asks: 'what is the evidence?' As a result, this paper provides a useful agenda for scholars and practitioners alike to follow and further shape the debate, building on the future of strategic human resources management.

Executive Summary

More than 30 years after the concept of strategic human resource management first started to be adopted in the UK, IES and CIPD are undertaking a joint piece of research into the contemporary state of human resource management and people management strategies in the UK. This literature review is the first output from the research, and uses academic and 'grey' research and sources to chart the evolution of the concept, its meaning and its practical application over that timescale.

Strategic human resource management (SHRM) is not an easy concept to define or to deliver and that helps to explain the continuing controversy about its aims and impact. The evolution of SHRM has not been linear. Different concepts have often emerged concurrently and to a certain extent we argue that the process has been circular, returning to a more rounded perspective on what SHRM means and how best to pursue it. This is why the history of its evolution is so important today.

The foundations of SHRM are rooted in the concepts of human resource management and strategic management. Initially, the focus of SHRM was on vertical integration and alignment between HR strategy and business strategy. One researcher defined it as 'An approach to management which encompasses those HR strategies designed to improve organisational performance and measures the impact of these strategies on organisational performance.' (Boxall, 2007: 1).

This 'top-down' perspective, or 'hard' HRM, was modified by consideration of the horizontal integration of HR practices, with an integrated 'bundle' shown in many research studies to have a potentially powerful impact on performance (Husleid, 1995). The resource-based view (RBV) focused more on the talent management aspects of securing competitive advantage through people, so-called 'soft HRM'.

From a more psychological angle, the behavioural perspective has focused on the 'how' of this relationship and suggests that HRM practices affect firm performance by encouraging needed role behaviours that are aligned to the organisation's strategy. The AMO model is a well-known example – this states that performance depends on the individual's ability, motivation and opportunity, influenced by the bundle of HR policies. More recently, human capital thinking and HR analytics have reflected economic ideas and focused more on the measures of successful linkage and how these can be established and monitored in practice.

From the outset there has been a strong focus in the literature on organisation performance and the links between HR strategy and performance outcomes; a huge quantity of research has been carried out in order to demonstrate that effective SHRM may be associated with improved organisational performance. Yet somewhat ironically, this has also been at the centre of the academic and practitioner debate over the use, effectiveness and even existence in practice of the concept. The 'best fit' v 'best practice'

debate has been a key dimension of this in terms of the optimum way to leverage these relationships. The contextual 'best fit' school appears to have more support in the research we have studied, although the emerging contemporary consensus is that both have their uses.

The two other key issues regularly featuring in discussions and research on SHRM over this period have been:

- practitioner questioning of the difficulties of implementing HR strategies and the academic suspicion that they have had more impact on the HR functions' influence in the boardroom than on real people and organisational performance; and
- suspicions from the outset – and particularly since the 2008/9 financial crash – as to the motives and morals of SHRM, with suggestions that it has really been a justification or even a disguise for shareholder-focused and at times employee-exploiting HR management.

For all of the economic evidence as to associations between HR practices and performance, a wealth of studies now also show that achieving vertical and horizontal integration can be difficult and gaps can easily exist between what the strategy says will be achieved and what is actually achieved.

A more recent definition of SHRM indicates how these long-running debates may be coming closer to resolution, now being described as 'The choice, alignment, and integration of an organisation's HRM system so that its human capital resources most effectively contribute to strategic business objectives.' Kaufman (2015: 404). Recent developments have focused more on the arguments and evidence in favour of a multi-stakeholder approach, with particular attention being paid to employee wellbeing as a key linking and integrating mechanism in models of the concept and in practice. In their review of the state of SHRM, Beer et al (2015), state that this was a core component of his ideas from the outset and that 'we need to take a wider, more contextual, more multi-layered approach founded on the long-term needs of all relevant stakeholders'. This indicates the need for researchers to conduct more process-focused, multi-stakeholder and multi-method studies, and for practitioners to adopt a more integrative and open, emergent approach to developing their HR strategies.

Perhaps the most important conclusion reached by this review is the need for a more multi-stakeholder perspective to strategic HRM, which we have seen emerge in research studies and HR function priorities over the past five years, as well as the need to make SHRM research more relevant for practitioners. This is what this CIPD/IES research project, of which this review is an important part, aims to do.

1 Introduction

More than 30 years after the concept was first adopted in the UK, IES and CIPD are undertaking a joint piece of research into the contemporary state of human resource management and people management strategies in the UK.

The main objectives of this research are to:

- assess the reality of strategic human resource management (SHRM) in UK employers and their HR functions today;
- document and assess how the concept has evolved and how it is changing and needs to change for the future;
- bring together recent and contemporary research and practice in this area.

This research aims to address key questions such as:

1. Do employers still have an HR/people management strategy? If so, what is it called and what does it incorporate?
2. How do they ensure strategic HR/people management is well-integrated with the business strategy and across the various workstreams and disciplines?
3. How do they operationalise and practice it, and how well is it implemented?
4. How does an HRM strategy reinforce and deal with the need for change and innovation?
5. How does SHRM create/add value, and how effective is it? Are the outcomes of good SHRM high organisation performance, employee wellbeing and engagement, or both? What is the evidence for positive impact?
6. Is one employer's HR strategy really any different from their competitors?
7. Is SHRM a useful and valid concept today? What further research is needed and what can be done to improve the formulation, implementation and effectiveness of SHRM in organisations today?

This literature review is the first output from the research project that will also include an employer survey and a selection of employer case studies. The review aims to summarise and update research from academic and grey literature sources on the meaning and practice of strategic HRM, highlighting how the concept and its application has evolved since it first crossed the Atlantic and to address the outstanding issues and questions that remain.

The methodology we have employed has been a deliberately 'light touch' and practically-focused rapid evidence review, highlighting the meaning and evolution of the concept of strategic human resource management and evidence as to its use, impact and effectiveness in practice in employers. Our search terms focused on SHRM but we have

also considered related terms including human resource management, strategic management, human capital strategy, HR analytics, talent strategy and human resource strategy.

The academic literature we have considered relates mostly to the definition of the concept and evidence as to its impact. We searched and retrieved relevant academic literature against an agreed search protocol from a range of sources, covering business and management disciplines and applied social sciences. Platforms we accessed included Business Source Premier, Emerald, SAGE, IBSS, Wiley and Taylor & Francis.

To identify practical applications and trends in the practice of SHRM we searched for relevant 'grey' literature, covering government and practitioner sources, including the Office for Manpower Economics, Office for National Statistics, Chartered Institute of Personnel and Development (CIPD), National Audit Office, World at Work, Work Foundation, IES, NIESR, Warwick Institute for Employment Research; HR Trade publications such as People Management, e-reward, Employee Benefits, Personnel Today, XpertHR; management journals (eg Harvard Business Review and Sloan Management Review); and HR consulting material from firms such as Mercer, KPMG, and Hay Group.

2 The concept and definition of strategic human resource management

2.1 Strategic human resource management defined

There are many definitions of SHRM. One of the best known is by Wright and McMahan (1992: 298) who described it as: 'The pattern of planned human resource deployments and activities intended to enable an organisation to achieve its goals.' Others include:

- 'An approach to management which encompasses those HR strategies designed to improve organisational performance and measures the impact of these strategies on organisational performance.' Boxall (2007: 1)
- 'The choice, alignment, and integration of an organisation's HRM system so that its human capital resources most effectively contribute to strategic business objectives.' Kaufman (2015: 404)
- 'All those activities affecting the behaviour of individuals in their efforts to formulate and implement the strategic needs of the business.' Schuler (1992: 30)

The common factor in these definitions is that the purpose of SHRM is to further the objectives of the organisation. As Fombrun et al (1984: 37) stated: 'The critical managerial task is to align the formal structure and human resource systems so that they drive the strategic objectives of the organisation.'

2.2 Characteristics of SHRM

One of the earlier descriptions of SHRM in the UK was made by Hendry and Pettigrew (1986: 4) who suggested that it had four meanings:

1. The use of planning.
2. A coherent approach to the design and management of HR systems based on an employment policy and manpower strategy and often underpinned by a 'philosophy'.
3. Matching HRM activities and policies to some explicit business strategy.
4. Seeing the people of the organisation as a 'strategic resource' for the achievement of 'competitive advantage'.

Dyer and Holder (1988: 13) pointed out that SHRM should provide 'unifying frameworks which are at once broad, contingency-based and integrative.' SHRM has been described by Boxall (1996) as the interface between HRM and strategic management. Becker et al (1997) observed that: 'The strategic HRM literature tends to emphasize the entire HRM *system* as the unit of analysis, in contrast to the traditional focus on individual policies or

practices.’ Schuler and Jackson (2007: 5) stated that it is about ‘systematically linking people with the firm.’

In essence, SHRM is conceptual. It is underpinned by a number of well-established theories. But it also deals with the practice of HRM by emphasizing the importance of achieving integration or ‘fit’ between HR and business strategies and between individual HR policies, and by stressing the benefits of taking a longer-term view of where HR should be going and how it should get there. It provides the framework within which general or specific HR strategies are devised and implemented, and is practiced by members of the HR function in conjunction with line management.

2.3 The foundations of SHRM

As suggested by Allen and Wright (2007: 88), SHRM ‘represents an intersection of the strategic management and human resource management (HRM) literatures’. Strategic management was described by Johnson et al (2005: 6) as ‘understanding the strategic position of an organisation, making strategic choices for the future, and *turning strategy into action*’ (emphasis inserted). The purpose of strategic management was expressed by Kanter (1984: 288) as being to ‘elicit the present actions for the future and become action vehicles – integrating and institutionalizing mechanisms for change.’

