Theoretical Perspectives for Strategic Human Resource Management

Patrick M. Wright and Gary C. McMahan

Journal of Management 1992 18: 295
DOI: 10.1177/014920639201800205

Journal of Management
1992, Vol. 18, No. 2, 295-320

Theoretical Perspectives for Strategic Human Resource Management

Patrick M. Wright
Gary C. McMahan
Texas A&M University

Critics have argued that the field of human resource management (HRM) lacks a coherent theoretical framework. This article attempts to further the theoretical development of SHRM through discussing six theoretical models (behavioral perspective, cybernetic models, agency/transaction cost theory, resource-based view of the firm, power/resource dependence models, and institutional theory) that are useful for understanding both strategic and non-strategic determinants of HR practices. Finally, the implications of a stronger theoretical approach to SHRM research and practice are discussed.

Introduction

The past decade has seen an increasing interest in the "strategic management" of organizations in the United States. Numerous models of strategic management have been proposed (e.g., Hofer & Schendel, 1978; Miles & Snow, 1978; Porter, 1980). This interest in strategic management has resulted in various organizational functions becoming more concerned with their role in the strategic management process. The Human Resource Management (HRM) field has similarly sought to become integrated into the strategic management process through the development of a new discipline referred to as Strategic Human Resource Management (SHRM).

This field of study has produced a number of conceptual and practitioner-oriented articles proposing the particular human resource (HR) practices that would be associated with various business strategies (Miles & Snow, 1984; Schuler & Jackson, 1987; Wils & Dyer, 1984). In addition, recent research has begun to examine the determinants of HR practices from a strategic perspective (Dean & Snell, 1991; Jackson, Schuler & Rivero, 1989; Snell, in press).

Given the relative infancy of this field of study, two deficiencies in this literature need to be addressed before significant progress can be made. First, at present

The authors wish to thank Randall S. Schuler, Scott A. Snell, John A. Wagner III, and three anonymous reviewers for their helpful comments on an earlier version of this article.

Address all correspondence to Patrick M. Wright, Department of Management, Texas A&M University, College Station, TX 77843-4221.

there is no clear agreement regarding the delineation of the field of strategic human resource management (SHRM), particularly with regard to its definition. Thus, it has been difficult to differentiate between HRM and SHRM. Second, until recently there has been little in the way of strong theoretical models to aid in understanding both the role of HRM in organizations and the determinants of various HR practices. Similarly, without a strong theoretical foundation for understanding the determinants of HR practices, it is difficult to distinguish between HRM and SHRM.

Thus, the purpose of this article is to provide a foundation to guide future SHRM research and practice by (a) clearly defining SHRM, distinct from HRM, and (b) reviewing alternative theoretical frameworks that have and can be applied to help explain the role of SHRM in strategic management. In order to accomplish this task, we will first review the components of theory construction and its importance to the SHRM research process. In the context of theory construction, we offer a specific definition of the construct of SHRM, distinguishing it from HRM. We will then present a variety of theoretical perspectives that may provide the necessary foundation for understanding both the strategic and non-strategic determinants of HR practices and thus enable researchers to take a strategic approach to HRM. Finally, we will discuss the implications of the presence or absence of a strong theoretical foundation for the field of SHRM.

The Role of Theory in SHRM

According to Dubin (1976), theory is "the attempt...to model some aspect of the empirical world," (26). Theories, if accurate, fulfill the objectives of prediction (knowledge of the outcome) and understanding (knowledge of the process) regarding the relationships among the variables of interest. Thus, a good theory enables one to both predict what will happen given a set of values for certain variables, and to understand why this predicted value should result.

Although the primary goals of theorist-researchers and practitioners may differ (Dubin, 1976), a strong theoretical model has great value to both. Practitioners are primarily concerned with the accuracy of prediction of a theoretical model in order to guide their decision making; thus, an accurate theoretical model allows for better decision making in conditions of uncertainty. Theorist-researchers, on the other hand, have greater concern for understanding the why behind the prediction. For them, a well developed theoretical model allows for testing of the model and, based on these tests, revision of the model to increase its accuracy.

Due to the applied nature of SHRM, it is exceedingly important that the field develop or use theoretical models that allow for both predicting and understanding the effects of HR practices on organizational functioning. However, until very recently, one of the most glaring inadequacies of SHRM was the lack of a strong theoretical basis for viewing the HRM function (Mahoney & Deckop, 1986) within the larger organization.

In a call for HRM research to be grounded in the organizational context, Zedeck and Cascio (1984) stated "HRM issues are part of an open system, and research is theoretically bankrupt unless placed in the broader context of organiza-

tions," (463). Similarly, Dyer's (1985) review of SHRM research pointed out that the field lacked a strong theoretical foundation. He stated with regard to the dependent variables of SHRM research, that it would be helpful to "have a fully articulated theory of personnel and human resource management on which to draw," (10). In fact, in his discussion of the criteria for evaluating theory, Bacharach (1989) noted SHRM research as one glaring example of the lack of theory. He specifically pointed to this area as one which is characterized by descriptive typologies, rather than good theory that helps us to understand the why, how, and when of relationships between business strategy and HRM practices.

Much of the writing in the field of SHRM has been concerned with either practical advice or presentation of empirical data. Without good theory, the field of SHRM could be characterized as a plethora of statements regarding empirical relationships and/or prescriptions for practice that fail to explain why these relationships exist or should exist. If, in fact, the criticism that the field of SHRM lacks a strong theoretical foundation is true, then this could undermine the ability of both practitioners and researchers to fully use human resources in support of firm strategy. Prior to an examination of the current state of theory in SHRM, it is necessary to clearly define SHRM as a construct, particularly with regard to the difference between the fields of SHRM and traditional HRM.

Definitions of SHRM

One of the first steps in theory development is to choose the elements whose relationships with each other are the focus of the theory's attention (Dubin, 1976). This entails defining the various constructs of interest to the theory and is one of the most important, yet overlooked, tasks in the research process (Schwab, 1980). In fact, Schwab stated that much confusion in organizational research has been created because the focal construct has not been clearly defined. Thus, it is important for the purpose of this article to define and distinguish between the constructs of HRM and SHRM.

In order to make this distinction, it is important to understand the evolution of the field of HRM (Butler, Ferris, & Napier, 1991). The field consists of the various practices used to manage people in organizations, and these practices commonly have been grouped into subdisciplines of selection, training, appraisal, and rewards (Fombrum, Tichy, & Devanna, 1984), generally reflecting the identifiable functions of the HR department in organizations.

The importance of recognizing the functional differentiation within the HR field rests in the fact that the field has not evolved with great levels of integration across the various functions. Rather, each of the various HRM functions have evolved in relative isolation from one another, with little coordination across the disciplines. Thus, for example, researchers in the area of performance appraisal have become extremely adept at studying the various techniques that maximize the accuracy and effectiveness of the appraisal process, yet very little research attention has been devoted to understanding the relationship between appraisal systems and selection programs. In other words, each function has evolved through technical innovations generated primarily from a micro-perspective that focuses

only on the particular function. It is the sum of the technical knowledge within each of these functions that we refer to as the field of HRM.

Recently, however, organizations have become increasingly enamored with the concept of strategic management. Both researchers and practitioners in all business-related disciplines have attempted to tie the methods and tools of their discipline to the strategy of the firm. However, given the seeming lack of integration across the various HR activities, early attempts focused on tying each functional area to the firm's strategy, independent of the other activities. This resulted in the development of such things as "strategic selection," "strategic appraisal," "strategic development," and "strategic rewards," (Fombrum et al., 1984; Galbraith & Nathanson, 1979). Although these attempts broadened the perspective of HRM by recognizing the need for each individual function to be aligned with organizational goals, there was still a relative neglect of the interplay between all of the functions (Lengnick-Hall & Lengnick-Hall, 1988; Wright & Snell, 1991).

