

Strategy, human resource management and performance: Sharpening line of sight ☆

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ARTICLE INFO

Keywords:

Strategic human resource management

Line of sight

HRM and performance

ABSTRACT

This paper builds on previous theory and research on strategy and human resource management to identify important linkages between the firm's strategy, its human resources, and performance outcomes. First, we review the relevant literature focusing in particular on the role of human resources in creating competitive advantage. We then present a multi-level model illustrating how human resource management practices can effectively align organizational, group and individual factors with the organization's strategy. We redefine line of sight as the alignment of organizational capabilities and culture, group competencies and norms, and individual KSAs, motivation and opportunity with one another and with the organization's strategy. Further, we propose that such alignment contributes to the creation of human capital and social capital, both of which are necessary to achieve and sustain superior performance. We conclude the paper with some implications for future research and practice.

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☆ The authors would like to thank Kim Boal, Wendy Boswell and two anonymous reviewers for their helpful suggestions on this manuscript.

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1. Introduction

Theories of strategic management have historically acknowledged the importance of internal activities, resources or capabilities as potentially important sources of competitive advantage. Porter's (1985) seminal work on competitive advantage acknowledged the need to effectively link an integrated configuration of internal value chain activities to the intended business strategy. Subsequent work on strategic management has focused on resource- and knowledge-based views of the firm, arguing that internal resources are essential to building and sustaining competitive advantage (Barney, 1991; Grant, 1996). Central to emerging perspectives on strategy is the role of the firm's human resources in creating and sustaining superior performance through human and social capital (Wright, Dunford, & Snell, 2001). Indeed, there is growing evidence that human resource management practices can positively affect organizational performance (Boselie, Dietz, & Boon, 2005; Combs, Liu, Hall, & Ketchen, 2006; Huselid, 1995). However, the specific mechanisms by which human resources affect firm performance are not clearly understood (Collins & Smith, 2006; Guest, 2011; Paauwe, 2009).

The purpose of this paper is to build on previous theory and research on strategy and human resource management to identify important linkages between the firm's strategy, its human resources, and performance outcomes. Specifically, this paper extends the work of Boswell and her colleagues (Boswell, 2006; Boswell, Bingham, & Colvin, 2006; Boswell & Boudreau, 2001; Colvin & Boswell, 2007) to present a framework for creating a clear "line of sight," from strategy to implementation at all levels of the firm—organizational, group, and individual. As originally conceived, "line of sight" (LOS) refers to an employee's understanding of the firm's strategic goals as well as the actions necessary to accomplish the goals (Boswell et al., 2006). Boswell (2006) found that employees' understanding of *how* to contribute to the organization's strategic goals was more important than understanding those goals *per se*. However, while this study shed some light on the relation of LOS to individual employee work outcomes like job satisfaction and turnover, only a modest amount of variance was explained by the LOS construct. Further, Boswell's LOS framework focused only on the individual level of analysis. Boswell (2006) acknowledged the limitations of her model and recommended that future conceptualizations and research also include group and organizational level factors to develop a more comprehensive understanding of the mechanisms influencing LOS. Several other authors have cited the need for multi-level or cross-level models to more fully examine the relationships among various contextual variables, HRM practices, employee behaviors, and performance outcomes (Guest, 2011; Ostroff & Bowen, 2000; Paauwe, 2009). This paper redefines the LOS framework by including group and organizational levels of analysis, and by creating a more complete model of the relationships among strategy, human resource management, and performance. Our proposed model shows how strategically aligned HRM practices contribute to the creation of human capital and social capital, both of which are necessary to achieve and sustain superior performance.

This paper is organized as follows. First, we review the relevant literature on strategy and human resource management, focusing in particular on the role of human resources in creating competitive advantage. The resource-based view (RBV) provides the overarching theoretical foundation for our framework linking strategy, human resource management and performance. From an RBV perspective, HRM practices are thought to create human capital and/or social capital that lead to superior performance. While recognizing that RBV has been criticized on several fronts (Kraaijenbrink, Spender, & Groen, 2010), we believe that it provides a useful meta-framework to explain how firms can achieve and sustain superior performance by effectively aligning strategy and human resource management practices to create both human and social capital. We then present a model that illustrates how human resource management practices can effectively link organizational, group, and individual activities with the firm's strategic goals. The primary argument advanced in this paper is that organizational performance will be enhanced to the extent that organizational capabilities and culture, group competencies and norms, and employee skills, motivation and opportunity are aligned with the firm's strategic goals (i.e., there is a clear "line of sight"). This multi-level framework goes beyond previous conceptualizations of LOS to incorporate organizational and group factors that facilitate the effective formulation, implementation and adaptation of strategy. We conclude the paper with some implications for future research and practice.

2. Strategy and human resource management

Strategy has been conceptualized at three levels. At the corporate level, strategy is concerned with the business or range of businesses the corporation wishes to compete in. Porter's (1980) industry analysis model has been influential in elucidating the economics of an industry (or industry segments) and its profit potential. At the business level, strategy is concerned with the question of how to compete for the hearts and minds of the customer. Again, Porter's work on generic strategies (i.e., cost leadership, differentiation and focus) has been influential in our thinking as has his work on value chain analysis (Porter, 1985). In addition, the influence of SWOT analysis and RBV (Barney, 1991) has been seminal in addressing strategy questions at these two levels. The final question strategy addresses is: how does one coordinate and control the various functional areas, such as finance, accounting, marketing, production, research and development, and human resource management, in a way that supports the corporate and business strategies? Here again, value chain analysis and RBV have made important contributions, as has more traditional work that focuses on environment, systems, and structures. However, it is our contention that human resource management and LOS are especially important in connecting functional level strategies and tactics with business and corporate level strategies.

The importance of human resource management to effective implementation of strategy has been recognized for some time. Porter (1985) explicitly acknowledged that human resource management was an essential support activity that, when integrated with other value chain activities, is necessary for a firm to achieve and sustain competitive advantage. A prominent perspective that potentially explains the strategic importance of human resources is the resource-based view of the firm (Barney, 1991;

Barney & Wright, 1998; Beltran-Martin, Roca-Puig, Escrig-Tena, & Bou-Lluisar, 2009; Boxall, 1996; Phan, Chan, & Lee, 2005). The resource-based view proposes that a firm is defined by the resources it controls. Further, it assumes that all competitors are not homogeneous but, rather, they differ on the resources that they possess. These resource-based differences explain differences in performance across firms. If a firm possesses resources that are valuable, rare, non-imitable, non-substitutable, non-transferable, and the firm has the organizational capability to exploit these resources, it possesses a sustainable competitive advantage (Barney, 1991). Barney (1991, 1995) and others (Boxall, 1996; Carmeli & Schaubroeck, 2005; Pfeffer, 1994; Senge, 1990) have argued that certain firm-specific intangible sources of advantage (such as organizational history, culture, learning, and other human dimensions of organizations) can be particularly important to sustaining competitive advantage precisely because they are valuable, rare and extremely difficult to imitate and substitute for. Consequently, much recent theoretical and empirical work has focused on human resources and human resource management practices as essential sources of competitive advantage. Human resources and human resource management activities are strategically important because they are potentially valuable, rare, difficult to imitate and substitute for, and they are central to creating the organizational capability to enact the firm's strategic goals. We think this is particularly important when firms face competition based on possessing, communicating, and creating superior knowledge, human capital, and social capital versus having superior land, capital, or technology. We also argue that HRM practices are particularly important when firms choose to grow through mergers and acquisitions (see, for example, Allred, Boal, & Holstein, 2005) or firms seeking to grow their international operations especially when those operations involve very different cultures from the home country (Manickavasagam, 2006).