Minzberg (1987: 66) made it clear that strategic management is a learning process: ‘Formulation and implementation merge into a fluid process of learning through which creative strategies evolve.’ Truss et al (2012: 49) emphasised the action-orientated nature of strategic management. They defined it as ‘the process that enables organisations to turn strategic intent into action.’

Strategic management deals with both ends and means. As an end, it describes a vision of what something will look like in the future. As a means, it shows how it is expected that the vision will be realised.

Human resource management (HRM) is about how people are employed, managed and developed in organisations. It was defined by Boxall and Purcell (2016: 7) as ‘the process through which management builds the workforce and tries to create the human performances that the organisation needs.’

HRM as originally conceived was a philosophy concerned with how people in organisations should be managed. As defined by Storey (2001: 7), this philosophy consisted of the assumptions ‘that it is the human resource which gives competitive edge, that the aim should be to enhance employee commitment, that HRM decisions are of strategic importance and that therefore HRM policies should be integrated into the business strategy.’ With its emphasis on strategy, commitment, the rights of stakeholders and the need to regard employees as assets rather than costs, it was a ground-breaking departure from traditional personnel management. Lengnick-Hall et al (2009: 69) observed that: ‘This shift signalled a dramatic change in the role and influences of human resource professionals and adjusted the lens used to capture the expectations of human resource activities within organisations. SHRM argues that more than mechanical, administrative contributions are expected from HR professionals.’

On the face of it, the original concept of SHRM as described above had much to offer – at least to management – and the ‘HR’ functional and ‘business partner’ job titles were rapidly adopted by the then personnel departments seeking boardroom influence and a more strategic role. But SHRM has been and continues to be a somewhat controversial topic, especially in academic circles. The main reservations, as in the examples set out below and commented on in more detail later, have been that HRM is imprecise and difficult to research; that it promises more than it delivers; and that its morality is suspect (Dundon et al., 2018).

- Guest (1991: 149) referred to the ‘optimistic but ambiguous label of human resource management.’ The difficulties of researching the concept because of its wide-ranging and somewhat amorphous nature, and the weaknesses of some of the common methodologies employed – such as multiple regression analysis to indicate relationships between HR policies and business performance – are regular themes in the literature (Rodgers and Wright, 1998). The links to the more recent areas of Human Capital Management and HR analytics may have added to this conceptual ambiguity (Boon et al, 2018), and also encouraged some practitioners to argue that it is an overly-complex and ‘dead’ concept in today’s fast-moving world (Rijnen, 2018).
- A key ambiguity concerns the practices which support SHRM and whether there is a common set of ‘best practices’ or whether they need to be heavily tailored to each context. ‘The HRM rhetoric presents it as an all or nothing process which is ideal for any organisation, despite the evidence that different business environments require different approaches’ (Armstrong, 2000: 577).
- HRM has been described as manipulative, even dubbed ‘human resource manipulation’. Wilmott (1993: 534) asserted that with HRM, ‘any (corporate) practice/value is as good as any other, so long as it secures the compliance of employees’. Keenoy (1990) referred to HRM as a ‘wolf in sheep’s clothing.’ HRM is ‘macho-management dressed up as benevolent paternalism’ Legge (1998: 42). Ramsey *et al* (2000: 521) questioned the unitarist assumption which claims that everyone benefits from managerial innovation.

2.4 Strategic HRM and HR strategy: The plan and the process

One of the characteristics of HRM is that it is strategic; so what, if anything, is the difference between an HR strategy and strategic HRM? An answer to this question was provided by Truss and Gratton (1994: 666) who wrote that: ‘We should perhaps regard SHRM as an overarching concept that links the management and development of people within the organisation to the business as a whole and its environment, while HRM could be viewed as an organizing activity that takes place under this umbrella.’ Their long-running research consortia at London Business School helped to highlight the practical characteristics of SHRM as well as to test some of the conceptual elements and claims for its benefits.

SHRM therefore is the overall approach that provides guidance on how key issues of human resource management can be dealt with strategically so as to best support the

achievement of corporate goals. However, SHRM only becomes real when it produces actions and reactions that can be regarded as strategic in this sense, either in the form of overall or specific HR strategies or strategic behaviour on the part of HR professionals working alongside line managers. SHRM provides the conceptual framework within which strategic management can take place and individual HR strategies can be devised and implemented.

HR strategy was defined by Boxall and Purcell (2016: 26) as 'the critical set of economic and socio-political choices that managers make in building and managing a workforce.' Cascio and Boudreau (2012) stated that: 'HR strategy should parallel and facilitate the implementation of an organisation's strategic business plan. HR strategy aligns with that plan by creating the capacity in the workforce and how it is organized that is necessary to achieve the organisation's strategic objectives.' In some cases it could be argued that HR strategy is subsumed within the business strategy, such that there are only HR plans to deliver organisational strategies that contain a workforce element.

HR strategies specify what the organisation is proposing to do about people management generally or in particular areas. They are a manifestation of SHRM in action. Dyer and Reeves (1995: 656) described HR strategies as 'internally consistent bundles of human resource practices,' and in the words of Boxall (1996: 61) they provide 'a framework of critical ends and means.' Purcell (2001: 72) made the point that: 'Strategy in HR, like in other areas, is about continuity and change, about appropriateness in the circumstances, but anticipating when the circumstances change.'

Wright and McMahan (1999: 52) stated that HRM can only be considered to be strategic if it 'enables an organisation to achieve its goals.' An organisation that has developed an HR strategy will not be practicing strategic human resource management unless that HR strategy has relevance to the attainment of the purpose of the organisation. As Boxall (2013: 59) observed: 'HR strategy is part and parcel of a larger business model, and it fails if it does not serve the economic imperatives that are essential to that model.' But it can also be argued that HR strategy, which grew up in an era in which monetarism, market liberalisation and the primacy of shareholder value concepts were becoming dominant, has to meet the needs of all stakeholders, the wellbeing of employees as well as the financial interests of owners (see below).

A review of written, published HRM and people strategies and case studies concerned with them highlights significant differences in form and content. Some strategies are simply very general declarations of intent. Others go into much more detail. HR strategies can be general or specific. More general strategies describe the approach the organisation proposes to adopt to people management and how it intends to improve performance through its HR policies and practices. Some appear to be more focused on the HR function and its activities while others concentrate much more on performance and how people management contributes to high performance, with the use of so-called high performance work practices or system (HPWS). This was described by Becker and Huselid (1998: 55) as: 'An internally consistent and coherent HRM system that is focused on solving operational problems and implementing the firm's competitive strategy.'

Research by Stevens (2005) into the use of high performance work systems in a number of Welsh companies identified approaches such as 'maintain competitiveness by

increasing added value through the efforts and enhanced capability of all staff'; 'organisational changes to streamline processes, raise skill levels and release talents of people'; 'skill enhancement, particularly of management and self-management skills using competence frameworks'; and 'the integration of technical advance with people development.'

How are HRM strategies formulated and how is SHRM applied? Boxall (1993) stressed that the strategy formation process is complex, and excessively rationalistic models that advocate formalistic linkages between strategic planning and HR planning are not particularly helpful to our understanding of it. As Armstrong (2016: 42) observed: 'HRM strategy, like any other aspects of business strategy, can come into existence through an emergent, evolutionary and possibly unarticulated process influenced by the business strategy as it develops and changes in the internal and external environment.'

On the basis of their research in 30 well-known companies, Tyson and Witcher (1994: 22) concluded that: 'The process of formulating HR strategy was often as important as the content of the strategy ultimately agreed. It was argued that by working through strategic issues and highlighting points of tension, new ideas emerged and a consensus over goals was found.' They also commented that: 'The different approaches to strategy formation reflect different ways to manage change and different ways to bring the people part of the business into line with business goals. In developing HR strategies, process may be as important as content' (ibid: 24).

The process of formulating HR strategy involves generating strategic options and then making appropriate strategic choices. It was noted by Cappelli (1999: 8) that: 'The choice of practices that an employer pursues is heavily contingent on a number of factors at the organisational level, including their own business and production strategies, support of HR policies, and cooperative labour relations.' It is necessary to adopt a contingent approach in generating strategic HRM options and then making appropriate strategic choices. There is seldom if ever one right way forward.

Research conducted by Wright et al (2004) identified two approaches that are adopted to HR strategy formulation. The "inside-out" approach begins with the status quo HR function (in terms of skills, processes, technologies etc) and then attempts (with varying degrees of success) to identify linkages to the business (usually through focusing on 'people issues'), making minor adjustments to HR activities along the way.

The 'outside-in' starts with the customer, competitor and other issues the business faces. The HR strategy then derives directly from these challenges to 'create real solutions and add real value' (ibid: 37). Wright et al made the point that 'the most advanced linkage was the "integrative" linkage in which the senior HR executive was part of the top management team, and was able to sit at the table and contribute during development of the business strategy' (ibid: 37).

3 The evolution of SHRM

The evolution of SHRM since the mid-1980s has not been linear. While personnel functions in the UK rapidly adopted and have largely retained the more strategic sounding 'HR' department title, this has marked shifts in its meaning and emphasis; different concepts have emerged concurrently and, as mentioned later, it could in some respects be characterised as somewhat of a circular process.

3.1 Initiation of SHRM – focus on vertical integration or fit

The original suggestion that people resource planning and strategic planning should be linked came from Walker (1978). This was followed by Tichy et al (1982: 47) who, in the first article dealing specifically with SHRM, proposed that: 'The fundamental strategic management problem is to keep the strategy, structure and human resource dimensions of the organisation in direct alignment.' As noted by Wright et al (2001: 701), 'Walker's call signified the conception of the field of SHRM, but its birth came in the early 1980s with Tichy et al's article devoted to extensively exploring the link between business strategy and HR.'