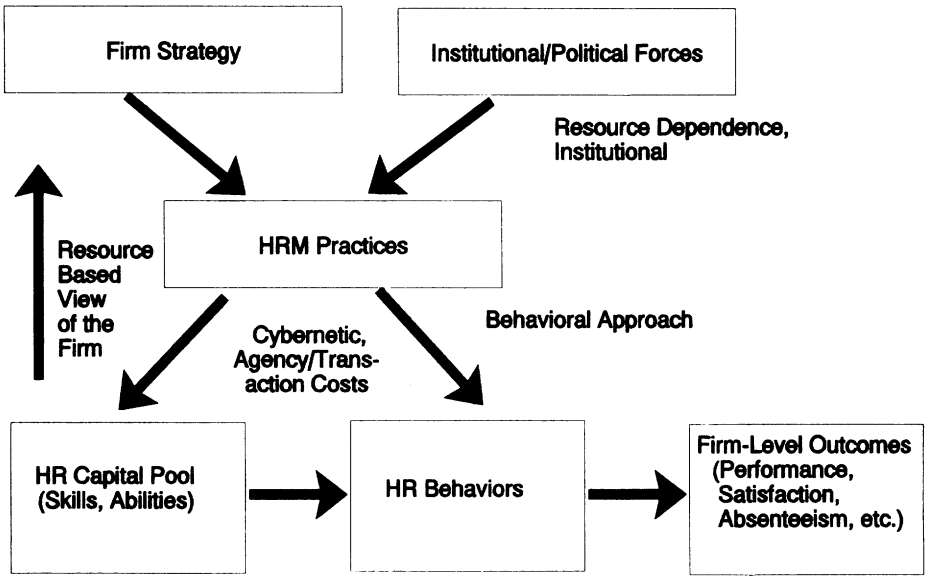
However, more recently, writers have begun to approach the area of HRM from a much more macro-orientation—that is, what could more accurately be called SHRM (Butler et al., 1991). For example, Schuler and Walker (1990) noted that human resource strategy referred to a short-term focus on business needs and defined it as "a set of processes and activities jointly shared by human resources and line managers to solve people-related business problems" (7). Guest (1989) suggested that SHRM is concerned with ensuring that "human resources management is fully integrated into strategic planning; that HRM policies cohere both across policy areas and across hierarchies and that HRM practices are accepted and used by line managers as part of their everyday work" (48). Probably the best definition offered to date, however, comes from Schuler (in press) who states that SHRM is "all those activities affecting the behavior of individuals in their efforts to formulate and implement the strategic needs of the business" (2).

In other words, SHRM is the macro-organizational approach to viewing the role and function of HRM in the larger organization (Butler et al., 1991). Thus, for the purposes of this article, we define strategic human resource management as *the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals.* This definition highlights the two important dimensions that distinguish it from traditional HRM.

First, vertically, it entails the linking of human resource management practices with the strategic management process of the organization (Dyer, 1985; Golden & Ramanujam, 1985; Guest, 1989; Lengnick-Hall & Lengnick-Hall, 1988; Schuler, in press). Second, horizontally, it emphasizes the coordination or congruence among the various human resource management practices (Baird & Meshoulam, 1988; Milliman, Von Glinow, & Nathan, 1991; Schuler & Jackson, 1987; Snell, in press; Wright & Snell, 1991) through a pattern of planned action. Our definition does not explicitly address the congruence with other organizational contingencies such as product life cycles (Baird & Meshoulam, 1988), but these are implicit given the link to organizational goals.

This definition provides a clear exposition of the variables of interest and their interrelationship to SHRM theory and research. SHRM theory should be concerned with the determinants of decisions about human resource practices, the

Figure 1
A Conceptual Model of Theoretical Frameworks for
Studying Strategic Human Resource Management



composition of the human capital resource pool (i.e., skills and abilities), the specification of required human resource behaviors, and the effectiveness of these decisions given various business strategies and/or competitive situations. This model is presented in Figure 1.

In addition, though an explicit link is proposed between business strategies and HR practices, we view strategic intent as only one determinant of those practices. In fact, some of the theoretical models discussed in this article virtually ignore business strategy as a determinant of HR practices, focusing instead on determinants that are not the result of proactive decision making. We argue that SHRM needs to explore the institutional and political determinants of HR practices to as great an extent as necessary to predict and understand the SHRM decision process. It is often these institutional and political forces that impede the coordination of the slate of HR practices toward some strategic end.

Thus, we examine six theoretical models that have attempted to describe the determinants of HR practices. We have included the various theories to be discussed here in Figure 1 and have overlaid them on the model in accord with the relationships on which each tends to focus. The resource-based view of the firm focuses primarily on the relationships among strategy, HR practices, and the HR capital pool; thus, it is positioned to the left of the model. The behavioral approach is primarily concerned with how strategy, HR practices and HR behaviors are interrelated; thus, it is placed to the right side of the model. Cybernetic and agency/transaction cost models attempt to examine the relationships among strategy, HR practices, and both the HR capital pool and HR behaviors; thus, their location is near the center of the model. Finally, resource dependence and institutional theories examine the effects of political and institutional factors on HR

practices, and we have placed these theories to the upper right corner of the model. The next section will expand upon the basic theoretical frameworks in order to more completely describe each approach and its implications for SHRM research and practice.

Theoretical Models of HRM

Given the proposed definition of SHRM, it is possible to examine some theoretical models that are relevant to the field. As previously discussed, HRM writers have complained about the lack of any theoretical foundation for describing the HRM function in organizations (Butler et al, 1991; Ferris & Judge, 1991). However, though this criticism may have been valid a few years ago, recent SHRM scholars have relied on various theories from the organizations literature as a basis for developing a more fully articulated theory of human resource management. We contend that these various theories of organization may provide the necessary theoretical foundation that has been lacking in SHRM research.

In this section we will review some of the attempts to apply macro-level organization theories to the HRM field. We present six theoretical models from the fields of organization theory, finance, and economics. As depicted in Figure 1, the first four theories are applicable to strategic HRM decision making. These attempt to view HRM activities as being determined by proactive, strategically-intended decisions. The latter two theories focus on the institutional and political determinants of various HRM practices. These theories tend to explain the non-strategic and possibly even dysfunctional determinants of HRM practices. We propose that both types of theories are necessary for understanding the role of HRM practices in strategic management.

Strategic Theories of HRM

Resource-based view of the firm. The most recent entry into the theoretical discussions of strategic human resource management comes from the organizational economics and strategic management literature and has been coined the resource-based view of the firm (Barney 1991; Conner, 1991; Penrose, 1959; Wernerfelt, 1984). Since the birth of strategy as a recognized area in the field of management, industrial organization strategists have relied primarily on a single framework (strengths, weaknesses, opportunities and threats) to structure their research (Barney, 1991). Major contributions to the strategy literature have centered around the externally focused portions of this competitive advantage model (e.g. Porter, 1980; 1985).

Grant (1991) states that due to the dissatisfaction with the static, equilibrium model of industrial organization economics that has dominated the strategy field, researchers are revisiting older theories of profit and competition associated with the writings of Ricardo (1817), Schumpter (1934), and Penrose (1959). This resource-based view of competitive advantage differs from the traditional strategy paradigm in that the emphasis of the resource-based view of competitive advantage is on the link between strategy and the internal resources of the firm. The re-

source-based view of competitive advantage is firm-focused whereas the traditional strategic analysis paradigm has had an industry-environment focus.

Central to the understanding of the resource-based view of the firm are the definitions of competitive advantage and sustained competitive advantage. Barney (1991) describes a competitive advantage as "when a firm is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors" (102). A *sustained* competitive advantage exists only after efforts to replicate that advantage have ceased (Barney, 1991).

According to the resource-based view of the firm, competitive advantage can only occur in situations of firm resource heterogeneity and firm resource immobility, and it is these assumptions that serve to differentiate the resource-based model from the traditional strategic management model. Firm resource heterogeneity refers to the resources of a firm (i.e., physical capital, human capital, and organizational capital) and how different these resources are across firms. In the traditional strategy model, firm resources are viewed as homogeneous across firms in the industry. Firm resource immobility refers to the inability of competing firms to obtain resources from other firms. In the traditional strategy model, resources are considered mobile in that firms could purchase or create resources held by a competing firm.

In order for a firm's resource to provide sustained competitive advantages, four criteria must be attributable to the resource: (a) the resource must add positive value to the firm, (b) the resource must be unique or rare among current and potential competitors, (c) the resource must be imperfectly imitable, and (d) the resource cannot be substituted with another resource by competing firms.

Therefore, given resource heterogeneity and resource immobility and satisfaction of the requirements of value, rareness, imperfect imitability, and non-substitutability, a firm's resource(s) can be a source of sustained competitive advantage. Barney (1991) states that the resource-based view makes it clear that firms cannot expect to buy or purchase sustained competitive advantages, in that the advantages, if they exist, can only be found in the rare, imperfectly imitable, and non-substitutable resources already present in the firm.

