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Theorizing about the impact of strategic human resource management

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Abstract

   In this article we theorize about the impact of strategic human resource management (SHRM). Specifically, we outline a framework (derived from our review, integration, and extension of the theoretical foundations of SHRM) that we posit will provide scholars with the theoretical tools necessary to (i) develop construct measures of organizational effectiveness and (ii) generate prescriptive SHRM models that can accurately explicate and evaluate the primary linkages of SHRM (i.e., the linkages among organizational strategies, SHRM, and organizational effectiveness).
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1. Introduction

   Scholars are still searching for a strong, integrated theory of strategic human resource management (SHRM) (Delery & Shaw, 2001). SHRM has been defined as the planned pattern of human resource (i.e., workforce) and human resource management (i.e., functional) deployments and activities intended to enable the organization to meet organizational goals and objectives (McMahan, Virick, & Wright, 1999;

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Wright & McMahan, 1992). To date, SHRM research has primarily focused on evaluating the linkages among organizational strategies, SHRM (e.g., human resource management (HRM) policies, practices, systems, etc.), and organizational effectiveness (Chadwick & Cappelli, 1999; Wright & Sherman, 1999), which within this article[2], we refer to as the primary linkages of SHRM. However, the absence of a theoretical framework, which explicates these primary linkages, has been the catalyst for a great deal of academic debate regarding, and criticism of, SHRM research[3]. Specifically, numerous scholars have argued that in the absence of such a theoretical framework, we have little insight into the process by which SHRM creates value and enhances organizational effectiveness (e.g., Becker & Gerhart, 1996; Wright & Sherman, 1999).

On one hand, recent work has suggested that the development of a theoretical SHRM framework must incorporate a multiple stakeholder perspective (e.g., Ferris et al., 1998; Schuler & Jackson, 1999). On the other hand, some scholars have argued that until organizational effectiveness is accurately conceptualized, the ability to develop a strong theoretical SHRM framework is hindered (e.g., Becker & Gerhart, 1996; Dyer & Shafer, 1999; Rogers & Wright, 1998). In fact, Murphy, Trailer, and Hill (1996) suggested that the lack of construct validity of organizational effectiveness is so woefully absent that our field "should consider discontinuing the use of the term in research" (1996: 21)! However, we believe that the development of a sound, theoretically integrated framework for examining the impact of SHRM (which includes the multiple stakeholder perspective as one component) will provide scholars with the tools necessary to generate prescriptive models that accurately explicate and evaluate organizational effectiveness and the elusive primary linkages of SHRM (i.e., the process by which SHRM enhances organizational effectiveness). It is the main goal of this article to develop such a framework.

Thus, the primary purpose of this article is to outline a framework for examining the impact of SHRM. To develop this framework, we review, integrate, and extend several strong theoretical perspectives that address prior shortcomings in the SHRM literature. Specifically, we review several theories that enhance an SHRM foundation. Then, we integrate these theories that support a multidisciplinary framework and illustrate how this integrated framework can be extended to more accurately explicate and evaluate organizational effectiveness and the primary linkages of SHRM. First, however, we set the stage for our framework by reviewing some of the literature on organizational effectiveness.

2. Organizational effectiveness

Prior organizational science research has concluded that organizational effectiveness is multidimensional (e.g., Meyer & Gupta, 1994). Thus, research designs that incorporate a single or narrow perspective of organizational effectiveness are unlikely to accurately explicate or evaluate the primary linkages of SHRM research. Dyer and Reeves (1995) suggested four defensible dimensions of

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[2] Within this article we do not touch on the international aspects of strategic human resource management. We recommend that readers refer to Milliman, Von Glinow, and Nathan (1991), Schuler, Budhwar, and Florkowski (2002), and Taylor, Beechler, and Napier (1996) for examples of work in this area.

[3] For examples of recently published materials that discuss or provide an overview of SHRM research and/or the academic debates regarding, and the criticisms of, this research, we recommend that readers refer to Chadwick and Cappelli (1999), Delery and Shaw (2001), Dyer and Shafer (1999), Gerhart et al. (2000), Godard (2000), Huselid and Becker (2000), McMahan et al. (1999), Schuler and Jackson (1999), Snell, Shadur, and Wright (2001), Wright and Boswell (2002), Wright et al. (2001), and Wright and Sherman (1999).

organizational effectiveness for SHRM research: (i) HR outcomes (e.g., employee/workforce behaviors); (ii) organizational outcomes (e.g., productivity; quality; service); (iii) financial accounting outcomes (e.g., return on investment; profitability); and (iv) for publicly held organizations, capital market outcomes (e.g., stock value; shareholder return). In Table 1 we present some examples of previously published empirical SHRM studies and list the organizational effectiveness measure(s) adopted within each study (categorized by Dyer and Reeves' (1995) "outcome" typology).

Based in the behavioral perspective (Cyert & March, 1963), scholars have argued that SHRM can have a direct impact on HR outcomes—i.e., the actual behaviors exhibited by the organization's human resources and/or the actual outcomes produced by the organization's workforce (e.g., Becker & Huselid, 1998; Jackson & Schuler, 1995; Jackson, Schuler, & Rivero, 1989; Wright & Snell, 1998). Consistent with the behavioral perspective, empirical research indicates that HR outcomes mediate the relationship between SHRM and the other dimensions of organizational effectiveness (e.g., Arthur, 1994; Batt, 2002; Guthrie, 2001). Thus, it is critical that, along with other dimensions of organizational effectiveness, HR outcomes are included in SHRM research designs. Notwithstanding, in their review of organizational effectiveness measures in 29 SHRM-based studies, Rogers and Wright (1998) found that only 3 studies actually measured HR outcomes. These scholars concluded that SHRM researchers typically adopt a single or narrow perspective of organizational effectiveness, which is unlikely to result in a construct valid measure of organizational effectiveness.