It was during this early period that two seminal books on strategic human resource management were published: Fombrun, Tichy and Devanna's *Strategic Human Resource Management* (1984) and Beer, Spector, Lawrence, Quinn Mills and Walton's *Managing Human Assets* (1984).

Fombrun and his colleagues produced the 'Michigan model' of HRM (sometimes called the 'matching model'), which proposed that HRM systems and the organisation structure should be managed in a way that is congruent with organisational strategy. This point was made in their classic statement that: 'The critical management task is to align the formal structure and human resource systems so that they drive the strategic objectives of the organisation' (ibid: 37). This is essentially the concept of vertical fit. In their 'Harvard model', Beer and his colleagues argued that 'HRM policies need to fit with business strategy' (p178). They also advocated a multi-stakeholder approach which means being concerned about all the organisation's stakeholders – employees as well as shareholders etc.

Lengnick-Hall et al (2009) pointed out that early strategic HRM literature (Baird and Meshoulam, 1988; Wright and McMahan, 1992) emphasised a contingency perspective in which the focal point was fit between HR policies and practices and various strategy elements (vertical integration).

This view was expressed clearly by Dyer and Holder (1988) who wrote that in strategic HRM:

Strategies are business-driven and focus on organisational effectiveness; thus, in this perspective, people are viewed primarily as resources to be managed toward the achievement of strategic business goals. (p 3)

3.2 Horizontal fit and ‘bundles’

Baird and Meshoulam (1988) expanded the notion of fit to incorporate both external and internal components. External fit is aligning a firm's HR practices with its strategy, whereas internal fit is aligning a firm's HR practices with one another (ie, providing mutual reinforcement). The significance of ‘horizontal fit’ as a means of achieving high employee performance also emerged in the writings of (Wright and McMahan, 1992; and MacDuffie, 1995). Delery and Doty (1996: 804) described their ‘configurational perspective’ as follows:

In order to be effective, an organisation must develop an HR system that achieves both horizontal and vertical fit. Horizontal fit refers to the internal consistency of the organisation's HR policies or practices, and vertical fit refers to the congruence of the HR system with other organisational characteristics such as firm strategy. An ideal configuration would be one with the highest degree of horizontal fit.

Research in American automotive assembly plants by MacDuffie (1995) established that: ‘Innovative HR practices affect performance not individually but as interrelated elements in an internally consistent HR bundle’. He explained the concept of bundling as follows:

Implicit in the notion of a “bundle” is the idea that practices within bundles are interrelated and internally consistent, and that ‘more is better’ with respect to the impact on performance, because of the overlapping and mutually reinforcing effect of multiple practices. (ibid: 197)

Dyer and Reeves (1995: 656–57) pointed out that: ‘The logic in favour of bundling is straightforward... Since employee performance is a function of both ability and motivation, it makes sense to have practices aimed at enhancing both.’

Research in a successful international furniture firm in Holland by Paauwe et al (2013) established that an important contributory factor to the company's success was its pursuit of fit in strategic HR planning, which included involving employees in the planning process.

Various studies have shown that the adoption of single practices do not deliver the same improvement of results (Huselid, 1995). Katz, Kochan and Keefe (1987) found that plants adopting team-based working without implementing other changes performed worse than those which had not. Ichniowski and Shaw (1995) also found that the adoption of single practices did not improve productivity.

3.3 ‘Best fit’ v ‘best practice’

The emergence of the notions of vertical and horizontal fit sparked a debate at about this time on the relative merits of what became known as ‘best fit’ (the belief based on contingency theory that HR strategies should be related to the context and circumstances

of the organisation) and 'best practice' (the view that there is a set of HRM practices that are universal in the sense that they are best in any situation and that adopting them will lead to superior organisational performance).

A number of attempts have been made to list best practices but the following one by Pfeffer (1994) became one of the best known:

1. Employment security
2. Selective hiring
3. Self-managed teams
4. High compensation contingent on performance
5. Training to provide a skilled and motivated workforce
6. Reduction of status differentials
7. Sharing information

Guest in work for the CIPD (2003) identified 18 key practices associated with high performance or high commitment HRM including regular appraisals, multi-skilling, profit-related bonuses, internal communications and single status. The research demonstrated some association between the number of these practices adopted and the profitability of the firm. Ahmad and Schroeder (2003) examined the relationship between HRM practices and operations management across a number of countries and industries. They found a relationship between Pfeffer's seven best HRM practices and organisational performance across three industries and four countries. This study provided an empirical validation of an ideal HRM system for manufacturing plants and provided overall support for Pfeffer's list.

However, it seems difficult to accept that there is any such thing as universal best practice. What works well in one organisation will not necessarily work well in another. Cappelli and Crocker-Hefter (1996: 7) complained that the notion of a single set of best practices had been over-stated and pointed out that: 'There are examples in virtually every industry of highly successful firms that have very distinctive management practices.' Lawler (1995) complains at ineffective 'plain vanilla' reward systems

The best fit model seems to be more realistic than the best practice model and it is often said that 'best fit is better than best practice'. But as Stavrou et al (2010: 952-73) argued:

There may be merit in both approaches where the debate is between general principles/bundles (training and development, staffing, compensation and benefits, communication and participation, and planning) and the manner in which they are carried out... It seems that the 'best fit' and 'best practice' approaches of the HR-performance relationship are not necessarily mutually exclusive. On the contrary, they may be combined to provide a more holistic picture.

Youndt et al (1996) compared the universalistic (best practice) with contingency (best fit) perspectives of SHRM in a study conducted using a sample of 97 plants in a manufacturing setting. Results generally supported the contingency approach. It was found that an HR system focused on human capital enhancement improved operational performance. However, the researchers argued that the universalistic and contingency perspectives are not necessarily mutually exclusive, an assertion that others (eg Boxall

and Purcell, 2008) have also made. 'Best practices' can provide a solid foundation of SHRM activities, but contingent factors must also be considered.

Michie and Sheehan (2005) tested the universalistic (best practice) contingency (best fit), and configurational (integrated HR practices) perspectives on a sample of UK manufacturing and service-sector firms. They found that the relationship between HR policies and practices and performance is dependent upon business strategy (the contingency perspective) and that companies pursuing an integrated approach to HR perform best.

Purcell (1999: 35) referred to the concept of 'idiosyncratic contingency' which 'shows that each firm has to make choices not just on business and operational strategies but on what type of HR system is best for its purposes.' He commented that: 'The search for a contingency or matching model of HRM is also limited by the impossibility of modelling all the contingent variables, the difficulty of showing their interconnection, and the way in which changes in one variable have an impact on others, let alone the need to model idiosyncratic and path dependent contingencies' (ibid: 37). We comment more on the links between SHRM practices and performance below

Research theories and studies have also contributed to our understanding of how HR practices impact on the strategic performance of employers and we would highlight five concepts in this regard that have been highly influential and are closely associated with the concept of SHRM.

3.4 The resource-based view

According to Delery and Roumpi (2017) the resource-based view (RBV) arguably constitutes one of the most popular theoretical frameworks in the management literature. The view indicates that it is the range of resources in an organisation, including its human resources, that produces its unique character and creates competitive advantage. It is founded on the ideas of Penrose (1959: 24–25), who wrote that the firm is 'an administrative organisation and a collection of productive resources' and saw resources as 'a bundle of potential services.' It was expanded by Wernerfelt (1984: 172), who explained that strategy 'is a balance between the exploitation of existing resources and the development of new ones.' Resources were defined by Hunt (1991: 322) as 'anything that has an enabling capacity.'

The concept was developed by Barney (1991: 102), who stated that 'a firm is said to have a competitive advantage when it is implementing a value-creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy. This will happen if their resources are valuable, rare, inimitable and non-substitutable.' He noted later (Barney 1995: 49) that an environmental analysis of strengths, weaknesses, opportunities and threats (SWOT analysis) was only half the story: 'A complete understanding of sources of a firm's competitive advantage requires the analysis of a firm's internal strengths and weaknesses as well.' He wrote:

Creating sustained competitive advantage depends on the unique resources and capabilities that a firm brings to competition in its environment. To discover these resources and capabilities, managers must look inside their firm for valuable, rare and costly-to-imitate resources, and then exploit these resources through their organisation. (ibid 60)

Resource-based SHRM can produce what Boxall and Purcell (2016) refer to as 'human resource advantage.' The aim is to develop strategic capability. This means strategic fit between resources and opportunities, obtaining added value from the effective deployment of resources, and developing managers who can think and plan strategically in the sense that they understand the key strategic issues and ensure that what they do enables the strategic goals of the business to be achieved.

In line with human capital theory, the resource-based view emphasizes that investment in people increases their value to the firm. It proposes that sustainable competitive advantage is attained when the firm has a human resource pool that cannot be imitated or substituted by its rivals.

Boxall (1996: 66) observed that the strategic goal emerging from the resource-based view was to 'create firms which are more intelligent and flexible than their competitors by hiring and developing more talented staff and by extending their skills base.' Resource-based strategy is therefore concerned with the enhancement of the human or intellectual capital of the firm.

3.5 The human capital perspective

Human capital theory is related to the resource-based view. It states that the unique nature of human capital resources within the firm have the potential to generate sustainable competitive advantage (Nyberg et al, 2014, Ployhart et al, 2014). However, as pointed out by Delery and Roumpi (2017: 9), human capital is different from other types of resources in that it is owned by employees and can be transferred to other firms if they leave. Therefore it is critical for firms to use HRM systems to enhance existing levels of human capital, initially by attracting high quality people and providing them with development opportunities, and then preventing the loss of their human capital investments to other firms by enhancing the commitment of employees to the firm and applying retention policies. As Wright et al (1994: 320) noted: 'Sustained competitive advantage is achieved only by the interaction between the human capital pool and the HR practices.'