The idea that human resources can serve as a competitive advantage is not new. Schuler and MacMillan (1984) discussed the potential for capitalizing on superior human resource management as a means of gaining and maintaining a competitive advantage. These authors presented a target/thrust matrix to demonstrate how HRM can provide a competitive advantage. Targets of HR practices represent both upstream and downstream activities, including the firm itself, its customers, its distributors and servicers, and its suppliers. The potential thrusts are to focus on cost/efficiency or to invest in product differentiation. They then presented examples of existing firms that exemplified each of the boxes in the matrix.

Ulrich (1991) partially relied on the resource-based theoretical perspective in describing human resources as a competitive advantage. He expanded Porter's (1985) model of competitive advantage to include organizational culture, distinctive competence, and strategic unity as "mediators" in the strategy-competitive advantage link. He then discussed how human resource practices can be used by firms to develop strategies that will lead to a sustained competitive advantage,

stating that there must be a focus on the relationship between human resources, strategies and competitive advantage.

Both Schuler and MacMillan (1984) and Ulrich (1991) provide practice-oriented perspectives, demonstrating the ways in which they believe that HRM can serve as a sustained competitive advantage. However, neither of these analyses were grounded in the resource-based view of the firm. Thus, they assumed that human resources could be considered as a sustained competitive advantage rather than providing any justification for their positions within the context of the theory. Given the fact that Barney (1991) seems to imply that true sustained competitive advantages are more likely to be discovered than developed, it is first necessary to examine the conditions under which human resources can be a source of sustained competitive advantage in the context of the resource-based view of the firm. This issue has been recently addressed by Wright, McMahan, and McWilliams (1992).

Relying on the assumptions of individual ability being normally distributed, Wright et al. (1992) considered the four criteria for a sustained competitive advantage and attempted to evaluate the conditions under which human resources meet these criteria. First, in order for human resources to exist as a sustained competitive advantage, they must provide value to the firm. This condition requires that there is a heterogeneous demand for labor (i.e., that firms have jobs that require different types of skills) and a heterogeneous supply of labor (i.e., individuals differ in their skills and level of skills). Under these circumstances, human resources can add value to a firm, and the utility formulas provided by Schmidt, Hunter, and Pearlman (1979) and more recently elaborated with regard to financial decision making by Boudreau (1983) provide examples of ways of estimating this value. In fact, Boudreau and Berger's (1985) formula explicitly considers the sales value of human resources (people) in dollar values.

Second, a resource must be rare if it is to be a sustained competitive advantage. Wright et al. (1992) noted that due to the normal distribution of ability, human resources with high ability levels are, by definition, rare. The goal of virtually all selection programs is to ensure that the organization is hiring only the highest ability individuals. The issues then, are the validity of the selection system and whether or not the organization is able to attract and retain those applicants deemed to be of the highest ability. Thus, a firm could theoretically obtain employees of superior ability through a combination of valid selection programs and attractive reward systems.

Third, in order for a resource to be considered a sustained competitive advantage, human resources must be inimitable. In this discussion, Wright et al. (1992) use the concepts of unique historical conditions, causal ambiguity, and social complexity to demonstrate the inimitability of competitive advantages stemming from human resources. Unique historical conditions refer to the particular historical events that have shaped a firm's practices, policies, and culture. Causal ambiguity describes a situation where the causal source of the competitive advantage is not easily identified. Social complexity recognizes that in many situations (e.g., team production) competitive advantage stems from unique social relationships that cannot be duplicated. Thus, Wright et al. argue that due to the fact that many

competitive advantages that might be based in a firm's human resources are characterized by unique historical conditions, causal ambiguity, and social complexity, it is highly unlikely that well developed human resources could be easily imitated.

Finally, a resource must not have substitutes if it is to be considered a sustained competitive advantage. According to Wright et al. (1992), one could easily picture a firm that had the highest ability individuals who constituted a competitive advantage. However, what happens if a competitor develops a new technology that provides vast productivity increases greater than the productivity differences in firms due to ability? If the technology is imitable (which it likely is because a firm could simply purchase the technology in the marketplace), then once the focal firm purchased the new technology, the human resources would once again exist as a competitive advantage.

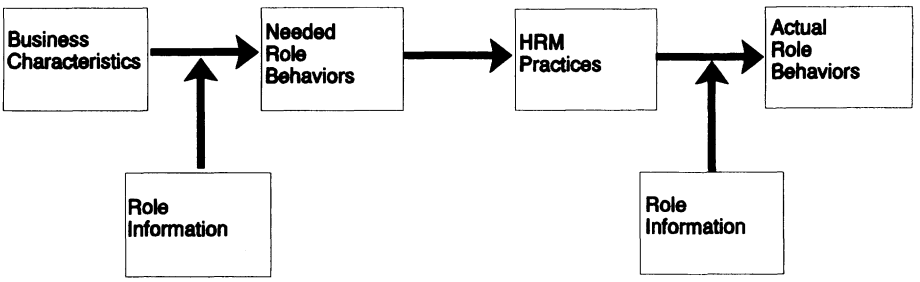
Resource-based theory is currently receiving a significant amount of attention in the strategic management literature (e.g. Barney, 1991; Castanias & Helfat, 1991; Conner, 1991; Fiol, 1991). Great potential exists for the use of the resource-based theory in SHRM research. The theory's focus on an internal analysis of the firm provides an extremely important avenue for SHRM researchers to examine the ways that firms attempt to develop human resources as a competitive advantage. Thus, similar to utility analyses of employee value (e.g., Boudreau & Berger, 1985) and McKelvey's (1983) view of the firm's distinctive competence being made up of the skills of the members of the organization, this theory provides a framework for viewing human resources as a pool of skills, that can provide a resource to serve as a sustained competitive advantage.

In addition, the need to integrate human resource practices in the formulation stages of a firm's strategy seems paramount for the continuing study of SHRM. The resource-based approach provides a framework for examining the pool of human resources that may be either able or unable to carry out a given strategy during the formulation phase of strategic management. Thus, the resource-based view may demonstrate the fact that strategies are not universally implementable, but are contingent on having the human resource (i.e., personnel) base necessary to implement them.

The behavioral perspective. One of the original and more popular theoretical models used in the SHRM literature is the "Behavioral Perspective" (Jackson, Schuler, & Rivero, 1989; Schuler, 1991; Schuler & Jackson, 1987). This behavioral perspective has its roots in contingency theory (Fisher, 1989). The theory focuses on employee behavior as the mediator between strategy and firm performance and is depicted in Figure 2. It assumes that the purpose of various employment practices is to elicit and control employee attitudes and behaviors. The specific attitudes and behaviors that will be most effective for organizations differ, depending upon various characteristics of organizations, including the organizational strategy. Thus, in the context of SHRM, these differences in role behaviors required by the organization's strategy require different HRM practices to elicit and reinforce those behaviors.

The best example of the behavioral perspective is Schuler and Jackson's (1987) model for linking HRM practices with competitive strategies. They adapted

Figure 2
A Role Theory Perspective for Understanding HRM Practices



Porter's (1980) competitive strategies by discussing innovation, quality enhancement, and cost reduction strategies. They stated that "there must be a rationale" for the linkage of competitive strategies with HRM practices in order to predict, study, refine, and modify both strategy and practices in certain circumstances.

The rationale they used was that employee role behaviors are instrumental in the implementation of the competitive strategies. These role behaviors can vary along a number of dimensions, such as repetitive versus innovative behavior, low versus high risk taking, and inflexible versus flexible to change. These authors proposed that innovation strategies require among other things a high degree of innovative behavior, a long-term focus, a high level of cooperative behavior, a moderate degree of concern for quality, a moderate concern for quantity, and a greater degree of risk taking. This can be contrasted with a cost reduction strategy that requires such things as repetitive behaviors, a short-term focus, autonomous activity, high concern for quantity, moderate concern for quality, and low risk taking.

An additional aspect of the Schuler and Jackson (1987) model was to stress the need for congruence across the many HRM practices. These authors note that HRM practices can be considered as a menu of options for HR executives, from which they can choose the practices that (a) promote the most effective role behaviors consistent with the organizational strategy, and (b) are aligned such that each HR practice is congruent with the others.

Schuler (in press) builds upon the behavioral perspective by differentiating the HR philosophy, HR policies, HR programs, HR practices, and HR processes. Although the HR philosophy, policies and programs express the culture, values and goals of the HR function, he proposed that it is the specific HR practices that motivate employees to exhibit the needed role behaviors associated with various strategies. Once again, Schuler stresses that all of the HRM activities must be consistent with each other, and in turn, linked to the strategic needs of the business.