The concept of a strategic approach to human resource management has a direct impact on the way that researchers should measure organizational effectiveness. SHRM is a goal-directed process (Wright & McMahan, 1992). So, to accurately measure the effectiveness of such a goal-directed process, researchers must evaluate the degree to which the process meets the goals and objectives that it was implemented to achieve (see Becker & Gerhart, 1996; Kaplan & Norton, 2001; Steers, 1975). Moreover, due to the

Table 1
Examples of prior empirical SHRM studies and the organizational effectiveness measures adopted within these studies

Study	The four defensible–"outcomes"–dimensions of organizational effectiveness for SHRM research[a]			
	Human resource	Organizational	Financial accounting	Capital market
Arthur, 1994	Turnover	Productivity; Quality		
Batt, 2002	Quit rates		Sales growth	
Batt, Colvin, & Keefe, 2002	Quit rates			
Delery & Doty, 1996			ROA; ROE[b]	
Guthrie, 2001	Retention	Productivity		
Huselid, 1995	Turnover	Productivity	GRATE[c]	Tobin's q
Ichniowski & Shaw, 1999		Productivity; Quality		
Ichniowski, Shaw, & Prennushi, 1997		Productivity		
Shaw, Delery, Jenkins, & Gupta, 1998	Turnover[d]			
Way, 2002	Turnover	Productivity		

[a] Dyer and Reeves (1995: 661).
[b] ROA=return on average assets; ROE=return on equity.
[c] GRATE=gross rate of return on capital.
[d] Quit and discharge rates.

dynamic and multidimensional as well as multilevel nature of the strategic process, scholars have suggested that a construct valid measure of organizational effectiveness also must be multidimensional, account for varying levels of analysis, include a time dimension, and recognize the goals and objectives of the organization as a whole as well as the influence of the organization's multiple (internal and external) stakeholders (see Freeman & McVea, 2001; Kaplan & Norton, 2001; Rogers & Wright, 1998; Steers, 1975; Truss & Gratton, 1994).

Although much of the recent literature has addressed many organizational effectiveness issues, such as the multiple stakeholder perspective and horizontal versus vertical linkages, these issues have been explored individually rather than in an integrative framework. By including and integrating theoretical perspectives that explain both how and why organizational effectiveness takes place, we can improve the accuracy or validity of organizational effectiveness. To that end, we next review several theories that have strong implications for SHRM. However, after discussing these theories separately, we outline a framework that integrates all these theoretical perspectives such that the many components of organizational effectiveness (multiple dimensions; various levels of analysis; the goals and objectives of multiple stakeholders; temporal dimensions) are incorporated, offering a more accurate explication and evaluation of the primary linkages of SHRM.

3. Theoretical foundations

3.1. Resource-based view

One theory that has strong implications for SHRM is the resource-based view (RBV) (Wright, Dunford, & Snell, 2001). The RBV (Barney, 1991) provides a conceptual perspective from which organizational science research can focus on internal organizational resources (i.e., organizational-specific assets) as a basis for sustainable competitive advantage (Barney, Wright, & Ketchen, 2001). Specifically, the RBV proposes that internal organizational resources that are valuable, rare, inimitable, and without a strategically equivalent substitute are a source of sustainable competitive advantage (Barney, 1991). Although there have been discussions of whether or not the RBV is tautological and/or a theory (e.g., Barney, 2001; Priem & Butler, 2001a, 2001b), the RBV has been the conceptual perspective upon which most SHRM research has been based (Wright et al., 2001). Moreover, numerous scholars have concluded that SHRM can produce sustainable competitive advantage and enhanced organizational effectiveness (e.g., Lado & Wilson, 1994; Wright, McMahan, & McWilliams, 1994). What is missing from this theory is insight into the process by which (i.e., the how and why) SHRM enhances organizational effectiveness (Delery & Shaw, 2001; Ferris et al., 1998; McMahan et al., 1999; Wright & Sherman, 1999). As mentioned earlier, the ability of scholars to gain insight into this process has been undermined by the way SHRM researchers have conceptualized organizational effectiveness within their research designs. In short, while RBV helps illustrate what is needed for organizational effectiveness, the theory does not explain how to achieve it. Thus, in isolation, RBV is inadequate in providing explanatory power for the impact of SHRM.

3.2. The multiple stakeholder perspective

The multiple stakeholder perspective provides a theoretical framework that can enhance our ability to accurately define and measure organizational effectiveness (Freeman, 1984, 1985; Freeman & McVea,

2001; Schuler & Jackson, 1999). The underlying theory behind the integration of a multiple stakeholder perspective in SHRM research is found in systems theory. Systems theory (Ackoff, 1970, 1974; Buckley, 1967) emphasizes that organizations are open systems rather than independent ones requiring the support of all (i.e., both external and internal) stakeholders in order to successfully address relevant organizational issues and problems (Freeman & McVea, 2001).

A stakeholder can be defined as any group that can affect or is affected by the achievement of organizational goals and objectives (Freeman, 1984). When adopting a multiple stakeholder perspective, the focus is on external and internal stakeholders with common attributes such as customers, suppliers, government, society, employees, owners, etc. (Freeman, 1984, 1985). Although all stakeholders have some influence on some outcomes or decisions, the power of a stakeholder (i.e., the influence that they have on a outcome and/or decision) will vary by organization, the decision, the outcome and various other environmental factors (see Bailey & Johnson, 1995; Ferris et al., 1998; Morrow & Hitt, 2000; Pfeffer & Salancik, 1978; Truss & Gratton, 1994). It is these power relationships among stakeholders and the goals and objectives of these stakeholders that influence organizational goals and objectives as well as the strategies pursued by the organization and thus the measures of effectiveness that should be used to evaluate the impact of SHRM (and the organization).