Skaggs and Youndt (2004) used a sample of 234 service organisations and found strong empirical support to indicate that if fit is achieved between human capital and the organisation's strategic positioning, the result is positive organisational performance.

3.6 The behavioural perspective

The behavioural perspective emerged in the late 1980s. As described by Lepak and Shaw (2008) it suggests that HRM practices affect firm performance by encouraging needed behaviours that are aligned to the organisation's strategy. It offered a new dimension to

the practice of SHRM, one concerned about people as well as profit. Paauwe et al (2013) referred to research that suggests that a coherent and consistent HR system is used in order to send messages to employees regarding desired behaviours (Bowen and Ostroff, 2004).

Schuler and Jackson (1987) asserted that different strategy types (cost reduction, quality improvement, and innovation) require different types of employee role behaviours. Further, they argued that once the desired employee behaviours have been identified to fit the strategy, HR practices should be used to ensure those behaviours take place. In this perspective, as emphasized by Jackson et al (1989) and Jackson and Schuler (1995), HRM practices are viewed as an organisation's best means of eliciting and sustaining desired employee behaviours. The focus is shifted from individuals to social systems characterized by multiple roles.

Cabrera and Bonache (1999) conducted research that highlighted the need to align an organisation's culture with its strategy. As they noted, a culture will be an asset for an organisation if it encourages behaviours that support its intended strategy. They argued that a strong strategic culture can be created through two processes: planning HR practices that are aligned with the organisation's strategy to promote the desired behavioural norms, and deliberately selecting candidates who share the desired values.

Dyer and Ericksen (2005) extended the behavioural perspective to argue that the future of HRM in terms of creating value lies in the ability of the HRM system to develop an agile and flexible workforce. Technological changes often force organisations to be fluid and the structures and processes emanating from the HRM system must follow suit. They stated that 'Agile enterprises require guiding principles that encourage the inflow and outflow of talent in ways that facilitate and only minimally disrupt internal fluidity (ibid 187). Thus, the behavioural perspective enhanced the resource-based view and the human capital movement to provide a conceptual framework for talent management and also subsequently with the concept of employee engagement.

3.7 The AMO model

The AMO model as originally formulated by Boxall and Purcell (2003) is one of a number associated with the behavioural perspective; but is also linked to the preoccupation with the link between HRM and performance that started in the later 1990s. It states that performance depends on the individual's ability, motivation and opportunity.

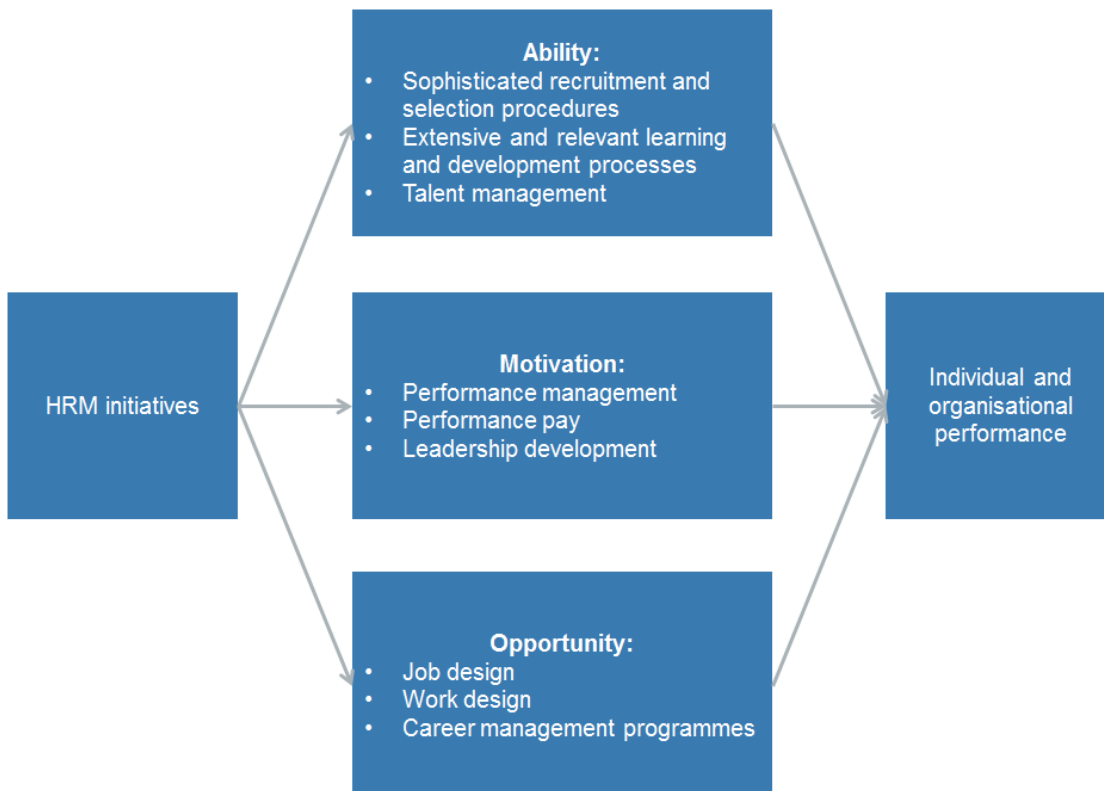
Boxall and Purcell (2016: 155) formulated it as $P = f(A,M,O)$ and explained that individuals perform when they have:

- the ability (A) to perform (they *can do* the job because they have the necessary knowledge, skills and aptitudes);
- the motivation (M) to perform (they *will do* the job because they want to do it or feel they must do it); and
- the opportunity (O) to perform (their work structure and environment provide the necessary support and avenues for expression).

They also noted that someone’s ability, motivation and opportunity to perform would depend on two groups of factors (1) the individual’s experience, intelligence, health, personality, etc. and (2) the situational factors of HR policies and practices orientated to creating ‘AMO’ and related variables in the production system and the organisational context. The so-called Four A’s model (Tamkin, 2005) separates out opportunity into two elements. Besides ability and attitudes as necessary components, her approach distinguishes between the developmental and deployment parts of opportunity. In the former, the employer gives employees access to work through recruitment and then by way of job structure and design ensures the application of this capability.

The AMO model provides guidance on the HRM practices that should be included in a high-performance work system (HPWS). As emphasized by Delery and Roumpi (2017): ‘The systems approach that emerged suggests that it is the appropriate combination of different HRM practices rather than individual practices that can ensure the enhancement of all three components of the AMO model and ultimately lead to high employee or workforce performance.’ They also commented that: ‘Despite the lack of consensus regarding the HRM practices that are or should be included under the umbrella term HPWPs, there is a common thread across the different proposed sets of practices: they address the aspects of the AMO model. In other words, HRM practices that combine as HPWPs can be viewed as ability-enhancing or skill-enhancing, motivation-enhancing and opportunity-enhancing or empowerment-enhancing’ (ibid: 6) . As illustrated in Figure 3.1, the AMO model can provide a framework for performance enhancing practices.

Figure 3.1: The AMO model as a framework for performance enhancing HRM practices



But high performance is not just about HR practices. The research by Purcell et al (2003) showed that the key to activating what they called the 'people-performance' link lies not only in well-crafted 'bundles' of HR practices, but in their conjunction with a powerful and cohering organisational vision (or 'big idea') and corporate leadership, together with front-line leadership's action and use of its discretionary power.

3.8 The analytical approach to SHRM

The concept of strategic HRM is grounded in the belief that strategic fit is crucial. To achieve this, it is necessary to base decisions on an understanding of the circumstances in which they have to be made and an appreciation of the factors affecting the future direction to be taken and how strategy will be implemented. Perkins and Shortland (2006) have highlighted the merits of what they call 'informed premeditation'. Strategic HRM is essentially an analytical process and this means the use of evidence-based management, supported by e-HRM, but above all, the application of HR analytics. This has become a key area in recent work in this field.

Evidence-based HRM

Pfeffer and Sutton (2006: 70) declared that evidence-based management 'features a willingness to put aside belief and conventional wisdom – the dangerous half-truths that many embrace – and replace these with an unrelenting commitment to gather the necessary facts to make more intelligent and informed decisions.' It has also been said (Rousseau and Barends 2011: 221) that: 'Blind faith has no place in professional practice. Human resource management needs to be evidence-based.'

Evidence-based HRM uses the information obtained from the analysis and evaluation of data about people and HR practices in the organisation and the analysis of the messages delivered by benchmarking and research. The purpose is to inform decisions on HR innovations and improvements to HR policy and practice and to ensure that such decisions are made by reference to the best available evidence. As Reay et al (2009: 13) remarked, the watchwords are 'evidence before action.'

Rousseau and Barends (2011: 223) stated that at its core, evidence-based HRM combines four fundamental features into everyday management practice and decision making:

1. Use of the best available scientific evidence from peer-reviewed sources.
2. Systematic gathering of organisational facts, indicators and metrics to better act on the evidence.
3. Practitioner judgement assisted by procedures, practices and frameworks that reduce bias, improve decision quality and create more valid learning over time.
4. Ethical considerations weighing the short- and long-term impacts of decisions on stakeholders and society.

e-HRM

As defined by Marler and Fisher (2013: 22), 'e-HRM consists of configurations of computer hardware, software, and electronic networking resources that enable intended or actual HRM activities (eg policies, practices, and services) through individual and group-level interactions within and across organisational boundaries.' e-HRM is used to analyse HR data as the basis for making strategic decisions.