Another example of the behavioral perspective can be found in Miles and Snow's (1984) description of the different types of behaviors necessary for strategies within the Miles and Snow (1978) organizational type framework. These authors compared the strategy types of defenders, prospectors, and analyzers with regard to the different types of HR practices required. The authors did not explic-

itly address the needed role behaviors that are associated with the different strategy types. However, similar to the behavioral perspective, they assumed that HR practices differ among strategy types due to the different behaviors and skills necessary to carry out the strategy.

It is important to note that these models do not focus on the knowledge, skills, and abilities of employees, focusing instead only on role behaviors. Schuler and Jackson (1987) stated "the rationale developed is based on what is needed from employees apart from the specific technical skills, knowledges and abilities (SKA's) required to perform a specific task" (208). Although not ignoring the relationship with the firm's external environment, the behavioral perspective focuses predominantly on the throughput transformation process. This is evidenced by the assumption that employee role behavior, in a generic sense, is the main mediator between strategy and the effective achievement of the strategy.

The research implications of this theoretical perspective rest primarily in three areas. First, this theory is quite specific regarding the hypothesized role behaviors required by different strategies; thus, the validity of these propositions can be tested. However, as yet, virtually no research has examined the validity of these hypothesized relationships.

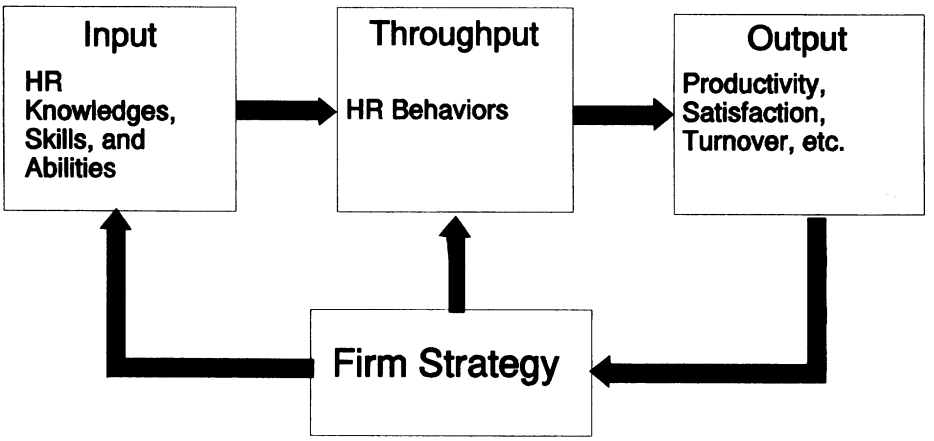
Second, studies would do well to focus on the types of HR practices which are effective in eliciting these role behaviors. For example, if we assume that we can specify the most effective role behaviors, then research could focus on examining which particular HR practices are being used, and the effectiveness of these techniques for eliciting those behaviors. For example, Jackson, Schuler, and Rivero (1989) found that different organizational characteristics (including strategy) affect some HRM practices. Although their study was not exhaustive, it provides a model for future research in this area.

Finally, the assumption of the behavioral perspective is that strategies lead to HRM practices that elicit employee role behaviors that lead to a number of outcomes that provide benefits to the firm. Although firm performance seems to be the most obvious outcome of good HR practices, Walker and Bechet (1991) noted a number of additional outcomes of SHRM such as employee attitudes, accident rates, productivity, and labor costs. Once again, though this model seems to have some intuitive appeal, there is no empirical data demonstrating that employee role behaviors do lead to positive organizational outcomes. Thus, the entire model could be tested to demonstrate (a) different strategies are associated with different levels of firm performance, and (b) that the relationship between strategies and firm performance is either mediated or moderated by HRM practices and employee role behaviors.

Cybernetic systems. Another set of popular theoretical models being applied to SHRM research is the use of cybernetic systems models (Boulding, 1956). Cybernetic models vary in their treatment of the system. Some models focus on closed systems (much like the behavioral perspective) that seek to set up mechanisms to buffer the technological core from the environment (e.g. Thompson, 1967). Other models treat systems as being open to exchanges with their environment (Katz & Kahn, 1978).

Open systems models are based on the general systems models (von Berta-

Figure 3
Cybernetic Model of HR System



lanffy, 1950), and hold that organizations can be described as input, throughput, output systems involved in transactions with a surrounding environment. According to Katz and Kahn (1978), organizations consist of the patterned activities of individuals aimed at some common output or outcome. These activities can be characterized as consisting of the energic input into the system (i.e., inputs of people, money, technology, etc.), the transformation of energies within the system (i.e., putting the inputs to work together) and the resulting product or energic output (i.e., the product that results from the patterned activities of the input and throughput phases). Central to open systems models is the idea of a negative feedback loop that informs the system that it is not functioning effectively, thereby allowing for changes to reduce any discrepancies. An open systems model of the HRM function is presented in Figure 3.

Mowday (1983) was one of the first HRM researchers to apply the systems model to HRM practices. He discussed strategies for reducing turnover by relying on Thompson's (1967) input-throughput-output model of how organizations structure and control behavior. He used this model to generate various alternative programs that would manage the turnover process in organizations.

Similarly, Wright and Snell (1991) used an open systems model of the human resource system for generating HRM strategies. They proposed that the inputs in the HR system are competencies (i.e., skills and abilities) of the individuals in the organization that the firm must import from its external environment. The throughput process can be characterized by the behaviors of those individuals in the organizational system. Finally, the outputs consist of both performance (e.g., productivity) and affective outcomes (e.g., job satisfaction). Using this model, they argued that SHRM consists of two general responsibilities: competence management and behavior management.

Competence management, according to Wright and Snell (1991) deals with those things that the organization does to ensure that the individuals in the organization have the skills required to execute a given organizational strategy. This rec-

ognizes the negotiations with the external labor environment in order to attract, select, retain, and use employees with the necessary knowledge, skills, and abilities for executing the strategic business plan. They proposed four competence management strategies. *Competence Acquisition* refers to the activities such as training and selection that seek to ensure that the individuals in the organization have the required competencies. *Competence Utilization* deals with activities that seek to utilize latent skills or skills that had been deemed unnecessary under a previous strategy. *Competence Retention* is a strategy aimed at retaining various competencies in the organization through reduction of turnover and constant training. Finally, *Competence Displacement* consists of activities aimed at eliminating competencies that are no longer necessary for the organizational strategy.

Behavior management is concerned with ensuring that once individuals with the required skills are in the organization, they act in ways that support the organizational strategy. Similar to the approach of the behavioral perspective, Wright and Snell (1991) discussed two behavior management strategies. First, *Behavioral Control* consists of activities such as performance appraisal and pay systems that seek to control employee behavior to be in line with organizational goals. Second, *Behavioral Coordination* strategies consist of appraisal and organizational development activities that seek to coordinate behavior across individuals to support the organizational strategy.

The major focus of the Wright and Snell model was on the coordination of various HR practices across subfunctions (i.e., selection, appraisal, compensation, training, etc.). These authors noted that an open systems view of SHRM requires organizations aligning all of the various HR practices toward some strategic end, rather than simply focusing on how one set of practices (e.g., compensation) supports a firm strategy. Thus, the research implications of this theory would focus on examining exactly how organizations develop and align HR practices across traditional functional lines.

Similarly, Snell (in press) has developed a hybrid model of SHRM, combining cybernetic systems and behavioral perspectives into what he termed a "control theory" view of SHRM. He noted that the behavioral perspective has not been thorough in explaining how various HRM practices work in combination and that it assumes that managers have a clear understanding of the organizational context, knowledge of required behaviors from all levels of employees, and knowledge of the HRM practices that will elicit the behaviors required to achieve the organization's strategic goals. He proposed that administrative information mediates the relationship between strategy and HRM control.

Snell's (in press) control theory model is based in cybernetic systems (Boulding, 1956) and proposes that the control process includes (a) superior intentions, (b) influence mechanisms, and (c) evaluation and feedback. In this model, the various HRM practices can be combined into three types of control systems: (a) behavior control, (b) output control, and (c) input control. He examined the use of executive controls in organizations, proposing that organizations seek to control inputs (through selection and training), behaviors (through behavior-based appraisal and reward systems), and outputs (through outcome-based appraisal and reward systems). He relied on Thompson's (1967) mediating mechanisms of

knowledge of cause-effect relations and ambiguity of performance standards for determining HRM control strategies.