We use RBV as the dominant theoretical framework for our proposed model. As noted, RBV has been used by other researchers as a framework for examining the HRM–performance relationship. What is missing from many of these previous examinations is the link between strategy and human resource management practices. For example, oft-cited studies by Huselid (1995) and Combs et al. (2006), among others, examine the performance effects of various configurations of HRM practices. The questions of strategy are not explicitly addressed. How do HRM practices and systems contribute to strategy formulation and implementation? What strategic value do they create? From our perspective, the *value* dimension of RBV is defined by the value added of the HRM function and practices to the formulation and execution of strategy. Without this explicit connection, it is difficult to argue that HRM practices have any strategic significance. RBV has been criticized (Kraaijenbrink et al., 2010) in part because it has not clearly defined value and resources. In our view, a resource is valuable only to the extent that it contributes to a firm's ability to create and execute a strategy that leads to other, more valuable resources (i.e., sustainable superior performance). Using the value chain framework, value chain activities are strategically relevant to the extent that they add value relative to costs, thus contributing to increased profit margins, and ultimately, to superior returns on investment. In this sense, HRM practices are valuable *strategic* resources only in so far as they provide for the creation and maintenance of other resources to effectively plan and execute the firm's strategic priorities. Viewing HRM practices in this way helps to overcome the criticism that RBV is a tautology. Strategic HRM practices can create and maintain additional valuable strategic resources that, when combined, lead to even more value in the form of sustained superior performance.

There has been extensive research on the relationships among strategy, human resources, human resource management practices, and firm performance. Although empirical work suggests that HRM practices can positively impact firm performance (Boselie et al., 2005; Combs et al., 2006; Guest, Michie, Conway, & Sheehan, 2003; Huselid, 1995), the specific ways in which these practices affect organizational outcomes are not clear. This uncertainty is due to the fact that studies differ widely with respect to theoretical foundations, levels of analysis, definitions of HRM practices, and measures of performance (Guest, 2011; Paauwe, 2009). For example, some studies employ “best practice” perspectives, arguing that certain HRM practices (e.g., high performance work systems) can be universally applied to all firms (Huselid, 1995; Pfeffer, 1994). Others examine contingency frameworks arguing that the appropriate HRM practices depend on contextual variables such as business strategy or environment (Chandler & McEvoy, 2000; Schuler & Jackson, 1987; Wood, 1999; Wright & Snell, 1998). Previous studies also differ on dependent measures of performance, some focusing on various financial outcomes (sales, profits, growth), others on organizational outcomes (productivity, quality, efficiency), and still others on HR-related outcomes (attitudes, behaviors, intentions of employees) (Paauwe & Boselie, 2005). In summary, there is a need for a more comprehensive theoretical framework and empirical validation of the relationships among strategy, HRM practices, and performance. In this regard, simply linking HRM practices to business strategy is not enough. Ultimately, organizations must connect *people*, with the requisite abilities and motivation, to complex, dynamic, and fragile organizational objectives and work requirements in order to affect lasting performance outcomes (Boswell, Wright, & Snell, 2000; Overholt & Granell, 2002; Paauwe & Boselie, 2005).

Strategy theorists and researchers have explored the relationship of an organization's people resources to organizational performance. Various authors have argued that human and social factors can affect performance by contributing to an organization's core competencies/capabilities (King & Zeithaml, 2001; Lado & Wilson, 1994; Leonard-Barton, 1992), dynamic capabilities (Teece, Pisano, & Shuen, 1997), knowledge-base (Grant, 1996), social networks (Collins & Clark, 2003), or learning capability (Kang, Morris, & Snell, 2007). In general, these theories suggest that firm-specific capabilities, such as knowledge, skills, abilities, behaviors, processes, practices and systems, are sustainable sources of competitive advantage. Implicitly or explicitly, these strategy frameworks point to the critical role of the firm's human capital (people) and social capital (relationships and interactions among people) in determining long-term performance (Wright et al., 2001). However, theory and research in the strategy literature tend to be focused at the organizational level of analysis and do not explicitly explain how human capital and social capital are created through HRM practices or how they are related to group or individual behavior.

In the human resource management literature, several recent studies have attempted to explore the so-called “black box” between HRM practices and performance outcomes. One group of studies focuses primarily on the role of HRM practices in developing

human capital that directly influences performance outcomes. Human capital is generally defined as the knowledge, skills, and abilities (KSAs) individually and collectively contained in the firm's human resources (Becker, 1964). The assumption of the human capital framework is that certain firm-specific KSAs have a direct effect on employees' behaviors and, ultimately, on performance. For example, in a study of private and public sector organizations in Israel, Carmeli and Schaubroeck (2005) found that firms with higher levels of human resource capital (i.e., employees' education levels, training, work experience, and skills) performed better when top managers perceived that these resources provided distinctive value. In a sample of large Spanish firms, Lopez-Cabral, Valle, and Herrero (2006) found that valuable and unique core employees (i.e., those with firm-specific knowledge, skills, and abilities) were positively associated with the firms' competitiveness and efficiency. In another study, Selvarajan et al. (2007) found that an empowerment-oriented human capital philosophy was associated with a more innovative culture and greater performance in a sample of Irish firms. These studies suggest that particular kinds of HRM practices of recruitment, selection, and internal employee development are related to organizational performance. Together, these and other studies point to the role of firm-specific human capital as an important mediator of the HRM–performance relationship (Wright & McMahan, 2011).