Parry and Tyson (2011: 336) conducted case study research on the use of e-HRM in ten large British organisations. Their conclusion was that it makes comprehensive data about employees available that could be valuable in strategic work-force planning and decision-making. But they reported that only four of the organisations had the declared aim to use e-HRM to increase the strategic orientation of the HR function.

HR analytics

HR analytics is described in much of the contemporary literature as an essential requirement for effective strategic HRM. It uses data analysis to provide the basis for assessing the impact of HRM practices and the contribution made by people to organisational performance, in order to provide guidance on policy and practice. The definitions of HR analytics provided in the literature focus on two main things: providing predictive analyses, and drawing connections between HR activities and/or workforce data and business outcomes. For example, KPMG (2013, p.4) defined it as: 'the synthesis of qualitative and quantitative data and information to bring predictive insight and decision-making support to the management of people in organisations.' Similarly, Hesketh (2013, p.8), writing for the CIPD, describes HR analytics as "the extensive use of data, statistical and quantitative analysis, explanatory and predictive models and fact-based management to drive decisions and actions'.

It is also therefore about 'data mining' – getting as much out of HR data as possible and then going on to find links, correlations and, ideally, causation between different sets of the data. As Angrave et al (2016) put it: 'Much of the value of HR data is realised by using it to answer strategic questions about how people create value for the organisation, so that value can be captured and leveraged.' A world-wide survey by the CIPD published in 2018 established that a strong people analytics culture leads to good business outcomes and that people analytics continues to be an evolving practice for the HR profession and its partners across the business.

Marler and Boudreau (2017:15) stated that HR analytics consists of a number of processes, enabled by technology, that use descriptive, visual and statistical methods to interpret people data and HR practice. These analytical processes are related to key ideas such as human capital, HR systems and organisational performance. McAfee and Brynjolfsson (2012: 63) claimed that: 'Data-driven decisions are better decisions—it's as simple as that. Using big data enables managers to decide on the basis of evidence rather than intuition. For that reason it has the potential to revolutionise management.'

HR analytics enables HR to demonstrate the impact that HR policies and processes have on workforce and organisational performance. As noted by the CIPD (2013), it provides a pathway to broadening the strategic influence of the HR function.

The process of identifying metrics or measures and collecting and analysing information relating to them focuses the attention of the organisation on what needs to be done to find, keep, develop and make the best use of its human capital. Measurements can be used to monitor progress in achieving strategic HR goals and generally to evaluate the effectiveness of HR practices. This in accordance with the principle that 'you cannot manage what you cannot measure'. As stressed by Angrave et al (2016: 2): 'HR professionals need to develop a strategic understanding of how people (human capital) contribute to the success of their organisation.' But they came to the disappointing conclusion that: 'we can see little evidence that HR analytics is developing into a "must have capability", which will ensure HR's future as a strategic management function' (ibid: 8).

4 SHRM and performance: Impact and Issues

Performance has been a key feature of SHRM since its outset, with Guest (1987), for example, emphasising the logical sequence of six components: HR strategy; HR practices; HR outcomes; behavioural outcomes; performance results; and financial consequences. A notable characteristic of the development of SHRM from the 1990s onwards is the quantity of research that has been carried out in order to discover and demonstrate that effective SHRM generates improved organisational performance. In the UK, studies such as those conducted by Birdi et al (2008), Carlson et al (2006), Guest et al (2000), Purcell et al (2003) and West et al (2002) have shown that good HRM practice and organisational performance are correlated to some extent, although the nature and direction of causation in the relationship have been heavily debated. In the US, extensive research on the impact of HRM on performance was conducted by Arthur (1994), Combs et al (2006), Huselid (1995), Ichniowski et al (1997) and many others. As Lengnick-Hall et al (2009: 79) noted:

The most recent period of SHRM research is characterized by a number of established ideas and issues either further examined or tweaked, and a few new ideas or avenues that offer promise for enhancing our knowledge of this field. First, evidence continues to accumulate that there is a relationship between HR systems and organisational performance, although the causal sequence may be more reciprocal than direct.

However, research on SHRM since the 1980s, as well as developing the concept, have also highlighted issues with its application, notably issues around implementation and the top-down, single stakeholder perspective and vertical 'fit' ideas that initially predominated.

'The way in which human resource management (HRM) contributes to business performance is at the heart of the field of strategic HRM' (Boxall, 2013: 47). Lengnick-Hall et al (2009) stated that strategic HRM covers the overall HR strategies adopted by business units and companies and tries to measure their impacts on performance. As Guest (1997: 269) explained: 'The distinctive feature of HRM is its assumption that improved performance is achieved through the people in the organisation.' Research by Appelbaum et al (2000) found that HPWSs facilitate employee involvement, skill enhancement and motivation. Research by Khilji and Wang, (2006: 1174) established that: 'It is the ability of HRM to motivate employees that proves to be a necessary condition for improved organisational performance.'

This part of the review refers to the extensive research on the impact of HRM on performance, examines how HRM makes an impact and considers the issues found in applying and implementing the concept.

4.1 The impact of SHRM on performance

Storey et al (2009: 4) observed that: 'The premise is that, in some shape or form, HR policies have an effect on HR practices and these in turn influence staff attitudes and behaviours which will, in turn again, impact on service offerings and customer perceptions of value.' Much research has been carried out showing that good HRM practice and firm performance are correlated; for example Birdi et al (2008), Combs et al (2006), Patterson et al (1997), Purcell et al (2003) and West et al (2002).

Huselid (1995) examined the relationship between high performance work systems (HPWSs) and firm performance in a sample of 1000 firms. He found that HPWSs reduce turnover and increase productivity, thus having a positive effect on corporate financial performance.

Using a sample of 200 of the largest companies representing all major industries in Singapore, Khatri (2000) examined the links between strategy and HR practices, and HR practices and firm performance. Results showed that overall strategy affects HR practices, HR practices have a direct effect on organisational performance, and business strategy moderates the relationship between HR practices and organisational performance.

However, there are problems about the link between HRM and performance. Ulrich (1997: 304) pointed out that: 'HR practices seem to matter; logic says it is so; survey findings confirm it. Direct relationships between performance and attention to HR practices are often fuzzy, however, and vary according to the population sampled and the measures used.' Guest et al (2000) commented that the research still left uncertainties about cause and effect.

Paauwe (2009) remarked that although progress has been made on the link between HRM and performance, significant methodological issues exist regarding the understanding of this relationship. While it may be possible to observe HRM inputs in the form of HR practices and to measure firm performance outputs, it may be difficult to ascertain, through research, what happened in between – that is to say what the HRM outcomes were that converted the input of HR practices into firm performance outputs. This is the so-called 'black box'. Alvesson (2009: 56) suggested that: 'Research does not proceed beyond attempts to find an empirical association between HR practices and organisational performance. The phenomena are in a black box, only input and output are registered and what is happening remains clouded in the dark.'

Guest (2011: 11) later concluded that: 'After hundreds of research studies we are still in no position to assert with any confidence that good HRM has an impact on organisation performance.' He also asserted that some of the research is riddled with error, both with respect to data on HRM and on outcomes.

4.2 How SHRM makes an impact

One of the first convincing explanations of what happens in the 'black box' between SHRM and organisation performance was provided by the extensive longitudinal research conducted by Professor John Purcell and his colleagues at Bath University for the CIPD (Purcell et al, 2003). The conclusion reached by the researchers was that HR practice feeds in as an 'ingredient' in the workplace and, through various mechanisms, feeds out through the other side as improved performance. They noted that: 'There is clear evidence of a link between positive attitudes to HR policies and practices, levels of satisfaction, motivation and commitment and operational performance' (Ibid: 72). Other studies have come to similar conclusions (Gerhart, 2007; Lepak et al, 2006; Nishii and Wright, 2008; Paauwe, 2009; van de Voorde, 2010; Wall and Wood, 2005; and Wright et al, 2005).

As explained by Guzzo and Noonan (1994) and Rousseau (1995), HR practices communicate important goals and desired employee behaviours from the organisation to the employee. They can be seen as 'signals' and are interpreted as such by individual employees (Den Hartog et al (2004). However, the signals of the HR system are often interpreted or reacted to in a different way by each individual due to variations in experience, values or preferences.

Wright and Nishii (2007) also suggested that it is not the HR practices as intended by policy makers, but rather how employees experience the implemented HR practices that will affect employee outcomes. This belief is reinforced by the AMO model, which attributes a critical role to line managers in 'landing' the concept, in contrast to a stream of the research which focuses on (and sometimes confuses SHRM with) the impact of the HR function.

4.3 Implementing Strategic HRM

The problem of the gap between rhetoric (the intention) and reality (the result) of SHRM was first highlighted by Gratton (1999). Other SHRM commentators then turned their attention to this issue: (Barney, 2001; Guest and Bos-Nehles, 2013; Nehles et al, 2006). As Lengnick-Hall et al (2009: 79) observed:

There is a growing recognition that intended SHRM practices may be different from realized SHRM practices and to simply rely upon what is stated rather than what is actually in place may lead to ineffective implementation as well as ambiguous results in studies of the relationship between HR practices and organisational performance. The construct of employee line-of-sight to strategic objectives provides more insight into the implementation process. If employees don't understand or know how to contribute to strategic objectives, they are unlikely to be effective in doing so.

In their study of HR implementation in Pakistani banks, Khilji and Wang (2006) noted a gap between intended and implemented HR practices, with some line managers choosing not to implement the practices.