This model also emphasizes the need for coordination across various HRM practices. However, it goes beyond most other models by explicitly recognizing the imperfect nature of decision making in SHRM due to bounded rationality and/or uncertainty. Most models tend to implicitly assume that environmental and strategic contingencies, the exact competencies and role behaviors necessary to achieve the strategy, and the proper HRM practices to elicit these competencies and behaviors are perfectly known, can be put in place on a timely basis, and can be quickly revised as needed. A fruitful avenue for future research is the contextual factors that affect SHRM decision makers to develop and/or use certain HRM strategies.

In addition, although not explicitly explored by Snell (in press), control theory (and open systems theory in general) in the cybernetic sense, is a dynamic model of constant environmental monitoring and internal adjustment. Most SHRM researchers have tended to focus on cross sectional studies that only give a glimpse of the relationships among practices at a particular point in time (Lengnick-Hall & Lengnick-Hall, 1988). However, practitioners are often more concerned with the constant monitoring of the outcomes of HRM practices and the corresponding adjustment of those practices whenever the outcomes tend to deviate from those desired. In order for these cybernetic models to describe true open systems, they must be expanded to consider the relational feedback from the environment and to discuss the internal HRM adjustments in response to this feedback. Thus, this theory has impressive potential for examining how SHRM practices change or need to change over time.

Agency/transaction cost theory. One popular theoretical model in the strategic management literature that has recently been applied to the HRM function is the exploration of transactions as means of controlling employee behavior (Jones, 1984; Jones & Wright, in press). An agency/transaction cost theory approach to examining the problems of human exchange are based in the fields of finance and economics. The approach seeks to identify the environmental factors that together with a set of related human factors explain why organizations seek to internalize transactions (as opposed to transacting in the market place) as a means of reducing the costs associated with these transactions. The approach identifies bounded rationality and opportunism as the two human factors that serve as major obstacles to human exchange. Bounded rationality is the term used to refer to the fact that people are subject to information processing limits (Simon, 1957). Opportunism refers to the fact that people will act with self-interest and guile in pursuing their own goals (Williamson, 1975).

These factors in and of themselves are not problems. However, when combined with environmental characteristics of uncertainty and small numbers exchange relationships, they result in incurring transaction and agency costs (Jensen & Meckling, 1976; Williamson, 1975). The pairing of uncertainty with bounded rationality results in a situation where it is very costly or impossible to identify all future contingencies and specify, ex ante, all of the appropriate responses to each contingency. Opportunism is relatively harmless so long as competitive (large

numbers) exchange relationships exist. However, when paired with small numbers exchange relationships, opportunism must be held in check by costly and risky short-term contracting.

Transaction costs are the costs associated with negotiating, monitoring, evaluating and enforcing exchanges between parties, and they are incurred in order to make exchanges more efficient. As transaction costs increase, there is a tendency to internalize the transaction through organization. The agency problem exists when one party requires services from another in a situation where uncertainty exists and both parties will behave self-interestedly. Agency costs are the costs associated with establishing efficient contracts between parties (Jensen & Meckling, 1976). Agency/transaction cost theory has been very popular in the strategic management literature for studying diversification (Hill & Hoskisson, 1987), internalization (Jones, Kosnik, & George, in press) and restructuring (Hoskisson & Turk, 1990).

Because of the fact that agency/transactions cost theory seeks to explain control in organizations, they have implications for the design of HRM practices. Jones (1984) noted that the central premise of the transaction cost approach is that employees have strong incentives to shirk (reduce their performance) and free-ride (rely on the efforts of others in the group) and no incentive to increase their performance unless task conditions allow employees to demonstrate their unique contributions and to benefit from those contributions. It views the aggregate performance of groups or organizations as contingent upon the control systems used to monitor employee behavior. Thus, the role of HRM practices is to allow for the measurement of unique contributions and to provide adequate rewards for individual employee performance. These practices are the means through which firms are able to align employee behavior with the strategic goals of the organization.

These models have recently been linked to human resources through the concept of bureaucratic costs (Jones & Hill, 1984; Jones & Wright, in press). Bureaucratic costs refer to the transaction costs associated with managing human resources in a hierarchy. Jones and Wright defined these costs as "the negotiating, monitoring, evaluating, and enforcement costs associated with managing human resources when an authority relationship exists."

Jones and Wright (in press) presented a model of bureaucratic costs associated with human inputs, employee actions, and performance outcomes. With regard to human inputs, they noted that prospective employees acting opportunistically may inflate their espoused levels of skills and abilities, requiring that employers incur bureaucratic costs to ensure that they obtain personnel with the required skills. These bureaucratic costs continue to be incurred as employees are asked to make asset-specific investments through gaining firm-specific skills that provide economic benefit for the firm. Bureaucratic costs are also incurred because monitoring and evaluating human action is difficult and expensive. Finally, bureaucratic costs are incurred when there is uncertainty or ambiguity concerning the outcomes of human action. The costs are associated with evaluating and enforcing exchanges to ensure that both parties have performed according to the agreed upon criteria.

Jones and Wright (in press) used the bureaucratic cost model to demonstrate

that past decision theoretic models such as utility analysis (Boudreau, 1983; Schmidt, Hunter, McKenzie, & Muldrow, 1979) are deficient for decision making purposes because they result in unspecified solutions (i.e., in almost all cases the results of the decision process would call for adding HRM programs). Using an analysis based on marginal cost and benefit curves, they noted that HRM decision making can be made to have specified solutions that will maximize the profitability of HRM systems.

Although the purpose of Jones and Wright (in press) was not to present a model of SHRM, the transaction costs approach is quite useful for describing the underlying theoretical rationale for human resource practices. Jones (1984) noted that the importance of a transaction cost approach to employee motivation is that it provides a theoretical framework for linking variables or approaches at the individual, group, and organizational levels.

An excellent example of this is a study by Eisenhart (1988). She relied on agency theory as one explanation for the determinants of compensation systems, examining how agency theory variables such as job programmability, span of control, and outcome uncertainty were related to whether or not retail stores used commission pay systems. In support of this theory, she found that job programmability was positively related to the use of salaries. Span of control and outcome uncertainty were related to the use of salaries such that salaries were more common when there was a low span of control and high outcome uncertainty.

Given the fact that the agency/transaction costs model has also been demonstrated as useful in the strategic management literature, it seems possible that it could also be applied as a theoretical framework for linking strategy to SHRM. It seems intuitive that a firm's strategy can have an effect on the nature of work. To the extent that the nature of work changes to be either more or less uncertain, or more or less observable, the types of HRM systems necessary to monitor inputs, behaviors, and outcomes should also change. This framework may provide the theoretical foundation for examining why different strategic decisions result in differing HRM practices.

Non-Strategic Models of HRM

The previous four theories we have discussed have a clear strategic focus, attempting to explain how HRM practices can be used to carry out the firm's strategic plan. Each theory assumes a somewhat rational, proactive decision making process as the major influence on the development and alignment of various HRM practices. At first glance, these theories seem to be the most useful for examining SHRM because they attempt to predict and understand how HR practices can be developed that maximally support organizational performance in a coordinated fashion.

However, we know that many HR practices in organizations do not support organizational functioning and often work against one another. Thus, in order to fully understand the ways in which HRM practices can either support or fail to support a firm's strategy, it is also necessary to understand non-strategic determinants of HRM practices. By non-strategic, we mean determinants of HRM prac-

tices that are not the result of rational strategic decision making processes, but rather derive from institutional and political forces in the firm. The final two theories we will discuss attempt to explain how HRM practices may develop outside of the strategic decision making process.

Resource dependence/power models. One of the more interesting and unusual theories of the determinants of HRM practices is by no means a model directed toward SHRM. This model comes from the work of Pfeffer and his colleagues in their research aimed at examining the characteristics of the organizational context that influence human resource practices (Pfeffer & Cohen, 1984; Pfeffer & Langton, 1988). In many ways this model stems from the "Resource Dependence" model in organization theory, but could broadly be defined as a power and politics model of HRM. In fact, Ferris & Judge (1991) presented a political model of P/HRM that discussed the political process at both the dyadic and organizational level. It is important to note that this approach has not yet been specifically applied to SHRM, and many of the issues that we will bring up are merely to demonstrate the potential implications of power models for the study of HRM practices.

The resource dependence model (Pfeffer & Salancik, 1978) focuses predominantly on power relationships within and among organizations. It assumes that all organizations depend on a flow of valuable resources (e.g., money, technology, skills) into the organization in order to continue functioning. The ability to exercise control over any of these valued resources provides an individual or group with an important source of power (Pfeffer, 1981). To the extent that the valued resource is scarce, the power of the entity that controls that resource increases.