Freeman and McVea (2001) offer 7 key characteristics of a stakeholder approach to strategic management. First, the approach must develop a single but flexible strategic framework that allows managers to adopt new strategies as environments shift. Second, the approach must be a management process that continually seeks new directions for the organization, assessing the mutual interactions between an organization and its environment. Third, organization survival is paramount and requires the support of stakeholders as well as an understanding of the organization's impact on its multiple stakeholders. Fourth, an organization must invest in stakeholder relationships that guarantee long term success. Fifth, the approach must be prescriptive as well as descriptive. Sixth, strategic management must be linked to specific stakeholders rather than general roles or the "customers in general". Seventh, to be successful, the stakeholder approach must integrate all perspectives.

A multiple stakeholder approach recognizes the dynamic and multidimensional as well as multilevel nature of the strategic management process (see Freeman & McVea, 2001). The development of a theoretical SHRM framework that incorporates a multiple stakeholder perspective along with RBV would enhance our ability to accurately explicate and evaluate the primary linkages of SHRM. Specifically, the multiple stakeholder perspective provides a framework that allows for the consideration of (i) the influence that SHRM has on stakeholders, (ii) the influence of stakeholders on SHRM and organizational effectiveness, (iii) the influence of stakeholders on how organizational effectiveness is measured, and (iv) the influence of stakeholders on how SHRM and the organization are evaluated. Thus, the multiple stakeholder approach offers a unique perspective and reflects a strategic management framework that promotes vertical and horizontal linkage, an area that prior literature has not adequately addressed and explained.

3.3. The concepts of vertical and horizontal linkage

Although the effective deployment of human resource management (HRM) practices (e.g., selection, training, etc.), which is referred to as technical HRM, lay the foundation for a HRM system capable of creating value, producing competitive advantage, and enhancing organizational effectiveness, technical HRM alone is unlikely to produce sustainable competitive advantage (Huselid, Jackson, & Schuler, 1997; Way & Thacker, 2001). It has been posited that to create value, produce sustainable competitive

advantage, and enhance organizational effectiveness, the deployed HRM system (comprised of the HRM practices deployed by the organization) must be linked with other organizational resources (e.g., Delery, 1998; Delery & Doty, 1996; Huselid et al., 1997). However, the exact conceptualization of such a linkage varies among researchers (Becker & Gerhart, 1996; Chadwick & Cappelli, 1999).

For the most part, scholars believe that the value of SHRM, and the impact of SHRM on organizational effectiveness, will be enhanced when an organization has deployed an HRM system comprised of practices that are consistent with each other and work to elicit those behaviors (outcomes) from the organization's human resources, necessary for the achievement of organizational goals and objectives (e.g., Schuler & Jackson, 1987; Wright, 1998). Furthermore, scholars suggest that the value of SHRM, and its impact on organizational effectiveness, may be magnified when the human resources, and HRM deployments and processes of an organization support the organization's ability to address external and internal demands (e.g., Butler, Ferris, & Napier, 1991; Lengnick-Hall & Lengnick-Hall, 1988). Within SHRM research, vertical linkage typically refers to the degree to which SHRM is consistent with other key organizational processes (see Delery & Doty, 1996; McMahan et al., 1999), while horizontal linkage typically refers to the degree to which the HRM practices deployed by SHRM elicit congruent behaviors (outcomes) from the organization's human resources (see McMahan et al., 1999; Wright & Boswell, 2002).

To develop accurate explications of how and why the primary linkages of SHRM work, a clear explanation of vertical and horizontal linkage must be provided, that accounts for complex issues such as the impact of external and internal stakeholders. However, as Fiegenbaum, Hart, and Schendel state, "[a] classic problem in the field of strategic management has been how to establish and maintain a match between expected external (environmental) demands and anticipated internal (organizational) resources" (1996: 219). One main reason for this problem is proposed by Delery who argues "the conceptual foundations of SHRM have been relatively weak and many of the empirical investigations have made assumptions not driven by, or consistent with, the theoretical base" (1998: 289–290). Although several conceptual perspectives and theories have been introduced over the years, SHRM research has only demonstrated that certain linkages can and do exist (Delery, 1998; Delery & Shaw, 2001; McMahan et al., 1999). Research has tended to lack explanations for how or why the primary linkages of SHRM work (Delery & Shaw, 2001; Wright & Sherman, 1999). Thus, in order to provide solid, conceptual explanations for what needs to take place strategically, concerning vertical and horizontal linkage, a strong theoretical explanation of the primary linkages of SHRM research is still necessary. For the remainder of this section (Section 3) we will discuss two relatively new theories, systematic agreement theory (SAT) and strategic reference points theory (SRPT), which provide an excellent conceptual basis for explicating vertical and horizontal linkage. Combined with our previous theoretical discussion, SAT and SRPT can help explain how and why the primary linkages of SHRM research should work.

3.4. Systematic agreement theory

Systematic agreement theory (SAT) provides a framework in which organizational alignment–i.e., the degree to which an organization's design, strategies, and culture are cooperating to achieve the same desired goals (Semler, 1997: 23)–is proposed to enhance organizational effectiveness (i.e., the achievement of organizational goals and objectives) and create competitive advantage (Semler, 1997). SAT introduces four major aspects of organizational alignment (Semler, 1997): (i) structural alignment, (ii) cultural alignment, (iii) performance alignment, and (iv) environmental alignment. Since the first three aspects of alignment contribute to the fourth, we next discuss the relationships among these aspects of

alignment by dichotomizing structural alignment, cultural alignment, and performance alignment in terms of vertical (i.e., external to SHRM) and horizontal (i.e., internal to SHRM) environmental alignment.