Fombrun et al (1984: 26) commented that new SHRM initiatives often yield only modest results and lack staying power. Their reason for this is that in many companies 'much time and thought had gone into analysing and planning strategy yet very little time into its implementation.' Wright and Nishii (2007) commented that HR strategies are not always implemented and, if they are, may be implemented in ways that differ from the original intention. As pointed out by Khilji and Wang (2006) it is necessary to distinguish between 'intended HRM' which refers to HR practices formulated by policy makers, and 'implemented HRM', which refers to HR practices as operationalised in organisations.

In 1999, the journal Human Resource Management published a series of SHRM case studies of leading companies – Lucent technologies (Artis et al, 1999), Quantum (Barber et al, 1999), Praxair (Harris, 1999), and Sears (Kirm et al, 1999) – which dealt directly with concerns over realized HR practices and actual results. An extensive research project conducted by Guest and Conway (2011: 1700) led to the conclusion that: 'There are three elements in a logical model of HR effectiveness. HR practices must be present, they must be effective and they must be effectively implemented.'

Lengnick-Hall et al (2009: 79) observed that:

There is a growing recognition that intended SHRM practices may be different from realized SHRM practices and to simply rely upon what is stated rather than what is actually in place may lead to ineffective implementation as well as ambiguous results in studies of the relationship between HR practices and organisational performance. The construct of employee line-of-sight to strategic objectives provides more insight into the implementation process. If employees don't understand or know how to contribute to strategic objectives, they are unlikely to be effective in doing so.

A good strategy is one that works. Grattan (2000: 30) wrote that 'there is no great strategy, only great execution.' HR strategy can too easily become no more than an optimistic aspiration. In the words of Rosabeth Moss Kanter (1984: 301), it needs to be an 'action vehicle.' Getting strategy to work is hard. Intent does not always lead to action. Too often, strategists act like Mr Pecksmith who was compared by Dickens to 'a direction-post which is always telling the way to a place and never goes there.'

Gratton (1999: 202) noted '...the disjunction between rhetoric and reality in the area of human resource management, between HRM theory and HRM practice, between what the HR function says it is doing and how that practice is perceived by employees, and between what senior management believes to be the role of the HR function, and the role it actually plays'. The factors identified by Gratton which contribute to creating this gap are:

- the tendency of employees in diverse organisations to accept only those initiatives that they perceive to be relevant to their own areas;
- the tendency of long-serving employees to cling to the status quo;
- complex or ambiguous initiatives may not be understood by employees or will be perceived differently by them, especially in large, diverse organisations;
- it is more difficult to gain acceptance of non-routine initiatives;

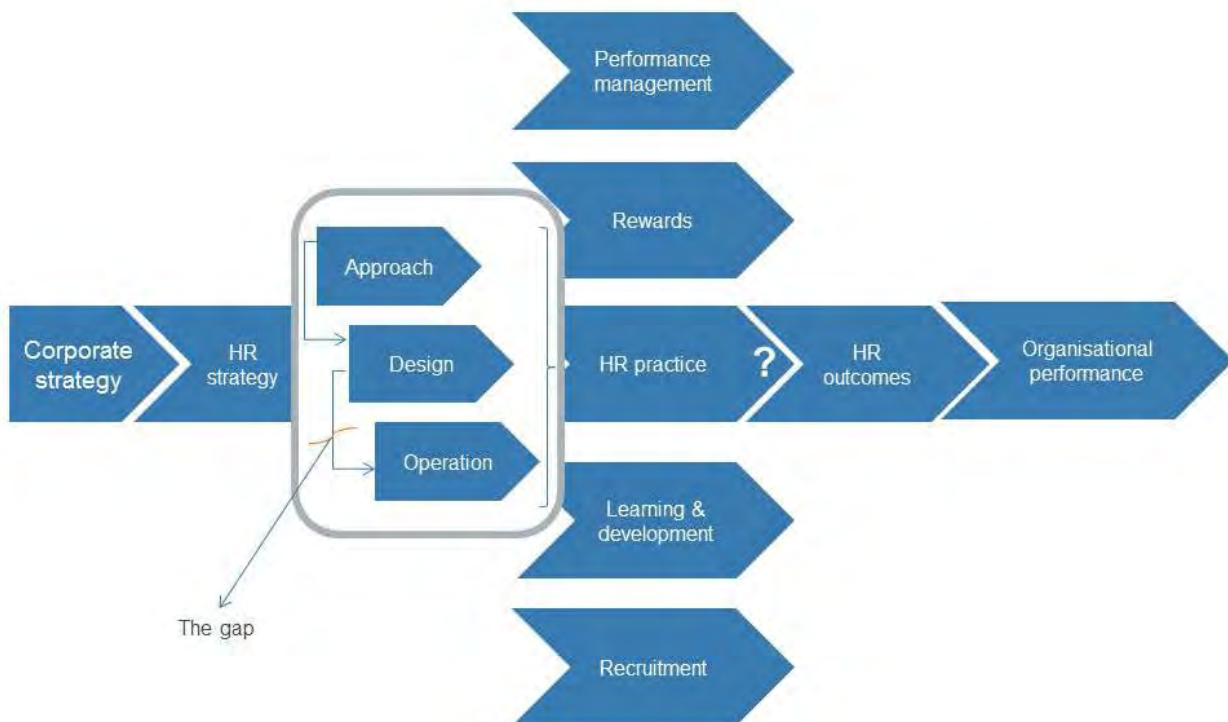
- employees will be hostile to initiatives if they are believed to be in conflict with the organisation's identity, eg downsizing in a culture of 'job-for-life';
- the initiative is seen as a threat;
- inconsistencies between corporate strategies and values;
- the extent to which senior management is trusted;
- the perceived fairness of the initiative;
- the extent to which existing processes could help to embed the initiative;
- a bureaucratic culture, which leads to inertia.

To which could be added: failure to take account of the strategic needs of the business (which may be difficult because they are changing too rapidly or no one really understands them); inadequate assessment of the environmental and cultural factors, including internal politics, that affect the content of the strategies; the development of ill-conceived, unmanageable and irrelevant initiatives (possibly because they are current fads or because there has been a poorly digested analysis of 'best practice' which does not fit the organisation's requirements); and, importantly, failure to involve stakeholders in the shape of managers and employees in the formulation of strategy. These problems are compounded when insufficient attention is paid to practical implementation problems, particularly where line managers are concerned and there is a need for supporting systems. The role of line managers is vital.

Research by Trevor (2011) into the implementation of pay strategy in seven large consumer goods British companies led to the following conclusions:

All firms encounter significant difficulties when attempting to implement strategic pay systems with the result that in the majority of cases, what is realized operationally as pay practice is neither what was desired nor intended strategically. As a result of the gap between intended policy and achieved practice, between the espoused and the realized, pay within a number of the case companies does not fulfil the strategic objectives of motivating managerial, professional and technical employees to work harder. It does not engender commitment or loyalty as outcomes, nor does it equip management with the behavioural 'lever' promised by standard theory. Despite the best efforts of leading companies, and the rhetoric of their espoused pay practice, pay practice is operationally non-strategic (ibid: 201).

A model by Trevor of the gap between strategy and execution is shown in Figure 4.1.

Figure 4.1: The gap between strategy and execution

Source: Adapted from Jonathan Trevor ((2011) *Can Pay be Strategic?* Basingstoke, Palgrave Macmillan

Bowen and Ostroff (2004) emphasised that top management can help to improve the implementation of HR policy and practice if the message about HR practices is distinctive and communicated clearly, consistently and unambiguously throughout the organisation. They labeled this the 'strength' of the HR system which is associated with a strong climate.

Guest and Bos-Nehles (2013: 80-81) produced a model for successful implementation. They identified four stages, each one being a necessary requirement for those that follow:

1. Decision to introduce HR practices (HR managers and senior executives)
2. Quality of HR practices (HR managers)
3. Implementation of HR practices (line managers)
4. Quality of implementation (line managers)

Implementation is likely to be more effective if practical strategies are formulated that can be put into effect without too much difficulty and if line managers and other employees are involved in the formulation of the strategy. The aims should be to (1) keep it simple; (2) spell out *how* the strategy is to be implemented as well as *what* is to be implemented; and (3) ensure that support is given to line managers in the shape of advice, guidance and training.

Ultimately, effective implementation is mainly dependant on the commitment and skill of line managers. The longitudinal study involving a number of large British organisations by Purcell et al (2003) established clearly that it is 'line managers who bring HR policies to

life.’ The quality of implementation also depends on the perception of employees about the HR development. Guest (1999) suggested that the impact of HR practices on attitudes and behaviour depends more on employee perception and evaluation of those practices than on the intended HR practices or policies themselves.

Research in Europe by Brewster and Larsen (2000) came to the same conclusion. Vermeeren (2010) conducted research in a Dutch municipality and found that the HRM activities perceived or experienced by employees will be those enacted by their supervisors. She concluded that: ‘There is no significant influence of actual HRM on perceived HRM. This means that employees within a division do not perceive the same HRM activities as managers pretend to implement’ (ibid: 14).

López-Cotarelo (2018) conducted a case study in a large UK-based fashion retailer and found that line managers make an important contribution to the effective implementation of HR systems through exerting their cognitive and political abilities to bring about decisions that are well suited to their local situations.

Guest (1999) suggested that the impact of HR practices on attitudes and behaviour likely depends more on employee perception and evaluation of these practices than on the intended HR practices or policies themselves. But employers can influence these perceptions through their line management and communications processes. Nishii et al (2005) carried out research in a US supermarket chain to investigate how employees reacted to HR innovations. They established that to achieve a satisfactory reaction, organisations should ‘communicate the intentions of HR practices in an unambiguous and salient manner, both through formal organisational communications and also more indirectly through line managers’ (ibid: 41). Just as business strategy has evolved to be seen as a more interactive and continuous process between planning and applications, so SHRM thinking has moved to give greater consideration to implementation and how HR strategic intentions can be put into practice so as to realise the potential performance gains.