The resource dependence model was applied by Pfeffer and Moore (1980) to examining a university budgeting process. These authors found that the relative power base of the departments (as defined by their control over scarce resources of value to the organization) strongly affected the budget allocations to that department. Although this did not apply specifically to human resources, the budgeting process can in many ways be compared to the pay allocation process. Thus, one could hypothesize that much of pay allocations are based on power, rather than just performance criteria.

Pfeffer and Davis-Blake (1987) found support for this assertion. They argued that certain positions are differentially important between public and private institutions and that this differential importance would result in different comparative pay levels. Isolating six positions, three of which they suspected would be more important to private institutions and three of which they suspected would be more important to public institutions, they examined the pay rate in these positions compared to other administrative positions. They found that the positions they deemed to be more important in each of the types of institutions were paid comparatively higher relative to the other institutions in which the positions were less important.

Similarly, Pfeffer and Cohen (1984) studied the determinants of the development of internal labor markets (i.e., internal promotion systems rather than hiring from outside) hypothesizing that power relationships (i.e., unionization, recruitment difficulties, etc.) might affect the development of firm internal labor markets

(FILM's). These authors found that non-unionized firms were more likely to have developed internal labor markets and hypothesized that these FILM's developed as a means of avoiding unionization.

The implications of a power and politics perspective of HRM are numerous. First, it changes the focus from viewing SHRM in mechanistic terms where all HRM practices are rationally determined and are perfectly supportive of organizational strategies. As anyone who has worked with organizations in the development of HR practices such as selection or appraisal systems has experienced, it is political rather than technical or strategic considerations that often strongly affect the development of the final product. A power perspective causes researchers to focus on the substantial variance in HRM practices not explained by proactive strategic intent. In fact, Pfeffer and Cohen (1984) stated "The importance of the empirical results presented here on the effects of institutional and organizational arrangements is that they serve to direct the theoretical focus away from an exclusive emphasis on functional, technological requirements and toward organizational processes such as power and influence, institutionalization, conflict, and contests for control" (570).

For example, as discussed above, power relations may affect compensation decisions. This impact may stem directly from pay to those who control scarce resources in order to retain them or from performance appraisal ratings that are more strongly influenced by ability to control scarce resources than actual job performance. Thus, SHRM research on the use of rewards toward strategic ends may benefit by recognizing the other processes that determine these practices.

Similarly, with regard to the effects of power relationships on HRM practices, it is interesting to note how they affect investments in certain practices. For example, Wright and Snell (1991) noted that selection and training are simply alternative means for ensuring that the organization has the necessary competencies for achieving its strategy. Yet, when organizations experience decline, they are much more likely to make reductions in training programs than in selection practices (Smith-Cook & Ferris, 1986). Although they will hire fewer people, they will be likely to maintain the same selection techniques, whereas they will reduce both the number of individuals being trained and the number of training programs offered. An interesting empirical question is whether this is due to the relative efficiency of the two types of practices or due to the differences in the perceived ability of each to attract/instill human resource capital pool skills in the eyes of managers.

Second, a power and politics approach demonstrates the potential for the HRM function to increase its role as a strategic partner in the firm. SHRM is ultimately the means through which human resources can serve as a competitive advantage. In manufacturing organizations, often human resources are the factors that enable an organization to increase its competitive position, and in service organizations it is likely that human resources may be the primary means for accomplishing this goal (Bowen & Schneider, 1988). To the extent that SHRM is practiced consistently, the organization will realize the importance and scarcity of good human resources, thus, increasing the power base of the HRM function.

On the other hand, if SHRM is not practiced effectively, it could prove to be the

demise of the function (Schuler, 1990). This situation was evidenced by Smith-Cook and Ferris (1986): among firms in three declining industries, the budgets of HR departments in low performing firms were more likely to be cut than those of HR departments in high performing firms.

Another example was offered by Eastern European HRM practitioners in their discussions with the first author. These practitioners explained that the HRM function had lost internal power and respect since the collapse of communism. When asked why this was the case, these executives universally agreed that under the communist system, organizations had to compete for employees, and this control over scarce resources (ability to attract employees) gave the function power. However, as the economies moved to capitalist systems, unemployment increased, thus, making it easier for all organizations to attract employees. The fact that employees were no longer a scarce resource resulted in a corresponding reduction in the power of the HRM function.

Given the possible "human capital shortage" that many organizations fear, human resources could become a more scarce resource than they are now. If this becomes the case, to the extent that the HRM function can demonstrate an ability to obtain these scarce resources, then the function's internal political power may increase substantially.

Institutionalism

One theory that has recently evolved in organization theory is the institutional perspective (Meyer & Rowan, 1977; Scott; 1987). Although this theory is currently not well developed and consists of a variety of approaches, the ideas of institutionalism may help in understanding the determinants of HRM practices.

The basic thesis of institutional approaches is that many structures, programs, and practices in organizations attain legitimacy through the social construction of reality. Meyer and Rowan (1977) stated "Institutionalism involves the processes by which social processes, obligations, or actualities come to take on a rulelike status in social thought and action." Scott (1987) stated that "institutionalism is viewed as the social process by which individuals come to accept a shared definition of social reality—conceptions whose validity is seen as independent of the actor's own views or actions but is taken for granted as defining the 'way things are' and/or the 'way things are to be done,' " (496).

The main points behind the institutional perspective are (a) what many view as rationally-derived organizational structures and practices may only appear to be so and (b) structures may serve some functional goal, although they had not been designed for that particular purpose. For example, Granovetter (1983) stated that a given practice may serve some function, yet this fact is not necessarily proof that the need fulfilled was the basis for the practice's origin.

Scott (1987) discussed a number of ways that organizational structures can become institutionalized. Although his focus was on the institutionalization of organizational structures, similar processes operate with regard to organizational practices. We will discuss a few of these institutional influences, and present examples of how these processes may influence HR practices.

First, according to Scott (1987), certain practices can be imposed coercively, as

in the case of governments mandating laws or companies mandating changes in an acquired subsidiary. The employment practices that have evolved in response to Equal Employment Opportunity regulations serve as one example of how HRM practices have been imposed by external agents. Similarly, minimum wage legislation directly influences the pay practices of organizations. In the absence of these regulatory guidelines, one could easily hypothesize that HRM practices would differ substantially from the present state.

Second, practices can be authorized or legitimized through an organization voluntarily seeking approval of a superordinate entity, as in the case of hospitals and colleges seeking accreditation from outside agencies. Once again, many affirmative action practices in organizations stem from a desire to appear socially responsible to various civil rights groups. Similarly, a form of employment accreditation has evolved through the administration and dissemination of surveys of the "best" companies to work for. The desire of organizations to appear "accredited" by these surveys can affect the HRM practices regardless of the effectiveness or efficiency of those practices.

Third, practices can be induced through outside agents providing rewards to organizations that conform with the wishes of the agent. For example, the Malcolm Baldrige Quality Award, which is offered to companies who exhibit the highest levels of product quality, has created a justification for a number of new quality programs in American corporations.

Fourth, practices can be acquired through one organization modeling its practices based on practices of other organizations as a means of appearing legitimate or up-to-date. Examination of the faddish nature of many HRM programs provides numerous examples of organizations implementing HRM practices in order to appear modern or professional. Quality circles are an example of a practice that was deemed to be effective in Japanese organizations and then saw tremendous growth in U.S. companies, in spite of the fact that these programs were only occasionally successful (Lawler & Mohrman, 1987).

Fifth, organization practices can be institutionalized through an imprinting process whereby the practices adopted at the beginning of the organization's history remain embedded in the organization. This is an example of organizational inertia, whereby the practices that exist originally are unlikely to be changed in the absence of some compelling need. For example, Eisenhardt (1988) argued that the age of department stores affected their choice of whether to use salaries or commission among retail stores due to the types of practices that were deemed to be acceptable at the time of the store's creation. She found that age was related to the use of salaries, such that newer stores were more likely to use salaries.

The implications of the institutional perspective for SHRM are important. Similar to the resource dependence perspective, the institutional perspective notes the fact that not everything that happens is necessarily intended and that not all outcomes are the result of conscious decision processes. Thus, it focuses on the fact that not all HRM practices are the result of rational decision making based on an organization's strategic goals. In fact, many HRM practices may be the result of social construction processes whereby external entities influence the creation and implementation of practices that come to attain a mythical sense of legitimacy.

Once again, this focuses attention on the variance in HRM practice not explained by strategic decision making processes.