3.4.1. Structural alignment

According to Semler (1997), structural alignment relates to the congruency between the goals of different activities (processes) within the organization and how SHRM is designed to elicit the behaviors necessary to meet these goals. As a result, vertical structural alignment refers to the extent to which the goals, objectives, and strategies for key organizational processes are congruent throughout the organization so that these processes contribute toward the attainment of the goals and objectives of the organization as a whole (adapted from Kaplan & Norton, 2001; Semler, 1997). Vertical structural alignment is achieved when the goals, objectives, and strategies for all of the organization's key processes are congruent with each other and facilitate the realization of organizational goals and objectives. Horizontal structural alignment refers to the extent to which an organization elicits behaviors (outcomes) from its human resources that are consistent with those behaviors (outcomes) necessary for the achievement of organizational goals and objectives (adapted from Schuler & Jackson, 1987; Wright, 1998). Horizontal structural alignment is achieved when the system of HRM practices deployed by the organization elicits, from its human resources, those behaviors (outcomes) necessary for (i.e., that contribute to) the realization of organizational goals and objectives. Horizontal structural alignment is achieved via two key elements: The first key element of horizontal alignment involves staffing (e.g., selection), developing (e.g., training), retaining (e.g., performance management) and empowering (e.g., self-directed teams) a workforce comprised of human resources that possess the skills and behavior scripts required to perform those behaviors (produce those outcomes) that are necessary for the achievement of organizational goals and objectives (see Way, 2002; Wright & Snell, 1998). The second key element of horizontal alignment involves motivating (e.g., performance-based compensation) these human resources to exhibit those behaviors (produce those outcomes) necessary for the attainment of organizational goals and objectives (see Way, 2002; Wright & Snell, 1998).

3.4.2. Cultural alignment

Cultural alignment relates to how an organization's leadership as well as SHRM engenders an organizational culture that supports organizational strategies and the achievement of organizational goals and objectives (Semler, 1997). In this case, vertical cultural alignment refers to the extent to which organizational culture (i.e., those shared perceptions of beliefs and values central to the organization's external and internal stakeholders) is congruent with organizational goals, objectives, and strategies (adapted from Fombrun, 1996; Schneider, Brief, & Guzzo, 1996; Semler, 1997; Truss & Gratton, 1994). Research indicates that vertical cultural alignment is more likely to be achieved when the needs of the organization's various stakeholders are valued and an impetus for organizational change (Fombrun, 1996; Kotter & Heskett, 1992; Ulrich & Lake, 1990). Horizontal cultural alignment refers to the degree of congruency between an organization's culture and climate (adapted from Schneider et al., 1996; Schneider, Wheeler, & Cox, 1992; Semler, 1997). Within this context, organizational climate refers to the day-to-day perceptions that the organization's human resources have about how the organization operates and the behaviors (outcomes) that the organization requires and rewards (Ferris et al., 1998; Schneider & Bowen, 1985; Schneider et al., 1992). HRM systems are the primary means through which SHRM can communicate to human resources which behaviors (outcomes) the organization expects and values (Jackson & Schuler, 1995; Schneider & Bowen, 1985; Schneider et al., 1992).

3.4.3. Performance alignment

Performance alignment relates to the extent to which the organization's actual outcomes match those outcomes necessary for the organization to meet its goals and objectives (Semler, 1997). As suggested earlier, SHRM can have a direct impact on HR outcomes (e.g., Jackson & Schuler, 1995). However, prior research (e.g., Arthur, 1994; Batt, 2002) indicates that the impact of SHRM on the other dimensions of organizational effectiveness (i.e., organizational, financial accounting, and capital market outcomes) is mediated by HR outcomes. Therefore, vertical performance alignment (adapted from Dyer & Reeves, 1995; Kaplan & Norton, 2001; Semler, 1997) refers to the degree of congruency between the organization's actual organizational, financial accounting, and capital market outcomes and the organization's desired organizational, financial accounting, and capital market outcomes—i.e., those organizational, financial accounting, and capital market outcomes necessary for the organization to meet organizational goals and objectives. Moreover, horizontal performance alignment (adapted from Dyer & Reeves, 1995; Schuler & Jackson, 1987; Semler, 1997) refers to the degree of congruency between the organization's actual HR outcomes and the organization's desired HR outcomes—i.e., HR outcomes that facilitate the achievement of those organizational, financial accounting, and capital market outcomes necessary for the organization to meet its goals and objectives. Thus, vertical performance alignment indicates the degree to which the organization as a whole is achieving its goals and objectives, whereas, horizontal performance alignment indicates the degree to which SHRM is eliciting, from the organization's human resources, the behaviors (outcomes) necessary for the organization to meet organizational goals and objectives. That is, performance alignment is an evaluative process, which is an important mechanism of adaptation for any open system (Buckley, 1967; Scott, 1992).

3.4.4. Environmental alignment

The final aspect of SAT is environmental alignment, which reflects the "strategic fit between the demands of the external environment and the selected vision, goals, and tactics of the organization" (Semler, 1997: 29–30). Whereas the previous three aspects of organizational alignment involve internal factors, environmental alignment reflects external aspects. As Semler (1997) points out, for an organization to have strong alignment leading to enhanced effectiveness, it must be able to control and react to the external environment regardless of the strength of its internal alignment. Here, the multiple stakeholder perspective and open systems theory become paramount. As Morrow and Hitt (2000) argue, to be effective, an organization must have a flexible framework such that it can respond to changes in the environment as well as its various stakeholders. Thus, this final aspect of Semler's (1997) theory is a crucial factor for explaining how the individual elements of an organization can enhance organizational efficiency and effectiveness.

While SAT provides a broad framework for understanding the importance of alignment in explicating organizational effectiveness, it does not explain how an organization's leaders should approach these decisions. Strategic reference points theory (SRPT) offers a more cognitive perspective that helps explain the decision-making steps that are necessary to achieve horizontal and vertical linkage.