4.4 The evolution to a multi-stakeholder, employee-wellbeing-oriented approach to SHRM

Early SHRM researchers such as Schuler and Jackson (1987) and Becker et al (1997) concentrated largely on the ‘top down’ business perspective, implying that the only stakeholders who matter are the shareholders. Delery (1998) was one of the first commentators to refer to the failure in many SHRM studies to consider more than bottom line performance. Kauffman (2015: 1487) noted that ‘most strategic HRM studies place primary emphasis on organisational performance outcomes, including corporate financial performance.’ Marchington (2015) similarly expressed concerns that HRM has tended primarily to look up the hierarchy and focus on narrow performance goals, so neglecting the interests and needs of employees and long-standing values. The focus he argues should be on what should be done to promote employee wellbeing, to manage diversity and inclusion, to provide equal opportunities, to deal with a gender pay gap and to eliminate threatening behaviour to employees in the form of bullying and sexual harassment. This helps to explain the continuing suspicions that the concept is used, in reality, for the exploitation of employees so as to maximise shareholder returns.

Recent developments have, however, reacted to this and focused more on the arguments for and evidence of a multi-stakeholder approach to SHRM. Paauwe et al (2013: 75) observed that 'little attention has been paid to the meaning of performance from the perspective of other stakeholders', and they proposed 'a multi-dimensional concept of performance taking different types of stakeholder into account.' Particular attention has also been paid to employee wellbeing (Peccie et al, 2013, Guest, 2017) in the aftermath of the 2008/9 financial crash and recession and some would argue more cost-focused and employee-exploitative HRM strategies that became more common in its wake. Legge concluded that 'Sadly, in a world of intensified competition and scarce resources, it seems inevitable that, as employees are used as means to an end, there will be some who will lose out. They may even be in the majority. For these people, the soft version of HRM may be an irrelevancy, while the hard version is likely to be an uncomfortable experience' (Legge, 1998).

More recently, Sparrow (2017) argues HR abandoned its broad social and political contribution in the 1980s by focusing on business strategy and needs to re-establish this horizontal perspective and contribution. Some commentators saw the concept as a 'glossy front' for subsequent exploitation and employee cost-cutting (Brown, 2013).

Beer (2015) has also revived attention in the multi-stakeholder approach and it is often forgotten that he and his colleagues advocated this back in 1984. He emphasised that strategic HRM, while it must be concerned with the vertical integration of HR strategies with business strategies, should also take account of the needs of employees. Other writers, such as the following, have come to a similar conclusion.

'HRM has always been located at the interface of potentially conflicting forces within organisations. However, in its quest for legitimacy, HRM has tended primarily to look up the hierarchy and focus on narrow performance goals, so neglecting other long-standing values and stakeholders. Unless HRM reasserts its independence, it is likely to wither both in academic and practitioner circles.' Marchington (2015: 176)

'The dominant models within HRM theory and research continue to focus largely on ways to improve performance, with employee concerns very much a secondary consideration.' Guest (2017: 22)

'People in organisations should be linked horizontally by shared identities and values.' Sparrow (2017: 12)

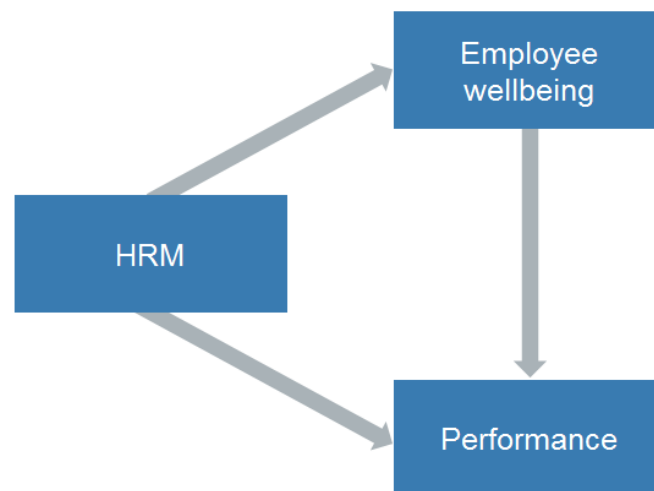
Beer et al (2015: 428) argued that the added value focus that existed in SHRM and performance research 'defined outcomes mainly in terms of economic value (productivity and efficiency), and neglected employee wellbeing and societal wellbeing.' Jiang (2018: 20) confirmed that the field of strategic HRM has traditionally focused its efforts on understanding the effect of HRM systems on unit- and firm-performance. However, he concluded that there has been a growing interest in understanding the effects such systems have on employee outcomes, particularly outcomes related to employee wellbeing. In a particularly interesting meta-analysis, Peccie et al. (2013) conclude not only that there are many studies linking strategic HRM practices and 'the bundle' with positive organisational performance, but that this relationship is more likely if these are also positive outcomes for employees – on wellbeing, employee engagement and so on.

They conclude that there is far less evidence suggesting that the linkages can be achieved with what might be seen as more exploitative HRM strategies that produce negative outcomes for employees.

Peccei et al (2013: 15) made a strong plea that any analysis of the link between HRM and performance should be more employee-centred and look explicitly at the effect that HR practices have on employee wellbeing. They approved the fact that a considerable amount of research had been carried out focusing specifically on the relationships between HR practices, employee wellbeing and organisational performance (Orlitzky and Frenkel, 2005; Wright et al, 2005; Vanhala and Tuoni, 2006).

Peccie (2004) researched the relationship between HRM, employee wellbeing and organisational performance and identified two perspectives. The first 'optimistic perspective' is that HRM is beneficial for employees and that the adoption by employers of advanced and progressive HR practices – eg in a HPWS – will lead to higher degrees of job discretion and empowerment for employees, and to the establishment of a generally more interesting, supportive and rewarding work environment. Employees can then be expected to repay the organisation by working harder, thus actively contributing to the enhancement of its performance. Wellbeing therefore plays a key role in improving organisational performance. A model of this relationship is shown in Figure 4.2.

Figure 4.2: Model of the role of employee wellbeing in the HRM-performance relationship



Source: Peccei, R, Van De Voorde, K and Van Veldhoven, M (2013: 21) *HRM, wellbeing and performance: A theoretical and empirical review*, in (eds) J Paauwe, D E Guest, P M Wright, *HRM and Performance*, Chichester, Wiley.

The second 'pessimistic' perspective views HRM as essentially harmful to employees and as having a negative impact on their interests and wellbeing. This is because high performance work practices normally lead to an intensification of work and to the more systematic exploitation of workers.

Following further research Peccie et al (2013) concluded that some support to the optimistic perspective was provided when wellbeing was associated with happiness, thus producing mutual gains for employers and employees.

Farndale and Pauwe (2018) link the two issues of multi-stakeholder perspectives and implementation issues in a recent article where they state that 'The question remains whether this is a mutual gains or conflicting outcomes situation for the firm vis-à-vis the employee'. They believe context is key to achieving success in delivering HR policies to mutual benefit and so 'should no longer merely be an obligatory control variable in a research design, but instead should be explicitly incorporated in both theory development and empirical model testing'.

Their Contextual SHRM Framework argues for the need to balance competitive, heritage and institutional mechanisms to create an appropriate SHRM system capable of delivering organisational outcomes that balance financial and employee wellbeing. At the heart of the framework is 'an iterative process between context and the SHRM system, achieving an appropriate level of dynamic fit across the various components'. This is very much the concept of strategy emerging 'bottom up' as a process from between the various organisational actors, rather than being imposed 'top down' as a specialist plan.

