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A Quarter-Century Review of Human Resource Management in the U.S.: The Growth in Importance of the International Perspective**

The past quarter century has witnessed many developments in the research and practice of managing human resources in the United States. In this article, we *briefly* describe two major areas in which these developments have been unfolding: strategic human resource management and international human resource management. Across these two areas of activity, HRM in the U. S. has evolved to encompass a greater appreciation of issues associated with: the systemic character of human resource management, the role that context plays in shaping HR policies and practices, the importance of demonstrating the effectiveness of HR policies and practices, the value of addressing the concerns of multiple stakeholders, the need for partnership in managing human resources, the complexity of managing human resources in multinational enterprises, and the challenge of developing theories and frameworks that provide new and useful insights about how to address all of these issues. We conclude with a brief summary and our thoughts about the future of HRM in the U.S. context and the continued importance of the international perspective.

Key words: **Human Resource Management, Strategic HRM, International HRM, Strategic IHRM, Stakeholders**

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The focus and context of human resource management in the U.S., both in its practice within organizations and its study within academia, have undergone major developments in the past quarter century (Schuler/Jackson 2004). These developments reflect the dramatic changes that began to occur during the 1980s. During that period, the focus of business shifted from domestic to multinational to global; the speed at which business was conducted increased; organizations recognized that labour costs and productivity must be addressed from a world-wide perspective; and many companies realized that competitive advantage could be seized and sustained through the wise utilization of human resources (Drucker 1985; Gupta/Govindarajan 2001; Kanter 1983, 1994; Porter 1980; Prahalad 1995).

Concurrently with these developments, businesses throughout the United States began to view human resource professionals as potential partners who should be involved in the strategic decision making processes of the firm. Human resource departments had previously been given responsibility primarily for acquiring and motivating the firm's human resources, and doing so within specified legal and cost constraints. Now they are beginning to be viewed as human capital asset managers and as potential sources of competitive advantage (Barney/Wright 1998; Pfeffer 1994, 1998; Schuler/Jackson/Storey 2001; Chadwick/Cappelli 1999; Cappelli/Singh 1992). These changes have come at a rapid pace. This article provides an opportunity for us to pause and put the changes into perspective.

Our assessment is offered from the vantage point of the United States, where two major phenomena have developed during the past twenty-five years in the general area of human resource management – strategic human resource management and international human resource management. Our discussion reflects the substantial developments in scholarship and practice within these two areas of human resource management; it is grounded in scholarly research, the practitioner literature and discussions with numerous HR professionals and scholars.

Strategic human resource management and international human resource management both have roots in human resource management, which in turn grew out of personnel management. The term "personnel management" began to be replaced by "human resource management" in the mid-1970s (certainly its label continued in some companies well into the 1980s). This transformation coincided with: 1) a growing recognition of the importance of human resources to the success of companies and, therefore, the need to manage these resources systematically; 2) growing evidence by academics on how specific practices could be done more effectively; and 3) growing professionalism among human resource management practitioners.

Under the broad umbrella of human resource management we include the essential activities of resource planning, staffing, training and development, performance appraisal, compensation, safety and health, and labor relations – these comprise the traditional core of human resource management. We also include managing change and culture, work and organizational design and aligning HR activities – both externally and internally, as these activities follow naturally from HR's position as a strategic partner (Beer et al. 1985; Ulrich 1998; Huselid/Becker/Beatty 2004).