Other studies have focused primarily on the role of HRM practices in developing *social capital* as a means for enhancing performance. Social capital refers to the nature of the relationships (i.e., social structures and processes) among people internal and external to the firm (Nahapiet & Ghoshal, 1998). The assumption of this perspective is that firm performance is largely a function of social relationships and interactions that facilitate accomplishment of the firm's strategic priorities. For example, in a field study of high-tech firms, Collins and Clark (2003) examined the relationships among HRM practices, social networks of top management teams, and firm performance. The results of this study suggested that the relationship between certain HRM practices (incentive compensation, performance assessment, and training designed to help executives to build effective networking relationships) and firm performance was mediated through the top manager's social networks. In a related study, also conducted in high-tech firms, Collins and Smith (2006) found that commitment-based HRM practices, such as training and development, compensation, and selection practices designed specifically for knowledge workers, were positively related to social climates of trust, cooperation, and shared codes and language. These measures of social climate were related to the firm's ability to exchange and combine knowledge, that in turn, were related to firm performance. In another study of high-tech firms in China, Chow and Liu (2007) concluded that both HR capability and incentive systems that shaped the skills and attitudes of employees were significant predictors of knowledge-related performance. This finding supports the human capital perspective described earlier. In addition, consistent with the social capital framework, this study found that a sharing corporate culture and a supportive reward system, when aligned with business strategy, also contributed to performance. These and other studies highlight the prominent role of social capital as a mediator of the HRM–performance relationship. From the resource-based view, firm-specific social capital is thought to be an important intangible resource that is difficult to imitate largely because of the causal ambiguity and complexity of social interactions (Chisholm & Nielsen, 2009).

This alignment between strategy, HRM practices, and performance is the focus of the LOS construct. While most previous work in this area has focused on either human or social capital, our framework posits that *both* human capital and social capital are critical determinants of firm performance. Neither by itself is sufficient to achieve and sustain competitive advantage. As Heinrich von Pierer, former CEO of Siemens AG stated, “having a global workforce of well-trained, highly skilled people obviously isn't enough; the workforce must be efficiently networked and leveraged to maximize benefits across the company” (von Pierer, 2002, cited in Boal, 2007, p. 74).

In summary, previous research is inconclusive regarding the relationships among strategy, HRM practices, and performance. From a high-level perspective, it is likely that HRM practices are important to producing firm-specific human capital and social capital that, when linked with business strategy, lead to enhanced performance. However, it is not enough to simply create HRM practices and systems that are aligned with strategy. The real challenge is to connect capable and motivated *people* with complex and dynamic strategic objectives, organizational processes, and resulting work requirements (Ostroff & Bowen, 2000). In other words, there is a need to align the intended strategy with execution by creating the necessary human capital (i.e., clear expectations, capabilities, and motivation of employees) along with the social capital (i.e., relationships, processes, and systems) to effectively implement strategy. A general framework that summarizes the preceding discussion is shown in Fig. 1. The remainder of this paper will build on this general framework to redefine the line of sight concept and present a comprehensive model for better aligning strategy and execution.

3. “Line of sight” revisited

The notion of “line of sight” (LOS) originated in the compensation literature and focused on employees' perceptions of the link between their job performance and firm-level incentives, such as profit sharing compensation plans (Balcom & Brossy, 1997; Lawler, 1995). Boswell and her colleagues (Boswell, 2006; Boswell et al., 2006; Colvin & Boswell, 2007) extended this concept

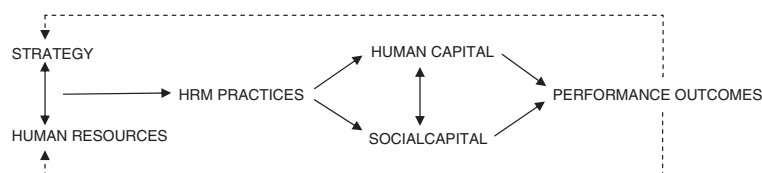


Fig. 1. General relationships.

and defined LOS as “an employee's understanding of the organization's goals and what actions are necessary to contribute to those objectives” (Boswell et al., 2006, p. 500). The assumption underlying the LOS concept is that employees' knowledge and behavior, aligned with strategic priorities, are keys to achieving positive organizational outcomes. Further, HRM activities are critical to the extent that they motivate employees' interests and actions in line with the firm's strategic objectives.

Boswell's LOS framework builds on several related concepts. First is the person–organization (P–O) fit perspective, which focuses on the alignment of employee values with organization culture (Kristof, 1996). Previous research has shown that when employees' values fit the organization's culture, they are more likely to have positive attitudes and less likely to leave the organization (O'Reilly, Chatman, & Caldwell, 1991). In addition, a recent study found that when transformational leaders encourage their followers to perceive higher levels of P–O fit, there is a higher level of perceived work group performance (Hoffman, Bynum, Piccolo, & Sutton, 2011). A second related concept is goal congruence. Research on goal congruence indicates that when employees' goals are aligned with those of their immediate supervisor, employees have more positive attitudes and higher retention (Vancouver, Millsap, & Peters, 1994). Boswell and her colleagues have augmented the alignment perspectives of P–O fit and goal congruence to explicitly link employees to the firm's strategic goals. Thus, the LOS concept posits that it is essential for employees to have an accurate understanding of the firm's strategic goals and also how they can contribute to those goals. Further, LOS postulates that the benefits of such alignment, beyond those of P–O fit and goal congruence, are that employees will experience greater role clarity (Ilgen & Hollenbeck, 1991) and a greater sense of task significance (Hackman & Oldham, 1976), both of which have been found to be related to improved employee performance.

Although not explicitly addressed by Boswell's (2006) model, a closely related concept is the AMO (ability–motivation–opportunity) framework (Appelbaum, Bailey, Berg, & Kalleberg, 2000). This framework purports that employees who have the opportunity to participate in high performance work systems (e.g., decision making, self-directed teams), and who have the requisite skills and incentives to do so, will perform better than those that do not have these attributes. The opportunity to participate in decision making, team-work, and organizational activities is thought to contribute to two important outcomes for employees: 1) increased trust among managers and employees, and 2) increased intrinsic motivation due to more meaningful and significant work (Appelbaum et al., 2000). AMO has been widely used as a micro-level theoretical framework for examining the HRM–performance relationship (Guest, 2011; Paaauwe, 2009). However, AMO is focused primarily on the individual level of analysis and does not explicitly take into account strategy or group and organizational determinants of performance.

In an empirical examination of the LOS framework, Boswell (2006) found that employees' understanding of *how* to contribute to the organization's strategic goals was more important than only understanding the goals. She concluded that:

“It appears that employees who understand how to contribute to an organization's strategic goals are more likely to feel a sense of belonging (or fit), perhaps since they are better able to work in alignment with the firm's needs, while this is not necessarily the case for employees that are aware of the strategy but not necessarily know what to do about it” (p. 1504).

While this study shed some light on the relation of LOS to selected individual employee work outcomes (e.g., job satisfaction, commitment, intent to quit, turnover), a very modest level of variance was explained by the LOS construct. Here again it is important to note that Boswell's framework focused only on the individual level of analysis — that of individual employee perceptions and outcomes. In this regard, the study shed some light on the contribution of human capital to enhancing individual performance outcomes. Boswell (2006) acknowledged the limitations of her model and recommended that future conceptualizations and research on LOS incorporate situational variables, including group and organizational level factors, to create a more complete understanding of the mechanisms by which employee actions are aligned with strategic objectives. Toward that end, this paper redefines the LOS concept to include group and organizational levels of analyses that focus on dimensions of both human capital and social capital.