5 Conclusions and implications: the case for SHRM and the outstanding issues

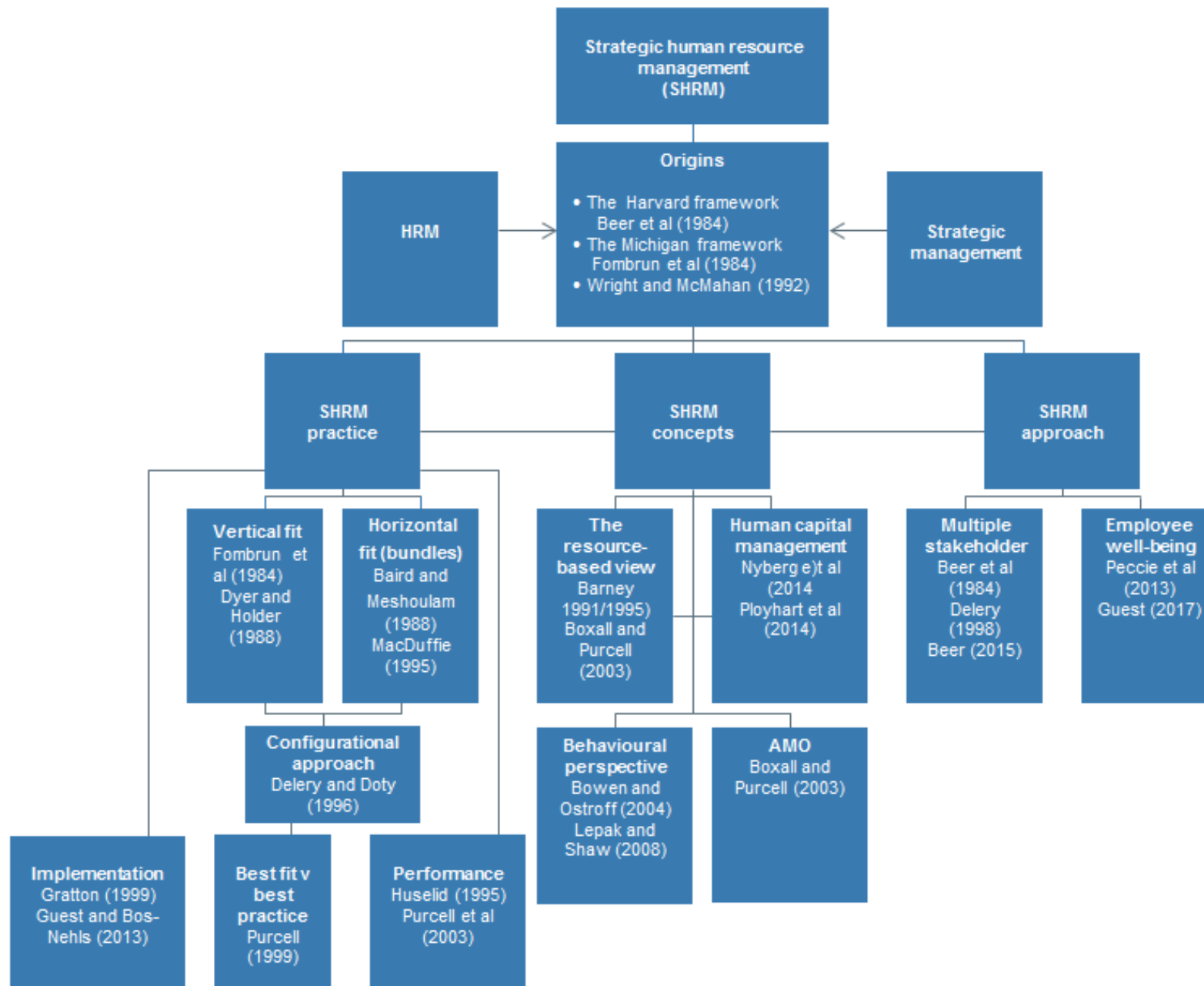
The following conclusions were reached by Kauffman (2015: 396) on what has happened to SHRM in the 30 years since Beer et al and Fombrun et al published their pioneering HRM books:

SHRM's basic conceptualisation has remained the same over the three decades. The central elements are: HRM as the people management component of organisations, a holistic systems' view of individual HRM structures and practices, a strategic perspective on how the HRM system can best promote organisational objectives, HRM system alignment with organisational strategy and integration of practices within the system, and emphasis on the long-run benefits of a human capital/high-commitment HRM system.

However, a literature review of SHRM by Delery and Roumpi (2017) led to the conclusion that the field is going in circles as it is evolving. They suggested that attempts to explain the 'black box' between HRM practices and firm performance have shown that human capital resources are at least partially the link between HRM practices and firm performance. But they noted that there is nothing new in this. SHRM researchers such as Barney and Wright (1998) have observed this relationship from the very beginning. Delery and Roumpi argue that this brings the field full circle to the basic quest of specifying the HRM practices and their combinations that are associated with higher levels of organisational effectiveness.

In his 2015 article *HRM at the Crossroads*, Michael Beer looked at what had happened to SHRM in the 30 years since he and his colleagues wrote *Managing Human Assets*. He commented on the pluralistic view expressed in that book with its emphasis on the need to adopt a multi-stakeholder approach. He observed that this perspective has largely disappeared from HRM with scholars focusing on proving that human assets are causal to financial performance, especially in the United States. He also argued that 'the field must reorient itself to producing useful, and I would add, usable (actionable) knowledge, if it is to remain relevant to practitioners (ibid 420).

A model of the evolution of SHRM is shown below.



The modern rationale for SHRM is that it is the basis for developing and implementing approaches to people management that enable the organisation to meet the needs of all its stakeholders and take into account the changing context in which the firm operates; and thereby strategy drives HR practices that, in turn, drive workplace performance. As explained by Lengnick-Hall et al (2009) SHRM shifted the focus on managing people to creating strategic impact and contributions. Kaufmann (2015) wrote that, in particular, SHRM helps organisations discover and implement methods to more effectively use their human capital to create and sustain competitive advantage in an increasingly competitive and globalized marketplace. There is considerable evidence as quoted in this review that the effective implementation of HRM is associated with higher levels of organisational performance.

Huselid, et al (1997) reviewed HR manager capabilities and their impact on firm performance in a sample of 293 US firms. Results showed that technical HRM effectiveness was not related to firm performance. However, strategic HRM effectiveness was related to employee productivity, cash flow, and market value.

Rodwell and Teo (2004) examined the adoption of SHRM by for-profit and non-profit health services organisations in Australia. They found a positive and significant relationship between SHRM and organisational performance for both for-profit and nonprofit firms. By building an external orientation to customers' demands and a commitment to employees, these organisations were able to develop human capital-enhancing HRM practices.

SHRM is a conceptual and aspirational mind-set that only becomes real when it produces actions and reactions that can be regarded as strategic, either in the form of overall or specific HR strategies or strategic behaviour on the part of HR professionals working alongside line managers.

The message of SHRM is persuasive and deceptively simple: 'Align your HR strategies with business strategy and all will be well.' But in the complex world in which HR specialists live, alignment is not easy. Even if it were, the complexity of that world makes it hard to get things done as planned – effective implementation is perhaps the greatest problem met by SHRM in practice. As Guest (2011: 6) remarked: 'It is not enough to have good practices if they are not properly implemented.' The assumptions of theories of strategy (rational, timely, linear, evidence-based) can be wanting in practice, whether this is business or HR. Strategy making is formed in the 'political hurly burly of organisational life' (Johnson et al., 2005).

The need for 'fit' between strategy and HR practices is one of the most important features of SHRM. But Wright et al (2005) noted the failure of researchers to find any evidence of the benefits of achieving it. Mabey et al (1998: 520) commented: 'Much SHRM literature assumes a naive, over-rationalist view of organisational decision-making. It ignores both the political realities and the inability of senior managers to make SHRM decisions.' Ironically, a narrow focus in the research on the links between the existence of specific HR practices and financial performance may have served to encourage the narrow and 'top down' 'best practice' approach to HR strategies in practice, which our review suggests can defeat the realisation of performance gains unless all stakeholders and particularly employees are engaged in that process.

The problems referred to above are surmountable. They do not detract from the inherent value of the SHRM concept, but there are two other issues that do need to be addressed.

The first issue is concerned with the requirement to make SHRM research relevant for practitioners. Professor Kaufman (2015: 398) characterized the focus of SHRM by academics as a 'science-based model where organisations and HRM are studied as if in a laboratory setting with much less priority on experiential contact and practical results, and much greater emphasis on analytic theory development.' He argued that:

'The most solid and value-added part of SHRM past and present comes from research in which academics advance practitioner-useful knowledge and tools through a blend of science-based theory and empirical methods and experiential insight gained from substantial involvement with the operational realities and problems of real-life business organisations' (ibid: 404).

Much of the research is too remote. Rynes et al (2002) found that less than one per cent of HRM practitioners read academic HRM publications. Additionally, the research does not adequately deal with practical problems such as implementation. In this connection, Guest and Bos-Nehles (2013: 95) commented that: 'One of the most seriously under-researched topics concerns the process whereby new HR practices are introduced', that is with implementation. Dealing with this issue is very much the aim of the research project of which this literary review is a part.

The second issue is that SHRM has been over-concerned with the interests of one set of stakeholders – the shareholders and business leaders – and much less concerned with the interests of the other stakeholders, especially employees. This issue was raised by Kaye (1999) who asked the question 'Does SHRM benefit employees as well as their organisations?' He observed that virtually all SHRM research takes the managerial/organisational perspective with an emphasis on the consequences for organisational performance. This, he wrote, suggests that SHRM may be improving the bottom line of companies, but may also be hurting employees – especially when workers are viewed as commodities.

Cascio (2015: 424) argued that: 'In SHRM research, organisational performance is sometimes viewed only in terms of operational outcomes (productivity, quality, service, innovation) and financial outcomes (return on assets, return on equity, sales growth, overall financial performance).' Yet as Beer et al (1984) emphasized in their seminal work, performance has to be framed more broadly to include meeting corporate ethical and social responsibilities, including job satisfaction, industrial democracy, and distributive justice. They advocated a multi-stakeholder approach to HRM, commenting that:

HRM policies are and indeed should be influenced by the interests of various stakeholders: shareholders, management, employees, community and government. Unless these policies are influenced by all stakeholders, the enterprise will fail to meet the needs of these stakeholders in the long run and it will fail as an institution (p 15).

In 2015 Michael Beer, Paul Boselie and Chris Brewster reviewed the state of this perspective after 30 years. They stated that 'we need to take a wider, more contextual,

more multi-layered approach founded on the long-term needs of all relevant stakeholders' (p 427). They also argued that 'Fundamental to a multi-stakeholder approach must be the creation, maintenance, and development of a culture of trust among the different stakeholders. Considering HRM as a social system, in contrast to the dominant individual perspective, puts the relationships between stakeholders at the centre of our studies' (p 432).

Perhaps this need for a more action and evidence-focused, multi-stakeholder perspective to strategic HRM is the most important conclusion reached by this review of the literature. However, another important conclusion is that the evidence does not support the contention that the strategic HRM concept is an 'unattainable ideal' (Trevor and Brown, 2014); irrelevant and impossible to implement well in contemporary environments. Research quoted in this review has demonstrated that SHRM *is* happening effectively. The other components of this IES/CIPD research study will seek to investigate some of these key questions about the evolving focus and dimensions of SHRM and whether we are seeing the rebirth, evolution or the decline of the use of the concept.

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