3.5. Strategic reference points theory

SRPT has a strong theoretical framework that incorporates three critical dimensions related to alignment: (i) conditions internal to the organization; (ii) conditions external to the organization; and (iii) time (see Fiegenbaum, Hart, & Schendel, 1996). Using a number of theoretical perspectives like

motivation theory (Latham & Yukl, 1975), strategic intent (Hamel & Prahalad, 1989), and resource dependence (Pfeffer & Salancik, 1978), Fiegenbaum et al. argue that "[t]aken together, the different perspectives suggest a broad range of potential reference points" (1996: 222) from which an organization creates benchmarks. These benchmarks are also time-based; organizations learn from the past and plan for the future. In turn, these strategic reference points (SRPs) are used by decision-makers to "evaluate choices, to make strategic decisions, and to signal to other key personnel their system wide or organizational properties" (Bamberger & Fiegenbaim, 1996: 927). Bamberger and Fiegenbaum suggest that

> "[b]y showing how managers establish system-level policies and practices on the basis of comparisons with internally, externally, and temporally based targets, the model provides a much needed link between strategy and policy at the [organizational] level and implementation and practice at the system or suborganizational level" (1996: 952).

Two important concepts of SRPT that impact organizational effectiveness with respect to SHRM are (i) fit and (ii) consensus.

3.5.1. Fit

Under SRPT, the notion of fit has two dimensions. External fit relates to how well the SRPs or benchmarks of the HRM process compliment the organization's overall SRPs (Bamberger & Fiegenbaim, 1996); external fit is similar to vertical linkage—i.e., the degree to which SHRM is consistent with other key organizational processes (see Delery & Doty, 1996; McMahan et al., 1999). Internal fit represents the degree of congruency among the SRPs of the HRM process (Bamberger & Fiegenbaim, 1996); internal fit is similar to horizontal linkage—i.e., the degree to which HRM practices deployed by SHRM elicit congruent behaviors from the organization's human resources (see McMahan et al., 1999; Wright & Boswell, 2002). SRPT posits that low levels of fit will have a negative impact on organizational effectiveness (Bamberger & Fiegenbaim, 1996).

3.5.2. Consensus

Under SRPT, external consensus represents the degree to which functional top management members who are not directly in a specified function (e.g., marketing), but who are in related functions (e.g., customer service), are in agreement with the strategic "ends and means" for the specified function (Bamberger & Fiegenbaim, 1996). Internal consensus represents the degree to which functional top management team members are in agreement with the strategic "ends and means" for that function (Bamberger & Fiegenbaim, 1996). Similar to low levels of fit, SRPT posits that low levels of consensus will have a negative impact on organizational effectiveness (Bamberger & Fiegenbaim, 1996).

In sum, by assessing external as well as internal conditions and by taking into account issues learned from the past as well as addressing forward thinking of potential needs and goals, SRPT offers a cognitive framework for understanding how the top level management of an organization makes the strategic choices upon which organizational and SHRM decisions are based. SRPT proposes that the characteristics of fit and consensus "are likely to moderate the link between HRM policies and practices on the one hand, and organizational effectiveness on the other" (Bamberger & Fiegenbaim, 1996: 952). When linked with SAT (Semler, 1997), SRPT provides a better explanation for how organizations can achieve structural, cultural, performance, and environmental alignment. In effect, an organization's

primary SHRM linkages are based on SRPs or benchmarks that guide decision making to ensure overall strategic alignment takes place both vertically and horizontally.

Thus, SAT provides a normative framework for understanding both vertical and horizontal linkage. Missing from this theory, however, is an explanation for how these linkages are determined. SRPT explicates the cognitive process behind the strategic choices used in alignment and examines the implications of these decisions on organizational effectiveness (Fiegenbaum et al., 1996).

We turn now to the framework that emerges from the integration of our prior theoretical discussions. Here, we extend this theoretical framework to address how SHRM can explicate and evaluate organizational effectiveness.

4. In search of a theoretical framework

A sound, prescriptive SHRM model must have a strong theoretical framework. That is, a framework that provides scholars with the theoretical tools necessary to develop construct valid measures of organizational effectiveness (i.e., measures that consider organizational goals and objectives, consider multiple stakeholders (and their impact), are multidimensional, account for varying levels of analysis, and include a time dimension) and generate predictive SHRM models that can accurately explicate and evaluate the linkages among organizational strategies, SHRM, and organizational effectiveness. Finally, as predicted by several of the theoretical perspectives we discussed earlier in this article, this framework must also incorporate the concepts of vertical and horizontal linkage. In Fig. 1 we provide an illustration of our theoretical framework (adapted from Scott's (1992) general model of cybernetic systems), which incorporates all of these aspects. For the remainder of this section (Section 4) we will outline our framework and discuss its implications for SHRM.

4.1. Organizational goals and objectives

Organizational goals and objectives set the purpose of the organization. SAT indicates that it is critical that there be a high degree of consistency between organizational goals and objectives and organizational culture (i.e., those shared perceptions of beliefs and values central to the organization's internal and external stakeholders), an element of SAT's vertical cultural alignment. According to SRPT, organizational goals and objectives (i.e., benchmarks) are determined by assessing both internal and external conditions as well as making assessments from things learned and feedback from different stakeholders. Thus consistent with SRPT, SAT, the multiple stakeholder perspective, and as depicted in Fig. 1, organizational goals and objectives will differ from organization to organization and are dependent upon the organization's culture and previous experiences—i.e., the organization will incorporate those strategies and processes that have provided effective outcomes, while disassociating themselves from those strategies and processes that did not work or did not produce the desired outcomes.