4. A model for sharpening line of sight

Based on the preceding discussion, we define LOS as the alignment of organizational capabilities and culture, group competencies and norms, and individual KSAs, motivation and opportunity with one another and with the organization's strategy. Our proposed model is shown in Fig. 2. As illustrated, the framework's driving force is the firm's strategy, including its vision, mission, goals, strategic plans, and resulting action plans (tactics). At the core of the model are three distinct, yet interrelated levels of analysis that are directly linked to strategy: organizational, group, and individual. Specifically, the three levels are viewed as building blocks with organizational capabilities/culture as the foundation on which the other two levels — group level competencies/norms, and individual KSAs/motivation/opportunity — rest. We suggest that organizational capabilities, group competencies, and individual KSAs are primarily related to human capital; organizational culture, group norms, and individual motivation and opportunity are primarily related to social capital. As shown, HRM practices are central to generating, reinforcing and sustaining organizational capabilities/culture, group competencies/norms, and individual KSAs/motivation/opportunity. Overall firm performance is a function of the vertical alignment of strategic priorities and actions among these three organizational levels and the horizontal alignment of the HRM practices in recruitment/selection, performance appraisal, training/development, and compensation. Important assumptions underlying the model are that the firm's strategy is linked to the firm's general and industry environments, and that the firm is continually adjusting its strategy in an attempt to achieve and maintain a competitive position within its external environment. In this regard, although the bold arrows suggest that organizational, group, and individual activities are primarily influenced by strategy, it is important to recognize that these activities are reciprocal and can also influence

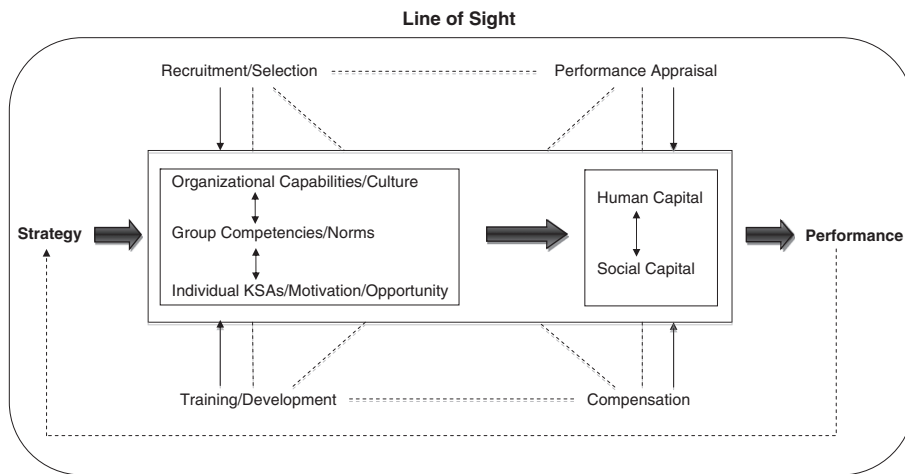


Fig. 2. Strategy, HRM practices, and performance: refocusing line of sight. Note: Dotted lines between HRM practices indicate that these are all internally aligned.

adjustments in strategy. In addition, the dotted feedback loop underscores the dynamic nature of this process. This idea will be discussed in more depth later in the paper.

4.1. Organizational capabilities/culture

Organizational capabilities are the foundation for building strategically relevant HRM practices. The strategy literature has long focused on certain core competencies or core capabilities as being essential to firm performance (Prahalad & Hamel, 1990; Stalk, Evans, & Schulman, 1992). As used here, organizational capabilities are system-level resources, defined by Colbert (2004) as “those organizational capabilities that exist only in relationships – in the interactions between things” (Colbert, 2004, p. 348). These capabilities and resources involve both the ability to learn and the ability to change (Boal & Hooijberg, 2000). They have been variously referred to as cultural resources (Wernerfelt, 1989), dynamic capabilities (Teece et al., 1997), knowledge-base capabilities (Grant, 1996), social networks (Collins & Clark, 2003), system-level resources (Black & Boal, 1994) or learning capabilities (Kang et al., 2007). In general, these theoretical frameworks suggest that certain firm-specific capabilities – relationships, processes and systems – are sustainable sources of competitive advantage because they are valuable, rare, and difficult to imitate and substitute for.

Organizational culture is also an important determinant of performance (Denison, 1996). We argue that organizational performance will be enhanced when employees at all levels share values, assumptions, and beliefs that are aligned with strategic goals and capabilities. Previous theory and research suggest that organizational culture can influence the design of HRM policies and practices, as well as mediate the link between HRM and performance by shaping cultural norms and practices (Bowen & Ostroff, 2004; Denison, 1996). HRM policies, practices and systems affect the perceptions, attitudes and behaviors of individual employees which, in aggregate, affect group and organizational outcomes. For example, recent studies show that high performance work practices (Sels et al., 2006) and high involvement work organizations (Batt & Colvin, 2011) are associated with positive organizational outcomes (e.g., increased productivity, lower quit and dismissal rates). Generally speaking, organizational capabilities and culture involve social capital. The preponderance of evidence indicates that social capital has a strong positive effect on firm performance (Westlund & Adam, 2010). However, the existing literature provides little practical advice on how to create core capabilities based on social capital (Chisholm & Nielsen, 2009). In addition, although organizational capability perspectives assume that people are necessary elements, they tend to be focused at the organizational level of analysis in most studies.

It is also important to acknowledge the dynamic nature of capabilities and culture. Developing the organization's capacity to learn from its past, adapt to its present, and envision and create the future are increasingly important. A firm's competitive advantage lies in its ability to create, recombine and transfer knowledge efficiently within the context of a dynamic competitive environment. This dynamic capability, while difficult to achieve, offers the greatest competitive advantage due to the difficulty of imitation by other firms (Kogut & Zander, 1992; Zhou, Anand, & Mitchell, 2004). The very complex, non-codifiability, and tacitness of collective knowledge and shared values require opportunities for frequent interaction, dialog, and feedback among people and groups (Boal, 2007). Human resource management is one of the mechanisms for doing this through its impact on selection, training, socialization and compensation of organizational members.