In addition, due to the inertial nature of many HRM practices according to institutional theory, the task of SHRM might be to address the institutional aspects of HRM practices. For example, substantial research evidence exists that demonstrates the invalidity of the traditional employment interview for predicting job performance, yet this practice continues in many organizations (Janz, Hellervik & Gilmore, 1986). The institutional nature of this practice certainly helps to explain the continued use of it in the face of convincing evidence of its invalidity. How many more HRM practices continue to exist, not because of their effectiveness, but due to organizational inertia?

Conclusion

This article has attempted to distinguish between SHRM and HRM in a way that can guide future thinking in the area. We have also reviewed some of the current theoretical models of SHRM that have been proposed in order to better illustrate the value of theory in SHRM research. As recently as 5 years ago, SHRM writers were dismayed over the lack of any broad theoretical perspective for the HRM function in organizations (Mahoney & Deckop, 1986). A number of theoretical models have been proposed during the past few years, evidencing a movement away from the atheoretical view of HRM. However, the role of theory in SHRM must continue to increase if the field of SHRM is to move forward. By far, the most glaring void in the SHRM literature is a strong theoretical foundation for examining this organizational phenomena. The models discussed in this article present interesting perspectives for viewing SHRM. However, the relationships among variables proposed by each of these models have not yet been subjected to consistent rigorous empirical tests.

In addition, the theoretical perspectives discussed in this article are not exhaustive. A variety of other theoretical models exist in the organization theory literature such as critical/Marxist theory (Horkheimer, 1972), interpretive theory (Silverman, 1971; Weick, 1979), and population ecology (Hannan & Freeman, 1977). These models may also serve as fertile ground for broadening our perspectives of the role of HRM in organizations (McKenna & Wright, in press). Thus, there is substantial room for theoretical models of SHRM that will add to our understanding and predictions, for academics and practitioners alike.

Finally, there is a need for more theory-based empirical research. The studies by Snell (in press) and Jackson et al. (1989) are good examples of research that has tested theoretical models of strategic HRM. In addition, the studies by Eisenhart (1988) and Pfeffer and his colleagues are excellent examples of theory-based research on determinants of HRM practices that are outside of the strategic decision making process. In addition, as previously discussed, cybernetic models (e.g., Wright & Snell, 1991; Snell, in press), agency/transaction cost theory (Jones & Wright, in press) and the resource-based view of the firm (Wernerfelt, 1984) present rather specific propositions that can be tested empirically. The challenge for SHRM researchers will be to develop valid measures of the variables endogenous to these theories.

Further development and explication of these models may also produce the possibility of research studies designed to test competing hypotheses stemming from the different theories (Platt, 1964). For example, Jones (1984) noted the differing assumptions and predictions between transaction costs theory and the traditional job characteristics model with regard to the effects of the redesign of jobs on worker productivity. In addition, Eisenhart (1988) took this approach in testing the competing hypotheses of agency and institutional approaches in examining the determinants of compensation practices. In any case, greater reliance on sound theoretical models prior to the design of research studies may provide the basis for future growth in this field.

Theory is important whether one's orientation is toward research or practice. Bacharach (1989) explained the similarity of interest in good theory that exists between researchers and practitioners. He stated that the role of consultants is to assist clients in diminishing the complexity of the world as well as explaining and predicting events. Given the fact that the goal of theory is to diminish the complexity of the empirical world through explanation and prediction, both practitioners and researchers can benefit from sound theoretical development.

In addition, it is important to note that all decision making is based on some implicit theory (Weick, 1979). Because the consequences of using inaccurate theory for decision making are greater for practitioners than for researchers, theories that provide understanding may have even greater value to practitioners. If one relies only on the ability to predict events without understanding them, there is a greater potential for making poor, or at least inefficient decisions.

The danger of this situation was illustrated in an example by Kanter (1983). She related a parable explaining how the human race discovered cooking. According to the parable, during a primitive time in China, people ate their food raw. One day a man left his son in charge of the house, and the son accidently set the house on fire, burning the family pig. Upon returning home, the man was poking around in the debris and inadvertently stuck his finger in the burned pig. This burned his finger, and he quickly withdrew it, sticking his finger in his mouth to relieve the pain. He found that the taste was delicious, hence, discovering cooking. Based on that new experience, whenever anyone wanted roast pig, they would burn down their house. As Kanter explains, the moral of the story is: "if you don't understand why the pig gets cooked, you are doomed to waste an awful lot of houses" (9).

The premise of this article is that the field of Strategic Human Resource Management is in need of a solid theoretical foundation to guide both research and practice. Although many of the recommendations being proposed by writers in this area may be valid prescriptions for practitioners who are seeking something beyond random decision making, unless SHRM research becomes strongly grounded in theories of organization, others may view the prescriptions of SHRM as being similar to burning down a house in order to cook the pig.

References

Bacharach, S. 1989. Organizational theories: Some criteria for evaluation. *Academy of Management Review,* 14: 496-515.

Baird, L., & Meshoulam, I. 1988. Managing two fits of strategic human resource management. *Academy of Management Review,* 14: 116-128.

Barney, J. 1991. Firm resources and sustained competitive advantage. *Journal of Management,* 17: 99-120.

Boudreau, J. 1983. Economic consideration in estimating the utility of human resource productivity improvement programs. *Personnel Psychology,* 36: 551-576.

Boudreau, J., & Berger, C. 1985. Decision-theoretic utility analysis applied to employee separations and acquisitions. *Journal of Applied Psychology,* 70: 581-612.

Boulding, K. 1956. *The image.* Ann Arbor, MI: University of Michigan Press.

Bowen, D., & Schneider, B. 1988. Services marketing and management: Implications for organizational behavior. In B.M. Staw & L.L. Cummings (Eds.) *Research in organizational behavior,* 10: 43-80. Greenwich, CT: JAI Press.

Butler, J. E., Ferris, G.R., & Napier, N.K. 1991. *Strategy and human resource management.* Cincinnati, OH: Southwestern Publishing Co.

Castanias, R. P., & Helfat, C. E. 1991. Managerial resources and rents, *Journal of Management,* 17: 15-171.

Conner, K.R. 1991. A historical comparison of resource-based theory and five schools of thought within industrial organization economics: Do we have a new theory of the firm? *Journal of Management,* 17: 121-154.

Dean, J., & Snell, S. 1991. Integrated manufacturing and job design: The moderating effect of organizational inertia. *Academy of Management Journal,* 33: 776-804.

Dubin, R. 1976. Theory building in applied areas. In M. Dunnette (Ed.) *Handbook of Industrial and organizational psychology*: 17-40. Chicago, IL: Rand McNally.

Dyer, L. 1985. Strategic human resources management and planning. In K. Rowland & G. Ferris (Eds.), *Research in personnel and human resources management,* 3: 1-30. Greenwich, CT: JAI Press.

Eisenhardt, K. 1988. Agency- and institutional-theory explanations: The case of retail sales compensation. *Academy of Management Journal,* 31: 488-511.

Ferris, G., & Judge, T. 1991. Personnel/human resources management: A political influence perspective. *Journal of Management,* 17: 447-489.

Fiol, C. M., 1991. Managing culture as a competitive resource: An identity-based view of sustainable competitive advantage. *Journal of Management,* 17: 191-212.

Fisher, C. 1989. Current and recurrent challenges in HRM. *Journal of Management,* 15: 157-180.

Fombrum, C., Tichy, N., & Devanna, M. 1984. *Strategic human resource management,* New York: Wiley.

Galbraith, J., & Nathanson, D. 1973. *Strategy implementation: The role of structure and process.* St. Paul, MN: West Publishing.

Golden, K., & Ramanujam, V. 1985. Between a dream and a nightmare: On the integration of the human resource management and strategic business planning processes. *Human Resource Management,* 24: 429-452.

Granovetter, M. 1983. *Labor mobility internal markets and job-matching: A comparison of the sociological and economic approaches.* Unpublished manuscript, Department of Sociology, State University of New York at Stony Brook.

Grant, R. 1991. The resource-based theory of competitive advantage: Implications for strategy formulation. *California Management Review*, Summer: 114-135.

Guest, D. (1989). Personnel and HRM: Can you tell the difference? *Personnel Management,* 21: 48-51.

Hannan, M., & Freeman, H. 1977. The population ecology of organizations. *American Journal of Sociology,* 82: 929-964.

Hill, C., & Hoskisson, R. 1987. Strategy and structure in the multiproduct firm. *Academy of Management Review,* 12: 331-341.

Hofer, C., and Schendel, D. 1978. *Strategy formulation: analytical concepts*. St. Paul, MN: West Publishing.