4.2. Organizational strategies

Organizational strategies define the process or set of processes by which organizational goals and objectives are to be achieved. Organizational strategies are influenced by the feedback of the organization's various functions regarding its ability to provide the resources and inputs as well as
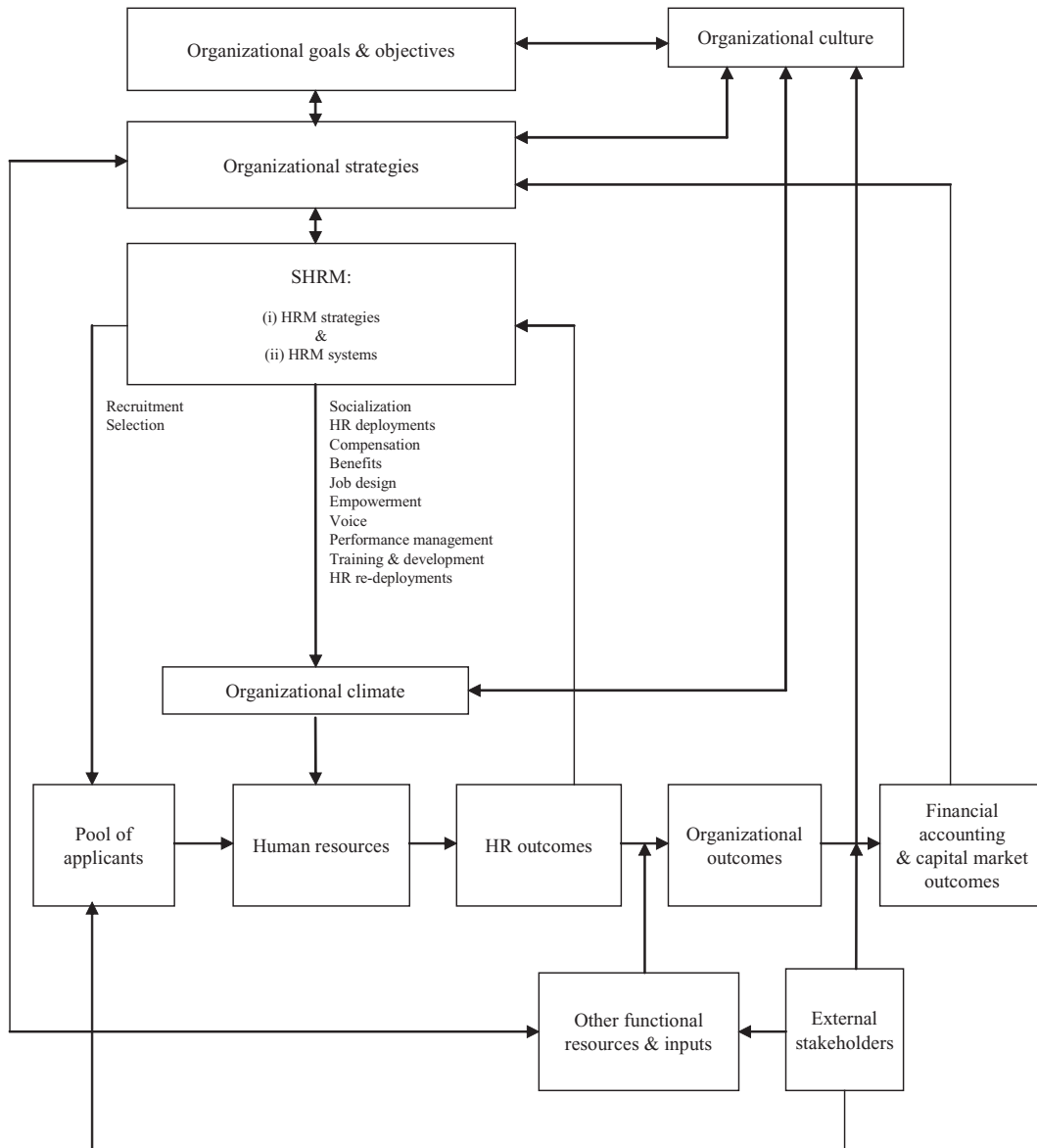
Fig. 1. A framework for SHRM research.

produce the outcomes necessary for the function to contribute to the attainment of the goals and objectives of the organization as a whole. Organizational strategies reflect the views of the firm's leaders and also emerge from an organization's culture (see Bailey & Johnson, 1995; Kotter, 1988; Lumpkin & Dess, 1995). SAT indicates that vertical structural and vertical cultural alignment are key, therefore, organizational strategies should be congruent (i) with organizational goals and objectives, (ii) with organizational culture, and (ii) throughout the organization. SRPT's concept of external consensus also becomes important because it represents the level of agreement among top management team members

on the linkage between strategic goals and the different organizational functions (processes). Thus consistent with SAT, SRPT, the multiple stakeholder perspective, and as depicted in Fig. 1, organizational strategies are dependent upon each organization's goals and objectives, culture, stakeholder (functional) feedback, and previous experiences.

4.3. Strategic human resource management (SHRM)

As depicted in Fig. 1, for the purposes of this analysis we have divided SHRM into two sub-stages: (i) HRM strategies and (ii) HRM systems. This theoretical framework is consistent with both the concept of human resource architectures (Lepak & Snell, 1999) and equifinality—i.e., the concept that systems can reach the same state from different initial conditions and through a variety of paths (see Becker & Huselid, 1998; Delery & Doty, 1996). More specifically, consistent with the concept of human resource architectures, our framework allows for the use of multiple HRM strategies that emphasize different HRM practices for multiple groups of human resources (employees). Moreover, consistent with the concept of equifinality, our framework allows for the implementation of different HRM systems (comprised of different HRM practices) to achieve the same outcomes.