A relevant concept here is that of organizational citizenship behavior (OCB), defined as voluntary, extra-role behaviors that contribute to “the maintenance and enhancement of the social and psychological context that supports task performance” (Organ, 1997, p. 91). Consistent with our model, OCB can be present at three different levels in the organization: organizational, group and individual (Bentein, Stinglhamber, & Vandenberghe, 2002; Organ & Ryan, 1995). Collective OCB at the organizational level is considered as a shared set of assumptions, beliefs, and values that promote discretionary, extra-role behaviors to maintain and enhance the social and psychological contexts of work. In other words, collective OCB is a component of the organization's culture. When these collective discretionary behaviors are directed at the accomplishment of strategic goals, they enhance

performance. In addition, collective OCB provides a mechanism that facilitates organizational learning and change, since employees share a collective interest in helping the organization to succeed. There is some evidence that collective OCB is influenced by HRM practices and is associated with positive organizational outcomes. For example, [Gong and Chang \(2008\)](#), in a study of Chinese firms, reported a positive relationship between high performance work systems (i.e., specific types of HRM practices) and collective OCB, mediated by collective affective organizational commitment. [Lam, Chen, and Takeuchi \(2009\)](#), in a sample of respondents in a joint venture in China, found that OCB mediated the relationship between two specific HRM practices (i.e., retention-oriented compensation and formalized training) and employee intent to leave. In another example, [Kim and Gong \(2009\)](#) found that group-based pay was positively related to organizational performance and that relationship was partially mediated by core employee OCB.

Our model indicates that the firm's strategy should provide a basis for determining those organizational capabilities and culture necessary for creation, execution and adaptation of the firm's strategic goals and priorities. For example, if the cornerstones of a company's competitive strategy are to differentiate based on innovation, quality products, and responsiveness to customers, then the firm must develop organizational systems, structures, and processes to effectively implement this strategy. Of course, included in these system-level resources would be the design and implementation of HRM policies and practices explicitly linked to strategy. At a high level of abstraction, organizational theory and research suggests that a firm's innovation and responsiveness are associated with structures, systems and processes that are designed to be organic, rather than mechanistic, in nature ([Galbraith, 1973](#)). For example, [Leonard-Barton \(1992\)](#) argued that organizational innovation is the result of four interrelated characteristics: 1) egalitarianism, 2) shared knowledge (internal to the firm), 3) continuous experimentation, and 4) openness to new knowledge from outside the firm. Knowledge, learning, and values are distributed throughout the organization. However, HRM policies and practices, because of their centrality in a nexus of networks and unique ability to create, reinforce or change existing action patterns within the organization, can play a central role in providing the mechanisms by which capabilities and value carriers are brought together within and across the firm's domain. HRM activities related to hiring, training, placement, socialization, and compensation are particularly relevant in this regard. Thus, a strategic human resource function serves as an important network broker by designing policies and practices by which the firm encourages, supports, and sustains innovation, knowledge creation, and values creation to support effective strategy formulation and implementation ([Burt, 1992](#)).

[Wright et al. \(2001\)](#) note that organizational systems and processes are essential for creating the knowledge flows and dynamic capabilities necessary for achieving and sustaining a firm's competitive advantage. Some previous research suggests that HRM practices that facilitate employee participation, networking, and commitment, are more conducive to knowledge sharing and innovation ([Appelbaum et al., 2000](#); [Collins & Clark, 2003](#); [Collins & Smith, 2006](#)). Further, compensation practices that are more egalitarian and based on firm-level outcomes appear to be associated with more cohesive, team-oriented behavior that leads to higher product quality ([Bloom, 1999](#); [Cowherd & Levine, 1992](#)). While these studies point to the important role of HRM policies and practices in creating various forms of social capital, more research is needed to determine how specific HRM practices can influence particular organizational capabilities and values necessary for creating and executing the firm's strategy.

Proposition 1. *HRM practices that generate, reinforce, and sustain organizational capabilities and culture, aligned with strategy, lead to increased performance.*

4.2. Group level competencies/norms

At the group level, job-specific competencies and norms form the next component of our model. A job is a group of positions with similar responsibilities. The field of human resource management has historically emphasized the role of job analysis as the foundation for an integrated HRM system. Job analysis systematically identifies the specific tasks and requisite skills necessary for accomplishing a particular job or position in the organization ([Harvey, 1991](#)). More recently, the concept of job analysis has been broadened to account for the fact that narrowly-defined jobs are too constraining for today's organizations that require more flexibility, sharing, and team-work across functions ([Jackson & Schuler, 2000](#)). Instead, the notion of the "job-less" or "boundary-less" organization has emerged to underscore the need for more flexibility and agility among a firm's work-force ([Bridges, 1994](#)). Included in this broader concept of work responsibilities is the idea that employees must have the capacity and motivation to take initiative beyond their jobs to proactively contribute to the organization's goals ([Boswell, 2006](#)). Thus, job analysis is increasingly focused on defining a broader set of specific competencies necessary to perform work in various job categories within the organization.

[Spencer and Spencer \(1993\)](#) defined a competency as "an underlying characteristic of an individual that is causally related to....superior performance in a job or situation" (p. 9). [McEvoy et al. \(2005\)](#) more specifically described a competency as a configuration of knowledge, skills, and traits that enables one to perform well in a professional role. These competencies should include task-specific KSAs like the necessary technical competence required for certain job positions, but also should include non-technical skills such as communication, teamwork, flexibility, and ability to learn, that are essential for developing human capital and social capital ([Wright et al., 2001](#)).

Also critical are the norms that govern group behavior. Group norms are the socially defined "rules of behavior" that have been accepted as legitimate and shared by the group members ([Napier & Gershenfeld, 1985](#)). Group norms affect the performance of individuals within the group as well as that of the group as a whole ([Cialdini & Trost, 1998](#)). Further, [Ehrhart and Naumann \(2004\)](#) have theorized that group norms are a component of organizational citizenship behavior in groups. They argued that work group norms influence the level and strength of OCB norms in groups which, in turn, impacts group performance. They

also suggested that, to the extent that the organization has a strong culture around OCB, the various groups within the organization will have similar OCB norms. Previous research has shown that group-level OCB is positively associated with group performance (Podsakoff & MacKenzie, 1997). For example, using ratings of group level OCB provided by restaurant managers in a longitudinal study, Koys (2001) found that OCB was positively related to store performance and customer satisfaction.

We posit that firm-specific job competencies and norms at the group level, that are valuable, rare, inimitable and non-substitutable, are potentially sustainable sources of competitive advantage. As shown in Fig. 2, the specific competencies for the various job categories should be defined in terms of strategy. In other words, from the RBV perspective, *value* is defined by the contribution of these competencies to the creation and execution of the firm's strategic goals. Further, we argue that competencies and norms at the group level facilitate the development of both human capital and social capital in the firm.

Theoretically, firms can develop human capital and social capital advantages by securing a stock of human talent that possesses strategically relevant job competencies and norms (Boxall, 1996). As illustrated in Fig. 2, these competencies and norms should be based on the organization's capabilities/culture also aligned with strategic priorities. Further, HRM practices should be designed to generate, reinforce and sustain organizational capabilities/culture and job-specific competencies/norms. More research is needed to determine the specific HRM practices needed to generate, reinforce and sustain specific kinds of group-level job competencies and norms required to create and execute a firm's strategy. Perhaps a useful guide for future research is the framework presented by Schuler and Jackson (1987), which suggested a typology of competitive strategies and the requisite employee role behaviors and HRM practices for each.