Horkheimer, M. 1972. *Critical theory: selected essays*. New York: Herder.

Hoskisson, R., & Turk, T. 1990. Corporate restructuring: Governance and control limits of the international capital market. *Academy of Management Review,* 15: 459-477.

Jackson S.E., Schuler, R., & Rivero, 1989. Organizational characteristics as predictors of personnel practices. *Personnel Psychology,* 42: 727-786.

Janz, T., Hellervick, L., & Gilmore, D. 1986. *Behavior description interviewing: New, accurate, cost effective*. Boston, MA: Allyn & Bacon.

Jensen, M., & Meckling, W. 1976. Theory of the firm: Managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics,* 3: 305-360.

Jones, G. 1984. Task visibility, free riding, and shirking: Explaining the effect of structure and technology on employee behaviors. *Academy of Management Review,* 9: 684-695.

Jones, G., & Hill, C. 1988. Transaction cost analysis of strategy-structure choice. *Strategic Management Journal,* 9: 159-172.

Jones, G., & Wright, P. in press. An economic approach to conceptualizing the utility of human resource management practices. In G. Ferris & K. Rowland (Eds.) *Research in personnel and human resources*. Greenwich, CT: JAI Press.

Jones, G., Kosnik, R., & George, J. in press. Internalization and growth: On the psychology of organizational transacting. *Academy of Management Review.*

Kanter, R.M. 1983. Frontiers for strategic human resource planning and management. *Human Resource Management,* 22: 9-21.

Katz, D., & Kahn, R. 1978. *The social psychology of organizations*. New York, NY: John Wiley & Sons.

Lawler, E. III, & Mohrman, S. 1987. Quality circles after the honeymoon. *Organizational Dynamics,* 15 (4): 42-54.

Lengnick-Hall, C.A., & Lengnick-Hall, M.L. 1988. Strategic human resources management: A review of the literature and a proposed typology. *Academy of Management Review,* 13: 454-470.

Mahoney, T., & Deckop, J. 1986. Evolution of concept and practice in personnel administration/human resource management. *Journal of Management,* 12: 223-241.

McKelvey, B. 1983. *Organizational systematics: Taxonomy, evolution, and classification*. Berkeley, CA: University of California Press.

McKenna, D., & Wright, P. in press. Metaphors in I/O psychology. In M. Dunnette & L. Hough (Eds.) *Handbook of industrial/organizational psychology* (2nd. ed.), 3. Palo Alto, CA: Consulting Psychologists Press.

Meyer, J. W., & Rowan, E. 1977. Institutionalized organizations: Formal structure as myth and ceremony. *American Journal of Sociology*, 83: 340-363.

Miles, R., & Snow, C. 1978. *Organizational strategy, structure, and process*. New York: McGraw-Hill.

Miles, R. and Snow, C. 1984. Designing strategic human resources systems. *Organizational Dynamics,* Summer: 36-52.

Milliman, J., Von Glinow, M., & Nathan, M. 1991. Organizational life cycles and strategic international human resource management in multinational companies: Implications for congruence theory. *Academy of Management Review,* 16: 318-339.

Mowday, R. 1985. Strategies for adapting to high rates of employee turnover. *Human Resource Management,* 23: 365-380.

Penrose, E.T. 1958. *The theory of the growth of the firm*. New York: Wiley.

Pfeffer, J. 1981. *Power in organizations*. Marshfield, MA: Pitman.

Pfeffer, J., & Cohen, Y. 1984. Determinants of internal labor markets in organizations. *Administrative Science Quarterly,* 29: 550-572.

Pfeffer, J., & Davis-Blake, A. 1987. Understanding organizational wage structure: A resource dependence approach. *Academy of Management Journal,* 30: 437-455.

Pfeffer, J., & Langton, N. 1988. Wage inequality and the organization of work: The case of academic departments. *Administrative Science Quarterly,* 33: 588-606.

Pfeffer, J., & Moore, W. 1980. Power in university budgeting: A replication and extension. *Administrative Science Quarterly,* 25: 637-653.

Pfeffer, J., & Salancik, G. 1978. *The external control of organizations: A resource dependence perspective*. New York: Harper & Row.

Platt, J. 1964. Strong inference. *Science,* 146: 347-352.

Porter, M.E. 1980. *Competitive strategy: Techniques for analyzing Industries and competitors*. New York: Free Press.

Porter, M. 1985. *Competitive advantage*. New York: Free Press.

Ricardo, D. 1817. *Principles of political economy and taxation*. London: G. Bell.

Rowan, B. 1982. Organizational structure and the institutional environment: The case of public schools. *Administrative Science Quarterly,* 27: 259-279.

Schmidt, F., Hunter, J., & Pearlman, K. 1979. Assessing the economic impact of personnel programs on workforce productivity. *Personnel Psychology,* 35: 333-347.

Schmidt, F., Hunter, J., McKenzie, R., & Muldrow, T. 1979. Impact of valid selection procedures on workforce productivity. *Journal of Applied Psychology,* 64: 609-626.

Schuler, R. S. 1986. Fostering and facilitating entrepreneurship in Organizations: Implications for organization structure and human resource practices. *Human Resource Management,* 25: 607-629.

Schuler, R. S. in press. Strategic human resource management: Linking people with the strategic needs of the business. *Organization Dynamics*.

Schuler, R. S., & Jackson, S.E. 1987. Linking competitive strategies with human resource management practices. *Academy of Management Executive,* 1: 207-219.

Schuler, R.S., & Jackson, S.E. 1989. Determinants of human resource management priorities and implications for industrial relations. *Journal of Management,* 15: 89-99.

Schuler, R.S., & MacMillan, I. 1984. Gaining competitive advantage through human resource practices. *Human Resource Management,* 23: 241-256.

Schuler, R., & Walker, J. 1990. Human resources strategy: Focusing on issues and actions. *Organizational Dynamics,* Summer, 5-19.

Schumpter, J. 1934. *The theory of economic development*. Cambridge: Harvard University Press.

Schwab, D. 1980. Construct validity in organizational behavior. In B. Staw & L. Cummings (Eds.). *Research in organizational behavior*, 2: 3-43. Greenwich, CT: JAI Press.

Scott, W. R. 1987. The adolescence of institutional theory. *Administrative Science Quarterly,* 32: 493-511.

Silverman, D. 1971. *The theory of organizations*. London: Heinemann Educational Books.

Simon, H. 1957. *Administrative behavior* (2nd ed.). New York: Macmillan.

Smith-Cook, D., & Ferris, G.R. 1986. Strategic human resource management and firm effectiveness in industries experiencing decline. *Human Resource Management,* 25: 441-458.

Snell S. in press. A test of control theory in strategic human resource management: The mediating effect of administrative information. *Academy of Management Journal*.

Thompson, J. 1967. *Organization in action*. New York: McGraw-Hill.

Tichy, N., Fombrum, C., & Devanna, M. 1982. Strategic human resource management. *Sloan Management Review,* 23 (2): 47-61.

Ulrich, D. 1991. Using human resources for competitive advantage. In R. Kilmann, I. Kilmann, & Associates (Eds.) *Making organizations competitive:* 129-155. San Francisco, CA: Jossey-Bass.

von Bertalanffy, L. 1950. The theory of open systems in physics and biology. *Science,* 3: 23-29.

Walker, J., & Bechet, T. 1991. Defining effectiveness and efficiency measures in the context of human resource strategy. In R. Niehaus & K. Price (Eds.) *Bottom-line results from strategic human resource planning*: 235-246. NY: Plenum Press.

Weick, K. 1979. *The social psychology of organizing*. Reading, MA: Addison-Wesley.

Weick, K. 1989. Theory construction as disciplined imagination. *Academy of Management Review,* 14: 516-531.

Wernerfelt, B. 1984. A resource based view of the firm. *Strategic Management Journal,* 5: 171-180.

Wils, T., & Dyer, L. 1984. *Relating business strategy to human resource strategy: Some preliminary evidence*. Paper presented at the annual meeting of the Academy of Management, Boston.

Williamson, O. 1975. *Markets and hierarchies*. New York: Free Press.

Wright, P. M., & Snell, S. A. 1991. Toward an integrative view of strategic human resource management, *Human Resource Management Review,* 1: 203-225.

Wright, P.M., McMahan, G.C., & McWilliams, A. 1992. *Human resources as a sustained competitive advantage: A resource based perspective.* Working paper, Department of Management, Texas A&M University.

Zedeck, S., & Cascio, W. 1984. Psychological issues in personnel decisions. *Annual Review of Psychology,* 35: 461-519.