4.3.1. HRM strategies
HRM strategies define how the HRM function and the organization's human resources are to contribute to the attainment of organizational goals and objectives. The degree of vertical structural alignment (vertical linkage) is expected to be greatest when HRM provides feedback and input regarding the ability of SHRM to contribute to the attainment of the goals and objectives of the organization as a whole (see Lengnick-Hall & Lengnick-Hall, 1988). From a SRPT standpoint, both internal and external fit become critical because the organization should develop congruency among the benchmarks in the HRM process. Moreover, those benchmarks should compliment the overall reference points of the organization. In addition, internal consensus is important because all top management team members in HRM must agree with the strategies in place for that function. In turn, RBV implies that a high degree of external consensus leads to the achievement of inimitability.

4.3.2. HRM systems
Horizontal structural alignment (horizontal linkage) is enhanced when an organization implements, via its HRM systems (i.e., the actual HRM activities and deployments of the organization), unified sets of HRM practices that staff, develop, retain, and motivate the organization's human resources to exhibit those behaviors (i.e., produce those outcomes) which enable the organization to enact their strategies and meet organizational goals and objectives (Way, 2002; Wright & Snell, 1998). When designing these unified sets of HRM practices, SHRM has a menu of practices from which to choose (see Schuler & Jackson, 1987); however, the actual practices that are included within these systems are a product of the HRM strategies employed by the organization, the human resources (or group of human resources) the system is trying to influence, and the actual versus the desired HR outcomes of these human resources (or group of human resources).

4.4. SHRM and HR outcomes

SHRM is the primary means through which organizational leaders can communicate organizational goals, priorities, and behavioral requirements (Jackson & Schuler, 1995; Schneider & Bowen, 1985).

Through the employment of HRM practices such as staffing, socialization, pay, benefits, job design, performance management, and training, SHRM communicates to the workforce which behaviors (outcomes) the organization expects and values. Consistent with existing research (Ferris et al., 1998; Rogg, Schmidt, Shull, & Schmitt, 2001; Schneider & Bowen, 1985) and as depicted in Fig. 1, SHRM directly impacts organizational climate—i.e., the day-to-day perceptions that the organization's human resources have about how the organization operates and the behaviors (outcomes) that the organization requires and rewards (Schneider et al., 1992). Moreover the planned impact of SHRM on human resources is mediated by organizational climate (e.g., Ferris et al., 1998; Rogg et al., 2001). SAT indicates that for SHRM to elicit the desired behaviors from the organization's human resources organizational climate must be congruent with the organization's culture (i.e., horizontal cultural alignment). Finally, as suggested by SAT as well as SRPT, the top-level management of an organization must establish benchmarks that are congruent with the organization's overall SRPs as well as its HRM process across all divisions and departments. In turn, these benchmarks are used to create HRM strategies and systems that accurately communicate the organization's priorities and expectations to all of the organization's human resources.

An important assumption underlying the previous discussion on climate is that the organization has already attracted a solid pool of qualified applicants from which to select its human resources. Organizations can improve their ability to recruit the best-qualified individuals by creating a good reputation (Ferris et al., 1998) or developing "reputational capital" (Fombrun, 1996). In effect, by implementing HRM systems that reflect core values and consider both internal as well as external stakeholders, the organization sends signals to potential candidates, regarding management effectiveness (Fombrun, 1996). Ferris et al. (1998) suggest that reputation not only sends a message to potential applicants, but existing human resources can contribute to an organization's reputation as well. By being effective in their behaviors, committed to the organization, and doing more than is required, current human resources can play a role in creating a good reputation for the organization.

Once the organization has attracted qualified applicants, the selection process, which is based on HRM strategies, should be able to choose and then deploy those individuals best suited to contribute to the achievement of organizational goals and objectives. The climate of the organization will dictate the norms, expectations, and desired behaviors and through the socialization process, newly acquired human resources will learn what is required of them. The actual behaviors (i.e., the HR outcomes) elicited from the organization's human resources by SHRM are dependent upon the current sets of HRM practices implemented, the prior skills and behaviors of the organization's human resources (workforce), the needs of other stakeholders, and organizational climate. Consistent with the concept of vertical performance alignment, HR outcomes, in turn, influence SHRM. That is, the HRM system(s) employed by an organization are a product of the extent to which the organization's actual HR outcomes match those HR outcomes necessary for the organization to achieve its goals and objectives.

4.5. SHRM and the other dimensions of organizational effectiveness

Although there is strong theoretical support for the argument that HR outcomes mediate the relationship between SHRM and the other dimensions of organizational effectiveness, few researchers have investigated this relationship (McMahan et al., 1999). Existing research has presented results that indicate that there are links between SHRM, organizational, financial accounting, and capital market outcomes. For example, several studies have reported a positive association between SHRM and

organizational outcomes (e.g., Huselid, 1995; Ichniowski & Shaw, 1999). Studies have also reported a positive association between SHRM and financial accounting outcomes (e.g., Batt, 2002; Delery & Doty, 1996). Moreover, Welbourne and Cyr (1999) reported that senior HRM executives have an impact on long-term stock price in fast-growing, smaller organizations while Welbourne and Andrews (1996) demonstrated that initial public offering (IPO) companies that "valued" their employees were more likely to survive than companies that did not "value" their employees. Thus, there is also evidence to suggest that SHRM can have a positive impact on capital market outcomes.

As depicted in Fig. 1, HR outcomes interact with the organization's other functional (other processes') resources and inputs to create organizational outcomes. Specifically, organizational outcomes are not determined by HR outcomes (i.e., the actual behaviors of the organization's human resources) alone. Rather, organizational outcomes are a product of the interaction between the actual behaviors of human resources (HR outcomes) and the other functional resources and inputs deployed and used by the organization. The organization's other functional resources and inputs may be influenced by external stakeholders (e.g., suppliers, investors, etc.). For example, suppliers can influence functional inputs and resources by failing to provide the supplies necessary for the organization's human resources to produce the desired outcomes or by providing supplies that enhance the efficiency with which human resources can produce the desired organizational outcomes.