Some authors have proposed that not all employee groups possess job competencies that are of equal strategic importance (Lepak & Snell, 1999; Prahalad & Hamel, 1990). For example, Lepak and Snell (1999) presented an HR architecture that defines the strategic role of various employee groups based on the uniqueness and value of their capabilities. In their framework, of highest strategic importance are employees who possess firm-specific capabilities that are both valuable and unique – “that is, their strategic benefit exceeds the managerial and bureaucratic costs associated with their development and deployment” (p. 36). Other employee groups, whose capabilities are either valuable or unique, but not both, have less strategic importance. Those whose capabilities are neither valuable nor unique have no strategic importance. These various employee groups have implications for the levels and types of the firm's human capital investments. While based on reasonable theoretical assumptions, there are possible limitations to Lepak and Snell's (1999) proposed HR architecture. For example, segregating so-called strategic and non-strategic employees may in fact mitigate the potential for achieving effective social interactions necessary to accomplish the firm's goals. An alternative perspective would be that all employees at all levels can and should contribute to the accomplishment of strategic goals. In this regard, what is often missing is a clear alignment of expectations stemming from strategy, and communicating those expectations along with how employees' actions can meet those expectations. As Colvin and Boswell (2007) concluded:

“If in fact there is the potential for a strategically valuable element to all jobs in an organization, then organizations that achieve action and interest alignment with their entire workforce will be better placed to capture this potential value” (p. 48).

This idea will be discussed more fully in the next section of the paper.

Proposition 2. *HRM practices that generate, reinforce and sustain job-specific, group competencies and norms, aligned with strategy, lead to increased group performance.*

Proposition 2a. *HRM practices that align group competencies and norms with strategy lead to increased organizational performance when group performance is appropriately aggregated.*

4.3. Individual KSAs/motivation/opportunity

The third level of analysis in our model is that of individual-specific KSAs, motivation and opportunity. This level is where the “rubber meets the road” and is the focus of most of the previous work on LOS and on the HRM–performance relationship. AMO theory is most relevant to this level of analysis. As articulated by Colvin and Boswell (2007), organizations and jobs do not act on strategic priorities — *people* do. Ultimately, firms create and execute strategy through the individual and collective behaviors of their employees. Therefore, each individual employee must have the ability, motivation and opportunity to engage in actions leading toward the accomplishment of strategic goals. Colvin and Boswell (2007) described two interrelated challenges involved in linking individual employees' behaviors with strategic objectives: action alignment and interest alignment. Action alignment is a function of an individual's capabilities (KSAs) as well as the opportunity to use those capabilities effectively. As shown in Fig. 2, each individual employee should possess the KSAs necessary to enact the organization's capabilities and the job-specific group competencies, all aligned with strategic priorities. In addition, employees should have the opportunity to apply their KSAs toward the fulfillment of strategic goals without undue organizational constraints. Thus, opportunity is largely a function of organizational policies and culture and group level rules and norms. Effective employee performance is a function of the employee's skills and motivation and the opportunity to apply those skills in their day-to-day work activities (Appelbaum et al., 2000).

Action alignment can be enhanced through organizational mechanisms such as: 1) providing clear communication of the strategic objectives, 2) fostering employee participation in job-related decisions, 3) defining jobs more broadly, and 4) giving

employees more discretion in how they work toward company goals (Colvin & Boswell, 2007). HRM practices can facilitate these actions. In addition, HRM practices such as recruitment/selection and training/development can be designed to help the firm attract, develop and adapt employees' KSAs over time. As noted earlier, previous research has attempted to identify the specific HRM practices and employee behaviors needed to implement particular strategies (Jackson, Schuler, & Rivero, 1989; Olian & Rynes, 1984; Wright, Smart, & McMahan, 1995). While this notion of 'fit' or 'configuration' between specific employee behaviors and strategy has received some support, there is a concern that it does not adequately address the dynamic nature of strategy. Moreover, as several authors have argued, employees' individual KSAs must also include the ability to engage in flexible and discretionary behaviors (OCB) that help the organization achieve its strategic goals in a dynamic business environment (Colbert, 2004; Colvin & Boswell, 2007; Organ, 1997; Wright & Snell, 1998). These discretionary behaviors may also include actions that lead to the creation of new strategic goals and priorities when necessary. This notion of discretionary employee behavior is critical because strategy changes continuously and it is impossible to specify in advance all the behaviors that are necessary for goal achievement on an ongoing basis (Boswell, 2006). Thus, true LOS means that individual employees are able to accurately sense the need for change and to adjust their behaviors accordingly.

The previous discussion implies that it is not enough for employees to have the requisite abilities and opportunities to contribute to strategic goals. They must also *want* to do so. This leads to the second challenge in aligning employee behaviors with strategic objectives—interest alignment. Colvin and Boswell (2007) defined interest alignment as “the alignment of the interests of employees with the organization, its strategy, and goals” (p. 44). They proposed that employees' interests are a function of both the extrinsic (e.g., rewards) and intrinsic (e.g., meaningful work) benefits that they derive from work. The HRM practices most relevant to interest alignment are those of employee appraisal and compensation. Employees must be motivated and held accountable for performing strategically relevant tasks. Therefore, each employee's day-to-day activities must be defined, communicated, and measured and she or he should receive regular feedback on performance. Rewards (both extrinsic and intrinsic) should be linked to effective performance results. A variety of extrinsic compensation schemes have been examined in the literature (see, for example, Bloom, 1999; Cowherd & Levine, 1992; Gerhart & Milkovich, 1990). In general, research suggests that employees will be motivated to contribute to organizational objectives if they believe that their actions are instrumental to securing valued rewards linked to the organization's success. Focusing only on external compensation, however, can be problematic because there is often not a clear and direct link between individual employee behavior and organizational outcomes. Moreover, not all strategically-relevant behaviors (e.g., discretionary actions) can be specified a-priori. Further, as Deci and his colleagues have found, tangible external rewards can undermine intrinsic motivation over time (Deci, 1971; Deci, Koestner, & Ryan, 1999).

Due to the limitations of extrinsic compensation, Colvin and Boswell (2007) proposed that interest alignment can also be enhanced by focusing more on the intrinsic dimensions of the organization's vision, goals, culture and the work itself. Building on Hackman and Oldham's (1980) job design theory, they argued that employees can derive intrinsic value from the meaningfulness and significance of their work. If employees believe that the work they are doing is significant and contributes to meaningful goals, they will be more willing to engage in behaviors, particularly discretionary actions that contribute to those goals. This reasoning is consistent with the OCB (Organ, 1997) and AMO (Appelbaum et al., 2000) frameworks cited earlier. Thus, organizational leaders and HRM practices can facilitate line of sight by developing a compelling shared vision for the firm and by creating a culture in which employees are empowered to act in ways that are mutually beneficial to the organization and themselves.

Proposition 3. *HRM practices that generate, reinforce and sustain individual KSAs, motivation, and opportunity, aligned with strategy, lead to increased individual performance.*

Proposition 3a. *HRM practices that align individual KSAs, motivation, and opportunity with strategy lead to increased group and/or organizational performance when individual performance is appropriately aggregated.*

4.4. Measuring performance

As noted, previous research on the strategy–HRM–performance relationship has been inconclusive in part because different studies have used different levels of analyses and different measures of performance (Paauwe & Boselie, 2005). Our model indicates that each of the three levels — organizational, group, and individual — contributes to overall performance. At the firm level, performance can be measured by traditional accounting measures, as well as by more broad-based organizational outcome measures (e.g., quality, productivity, customer service) such as those included in a balanced scorecard approach (Kaplan & Norton, 1996). Firm level HR-related outcomes like organizational culture and collective employee attitudes can also be used. This requires aggregating individual and/or group level data to the organizational level of analysis (Klein, Dansereau, & Hall, 1994). Of course a major problem in measuring performance at the firm level is establishing the causal connection between specific organizational activities, such as HRM practices, and firm-level performance indicators (Wright & Haggerty, 2005). Group level performance can be measured by many of the same indices used at the firm level of analysis. Similar challenges exist regarding the causal relationship between group activities and outcomes. Finally, individual characteristics, attitudes, behaviors, and job performance can be also measured. Here the challenge is to extrapolate any impacts of HRM activities on individual performance to the overall performance of the firm.

In the final analysis, measuring performance outcomes is clearly a challenge to testing and validating the model in Fig. 2. Ours is a multi-level model, requiring more complex research designs and sophisticated statistical analysis (Guest, 2011; Klein et al.,

1994; Paauwe, 2009). In addition, several authors have suggested that there is a critical need to develop more effective metrics and have offered HR researchers and practitioners some additional tools to assess both the tangible and intangible returns on HRM practices (Jamrog & Overholt, 2004; Lawler, Levenson, & Boudreau, 2004; Ulrich & Smallwood, 2005). Future research should incorporate these measures of performance and employ longitudinal designs to better assess the causal relationships among strategy, HRM activities, organizational, group and individual factors and performance.

4.5. HRM practices and line of sight

The preceding discussion implies a major challenge for companies – to define and develop strategically-relevant organizational capabilities, job-specific group competencies, and individual KSAs, and also design mechanisms to develop organizational culture, group norms and employee motivations and opportunities to enact these capabilities in executing strategic goals. As shown in Fig. 2, HRM practices are essential organizational mechanisms for generating, reinforcing, and sustaining employee actions in line with organizational capabilities/culture, group level job competencies/norms, and individual KSAs/motivation/opportunity. The primary HRM activities relevant to our framework are those of recruitment/selection, training/development, employee appraisal, and compensation. It is critical that these activities be clearly linked with the firm's strategy and internally consistent with one another. This component of our model is supported by the work of Bowen and Ostroff (2004) who argued that the “strength of the HRM system” is a critical intermediate variable in the HRM–firm performance relationship. In their framework, the strength of the HRM system is characterized by its distinctiveness (i.e., visibility, understandability, legitimacy of authority), consistency (i.e., instrumentality, validity, consistent messaging), and consensus (i.e., agreement among HRM decision makers, fairness). They concluded that:

“The characteristics of strong HRM systems are more likely to promote shared perceptions and give rise to the emergence of a strong organizational climate about HRM content. That is, we propose that the strength of the HRM system will foster the emergence of organizational climate (collective perceptions) from psychological climates (individual-level perceptions)” (Bowen & Ostroff, 2004, p. 213).

What is missing from the Bowen and Ostroff (2004) strong HRM system is its direct connection to the firm's strategy. Our model posits that HRM activities are strategically relevant *only* to the extent that they facilitate the development of the human and social capital necessary to create and execute the firm's strategy. An organization's stock of human capital (i.e., its collective capabilities, competencies, KSAs) is largely a function of its recruitment, selection and training practices. Therefore, organizational capabilities, job-specific group competencies, and individual KSAs, all linked to strategic goals, should form the foundation of job analysis, recruitment, selection, employee orientation and socialization, and training activities and systems. In addition, the organization culture, group norms, and employee motivation and opportunity encourage and reinforce the *application* of human capital in executing strategic priorities. HRM practices of performance appraisal and compensation are essential to developing and sustaining employee motivation. These practices also contribute to the development of a shared mindset or culture and group norms (i.e., social capital) necessary to create and implement strategy.

Proposition 4. *HRM practices that generate, reinforce and sustain organizational capabilities/culture, job-specific group competencies/norms, and individual KSAs/motivation/opportunity, all aligned with strategy and with one another, lead to increased organizational performance.*

5. Summary and implications for future research and practice

Previous theory and research on strategy and human resource management point to the importance of human and social capital as essential ingredients to the firm's long run success. From the resource-based perspective, firm-specific human capital and social capital are potentially sustainable sources of competitive advantage because they are valuable, rare, inimitable, and difficult to substitute for. Much of the recent research suggests that HRM practices can positively affect firm performance, primarily through their impacts on human and social capital. However, the specific mechanisms by which HRM practices influence firm performance are not clear. In this paper, we have synthesized previous work and extended the LOS framework of Boswell and her colleagues to present a comprehensive model that illustrates the linkages between strategy, HRM practices, and performance.

Our proposed framework argues that a firm's strategy is the driving force for all organizational activities. Superior performance is hypothesized to result from directly linking strategic goals and action plans to organizational capabilities and culture, job-specific group competencies and norms, and individual KSAs, motivation and opportunity. Further, performance is also enhanced when HRM practices are “strong” (Bowen & Ostroff, 2004), internally consistent and are designed to generate, reinforce and sustain these capabilities at all levels. The HRM objectives are to establish and promote a clear alignment of capabilities at all levels with the firm's strategic goals *and* to create the culture, norms, motivation and opportunity to engage in actions – including discretionary behaviors – that contribute to the accomplishment of these goals. Of course, perfect alignment or line of sight is an ideal state. Achieving alignment is necessarily complex and dynamic, requiring continuous monitoring and adjustments over time. However, in striving for such an alignment, a firm can develop sources of competitive advantage that are valuable, rare, inimitable, and non-substitutable.