Financial accounting and capital market outcomes are a product of the interaction between the organizational outcomes produced and the external stakeholders' (e.g., customers, government, etc.) interpretations of these outcomes. For example, customers can impact financial accounting outcomes through their assessment of the value of organizational outcomes in their decisions to purchase or not purchase these outcomes. Similarly, based on their interpretation of organizational outcomes, stockholders will decide if they wish to continue, decrease, or increase their investments within the organization.

4.6. Further implications of our framework

As HR, organizational, financial accounting, and capital market outcomes are produced, signals are sent to the organization's various internal and external stakeholders. In turn, these stakeholders react to those outcomes and provide input into the cyclical process that ensues. According to SRPT, organizations should learn from those previous experiences and incorporate those issues into the strategic benchmarking process that provided effective outcomes, while disassociating themselves from those issues that did not work or did not achieve desired outcomes. Besides being consistent with SRPT, our framework's incremental approach to strategic management (see Methé, Wilson, & Perry, 2000) is consistent with the multiple stakeholder perspective and open systems theory. Moreover, this incremental approach addresses a potential weakness of prior research, which has typically adopted a synoptic approach (see Toft, 2001) to strategic management (Harris & Ogbonna, 2001).

5. Methodological issues

Scholars have previously presented several theoretical and methodological arguments for why a systems approach is preferable within SHRM research (e.g., Becker & Gerhart, 1996; Becker & Huselid, 1998; Delery, 1998; Delery & Shaw, 2001). Becker and Huselid conclude that the SHRM literature has a preference "for a unitary index that contains a set (though not always the same set) of theoretically

appropriate HRM practices derived from prior work" (1998: 63). That is, there appears to be a general consensus among most SHRM researchers that systems of HRM practices, rather than single, isolated practices is the appropriate level of analysis (Delery & Shaw, 2001). In this article we posit that our framework allows for HRM systems that are comprised of different HRM practices to achieve the same outcomes (i.e., equifinality). That is, although some individual HRM practices may have a greater impact on outcomes than other individual HRM practices, it is the impact of the system as whole which is of interest to SHRM researchers.

Based on her results from a recent study, Batt states that it may be useful for future SHRM research to examine how different dimensions of HRM systems impact different outcomes (2002: 596). Although a discussion of specific HRM systems (which should vary by the HRM strategies employed, the human resources the system is trying to influence, the actual versus the desired HR outcomes of these human resources, etc.) is not the focus of this article, we do suggest that HR outcomes may vary dependent on the HRM system the organization has in place. Consistent with Batt (2002), we suggest that future research can empirically test this relationship by dismantling various HRM practices within one organization (and/or comparing the HRM practices employed and their relationship to HR outcomes of one organization to a similar organization) and examining how these practices impact HR outcomes.[4] However we caution that unless researchers are testing theoretically based predictive SHRM models, these empirical results would be exploratory and should be presented and interpreted as such.

Our framework is an open system and thus allows us to consider the numerous factors that are simultaneously at play in a complex organization. Although systems theory does not easily lend itself to empirical testing, structural equation modeling (SEM) is a statistical methodology that may enable scholars to empirically test complex SHRM models. SEM is ideal for SHRM research as (i) numerous structural relations (links) can be modeled pictorially to enable a clearer conceptualization of the model under study and (ii) the hypothesized model can be tested statistically in a simultaneous analysis of the entire system (Byrne, 2001: 3). Although the inclusion of interactions and other nonlinear effects is problematic (MacCallum & Austin, 2000), we encourage future SHRM research to use this statistical methodology as the superiority of SEM versus the older generation of multivariate procedures in nonexperimental organizational science research is well established (Byrne, 2001; MacCallum & Austin, 2000; Schumacker & Lomax, 1996).

Dyer and Shafer (1999) and Rogers and Wright (1998) have criticized prior SHRM studies for using only a few convenient outcomes arbitrarily selected by these studies' researchers to measure organizational effectiveness. Our framework indicates that the outcomes that should be used to evaluate organizational effectiveness (i.e., evaluate how well the organization is achieving its goals and objectives) will vary by organization. Covin and Slevin (1989) and Gupta and Govindarajan (1984) have developed and presented a perceptual measure of organizational effectiveness that considers the importance of, as well as the satisfaction with several organizational outcomes simultaneously. Although we feel that this measure has potential to forward SHRM research, we would encourage SHRM researchers to consider two modifications. First, as this perceptual measure has typically only considered outcome importance and satisfaction of the organization's top management, we encourage SHRM researchers to develop a broader view that considers outcome importance and satisfaction of all stakeholders. Becker and Gerhart (1996) and Gerhart, Wright, and McMahan (2000) have questioned the reliability and validity of perceptual

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[4] We thank an anonymous reviewer for this insight.

measures of organizational effectiveness in SHRM research, however, if researchers consider outcome importance and satisfaction from a multiple stakeholder perspective (i.e., collect information from multiple stakeholders) they are likely to alleviate these authors' concerns. Second, this perceptual measure has typically been used to create a single organizational effectiveness variable (see Covin & Slevin, 1989; Gupta & Govindarajan, 1984). We encourage future SHRM research to include measures of HR, organizational, financial accounting, and capital market outcomes.

6. Closing

Within this article we outline a framework for SHRM, which was derived from our review, integration, and extension of the theoretical foundations of SHRM. Our framework should provide scholars with the theoretical tools necessary for them to accurately conceptualize and measure organizational effectiveness, which has been an elusive outcome in prior SHRM research, as well as horizontal and vertical linkage. Further, our framework provides scholars with an integrated theoretical foundation from which they can generate predictive SHRM models. These models may more effectively address many of the recently published concerns regarding, and criticisms of, SHRM research and accurately explicate and evaluate the primary linkages of SHRM.

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