The implications of our model are that the specific HMR practices and their configuration are unique, complex and dynamic in each firm — because each firm's environment and requisite strategy are also unique, complex and dynamic. This conclusion is not comforting to those who are intent on finding universal HRM best practices. It is also not particularly comforting to advocates of the fit or configuration perspective of HRM. While our model suggests that there is a unique configuration of strategic priorities and HRM practices at a point in time, such a configuration is ideal and illusory. Given the dynamics of strategy, the best that companies can hope for is to design HRM practices that engage the organization, work groups and ultimately individual employees who possess the requisite abilities, motivations, and opportunities in the ongoing pursuit of complex, dynamic, and fragile strategic priorities. This perspective on the relationships among strategy, human resource management and performance is necessarily complex, but also more representative of organizational realities. However, from the RBV perspective, this unique configuration of organizational activities is a potentially sustainable source of competitive advantage precisely because it is rare, complex, highly unobservable, and causally ambiguous (Colbert, 2004; Wright et al., 2001). Future research should examine these relationships using more holistic models. For example, Colbert (2004) attempted to integrate major principles of strategy and human resource management into a complex resource-based view framework. He argued that:

“Pursuing a line of research in SHRM (strategic human resource management) that focuses on coherence in the HR system, infused with a living-system perspective, could help to inform the way organizations are studied and improve the way they are managed” (Colbert, 2004, p. 356).

5.1. Implications for research

We believe that the proposed model provides a challenging, though potentially fruitful, foundation for future research on strategy and human resource management. Our conclusions are consistent with the recommendations of recent authors who call for the use of more comprehensive models that capture the complexity and dynamics of strategy and human resource management (Boswell, 2006; Bowen & Ostroff, 2004; Colbert, 2004; Guest, 2011; Kraaijenbrink et al., 2010; Paauwe, 2009). Future research should incorporate multiple levels of analysis and examine strategic change processes over time. For example, Kraaijenbrink et al. (2010) recommend that:

“Rather than taking a single concept of resources and capabilities and a single logic in resource-based theory, we need more refined propositions on the complex and dynamic relationships between particular types of resources, strategic competitive advantage, and rent creation” (p. 365–366).

Similarly, Colbert (2004) suggests that “concepts from the study of complex living systems are well poised to inform and extend the resource-based view and, by extension, strategic human resource management” (p. 350). Organizations, as complex living systems, are characterized by many different interacting agents and by observable intended and emergent structures, patterns and processes. Colbert (2004) recommends that researchers examine the human interactions and the processes (both intended and emergent) that lead to the creation of various HRM practices and how these interactions and processes evolve over time. He further recommends that these and other questions would best be examined using qualitative methods of inquiry that would assess the extent of complexity principles in the HRM processes and architecture. High and low performing organizations in the same industry could then be compared based on these qualitative assessments.

In one example of this approach, Thompson (2007) conducted a longitudinal case study analysis of innovations in work practices (i.e., HRM practices) at seven UK aerospace companies over five years using industry-level surveys, company documents, and face-to-face interviews of managers and employees. He found that the organization's context (e.g., government, unions, trade groups) was critical in shaping innovative work practices. In addition, the managers' power (or access to power) in the organization was important to creating and implementing innovative work practices. Finally, the nature of certain socially constructed work processes for coordinating management activity (e.g., meetings, committees, working groups) was influential in developing innovative work practices. Thompson (2007) argued that future research on the relationships between strategy, HRM, and performance should be longitudinal in nature and should focus more on context, process, and the role of individual managers and HR professionals in shaping work practices and outcomes.

Guest (2011), however, cautions researchers from pursuing overly sophisticated research designs and statistical analyses. He recommends that some basic questions still must be answered before the field can advance much further. Among them are: How do we measure HRM practices and systems? Which practices or combinations of practices have the most impact on performance? Under what conditions do certain HRM practices make a positive difference? How do we distinguish between the mere *existence* of HRM practices (content) and the effectiveness of their *implementation* (process)? Despite all of the previous research on the strategy–HRM–performance relationships, there are still some fundamental questions that need to be answered.

The LOS construct and much of the previous research support a configuration, rather than a ‘best practice’, perspective on the strategy–HRM practice relationship. More work is needed to understand what is inside the “black box” — What specific HRM practices and employee behaviors support different business strategies? However, future research should move beyond simplistic examination of generic business strategies (e.g., differentiation, cost leadership) and generic HRM practices (e.g., high-performance work practices) and should attempt to uncover more specific configurations of strategy, HRM practices, and performance. Several previous studies provide examples that move in this direction (Collins & Clark, 2003; Collins & Smith, 2006; Gong

and Chang, 2008; Hayton, 2003; Kim & Gong, 2009). In the final analysis, however, the search for definitive configurations will be elusive. Ideally, each organization's configuration will be unique at any point in time and will be constantly changing.

A final challenge for future research is measuring performance. Measures of performance must move beyond simple financial measures and incorporate more comprehensive tangible and intangible outcomes. One promising example is the work of Bassi and McMurrer (2007), who developed a comprehensive method for measuring human capital management and evaluating the impact on organizational performance. Another example is provided by Ulrich and Brockbank (2005) who developed metrics for assessing the intangible returns on investments in HRM practices. These types of new metrics provide a potentially more complete and accurate assessments of the performance impacts of HRM practices linked to strategy. Also, it is critical that future multi-level studies be more carefully designed in terms of theoretical foundation, data collection, and statistical analysis (Klein et al., 1994; Paauwe, 2009). Such designs will allow for more confidence in theory development and empirical results.

5.2. Implications for practice

The implications of our model for HR practitioners are considerable. First, it is essential that HR professionals are not only conversant with business strategy, but are integral partners in the strategic management process. This is easier said than done. Several recent studies have documented the fact that, while the HR function has become more strategic in its orientation, it is not yet a full strategic partner in many firms (Lawler & Boudreau, 2009; The McKinsey Quarterly, 2006; Weis & Finn, 2005). Accurate and effective line of sight will not occur without an ongoing dialog among all those responsible for strategy formulation, implementation, and evaluation, including HR professionals.

Beyond understanding the needs of the business, HR professionals can increase their strategic value, and therefore the value of HRM practices, by improving their competencies in three primary areas: organizational design, managing change, and measuring performance (Boudreau & Ramstad, 2005; Cascio, 2005; Kates, 2006; Lawler et al., 2004; Ulrich & Beatty, 2001). The design of organizations is essential in creating social capital. HR professionals can assist the firm in developing the right kinds of organizational architecture and culture to create and execute strategy. Of course, this includes designing and aligning HRM practices with one another and with strategic goals. As noted earlier, it is not enough to have the "right" HRM practices and systems in place; they must also be implemented effectively by managers and employees. Thus, effectively managing organizational change is also essential in achieving and sustaining alignment of strategy, HRM practices, organizational culture, group norms and employee behaviors. HR professionals can contribute to the human and social capital of the firm by developing and facilitating relationships among work groups, managers and employees at all levels in an ongoing change process. Finally, the value of the HR function, HR professionals, and HRM practices will ultimately be validated only through their impacts on performance. As noted above, organizations would benefit by employing more sophisticated methods and metrics to assess performance. Moreover, consistent with the primary argument advanced in this paper, we propose that HR efforts to enhance line of sight at all levels will move these metrics in a positive direction.

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