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The Practice of Strategic Human Resource Management

Among HR practitioners, the term "strategic human resource management" is used broadly to signal the view that human resource management activities should contribute to business effectiveness. This linkage between HRM activities, the needs of the business, and organizational effectiveness is the core of the area called strategic human resource management (Schuler/Jackson 1999). Two guiding assumptions of strategic human resource management are that (1) effective human resource management requires an understanding of and integration with an organization's strategic objectives, and (2) effective human resource management leads to improved organizational performance. When HR policies and practices are aligned with an organization's strategic objectives, the system can be described as "vertically integrated." The traditional activities of creating remuneration and benefits packages, tracking employee progress, bargaining collectively with unions and evaluating employee performance remain under the aegis of HR professionals (Katz/Kochan 2000; Lundy/Cowling 1996). The key defining aspect of strategic human resource management is not a change in the activities included under the HRM umbrella; rather, the essential shift is away from relying solely on professional and technical standards for evaluating the effectiveness of HR policies and practices, and toward the use of measures of organizational effectiveness as the primary criteria for judging effectiveness (Jackson/Hitt/DeNisi 2003; Huselid/Becker/Beatty 2004).

Understanding the strategic objectives of an organization requires developing a deeper understanding of the entire context in which organizations must function. Furthermore, it provides a basis for conceptualizing an organization's HR policies and practices as a system of many elements that are more or less well-aligned. The goal of developing HR policies and practices that are aligned to form a coherent system is often referred to as achieving "horizontal integration" among HRM activities. Achieving both vertical and horizontal integration requires that HR professionals work in partnerships with line managers and employees (and their representatives). In sum, strategic human resource management is about:

- Vertical integration – understanding the organization and its context
- Horizontal integration – creating coherent HRM systems
- Demonstrating effectiveness – showing how HRM systems affect organizational performance
- Partnership – HR professionals working cooperatively with line managers as well as with non-management employees

Next, each of these points is discussed in more detail.

Understanding the Context

In the U.S., the practice of human resource management has long been shaped by legal regulations, which provide to employees a variety of rights and protections against unfair and unsafe employment practices. Monitoring the legal and regulatory environment to ensure that a firm's HR practices comply with this aspect of the organization's environment has long been a primary responsibility of HR professionals. In addition, because an organization's pay practices must take into account the pay prac-

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tices of other organizations competing for the same labor, HR's role has traditionally included monitoring the HR practices of competitors in the external environment. Likewise, because an organization's planning for future recruitment, staffing and development is affected by supply and demand in the external labor market, HR's traditional role generally included tracking labor market conditions. In recent years, however, the evolution of strategic HRM has meant that HR's responsibility for monitoring the external environment has grown.

Elsewhere (Jackson and Schuler 1995), we reviewed the empirical evidence which shows that a variety of environmental conditions can influence the approaches organizations use to manage their human resources. These conditions include aspects of the particular organization itself (e.g., its size, life cycle stage, competitive strategy, technology, job design and work characteristics, culture, structure, and characteristics of its workforce) as well as conditions of the external environment (e.g., industry dynamics, institutional pressures, economic and political conditions, and country cultures). Thus, it seems apparent that strategic human resource management needs to include continuous environmental scanning (see also Schuler 1992; Kerr/Jackofsky 1989; Barney/Wright 1998; Devanna/Fombrun/Tichy 1981; Fombrun/Tichy/Devanna 1984; Dyer/Burdick 1998; Beer et al. 1985).

Although it is perhaps less apparent, strategic HRM also includes developing a comprehensive understanding of how the elements of the external environment affect the basic functioning of the organization. In his excellent discussion of strategic job modeling (which is a prime example of the shift from traditional job analysis to the strategic HRM approach), Jeffery Schippmann makes this point clearly when he states: "perhaps the most useful thing a strategic job modeler can do is develop his or her own understanding and framework for thinking about the customer's [organization's] problems. This means … working to understand the underlying issues and developing working hypotheses about what is important and what is relevant in a given context" (Schippmann 1999: 37). More generally, HR professionals who demonstrate a deep understanding of business issues and their implications for HRM increase their own value and their ability to develop HR practices that recognize human resource management activities as sources of competitive advantage (Schuler/MacMillan 1984; Lado/Wilson 1984; Wright/McMahan/McWilliams 1994; Pfeffer 1994, 1998). Without an understanding of the broader organizational context, it is unlikely that the next task of strategic HRM – developing a coherent HRM system – will be successful.

It might be noted here that gaining competitive advantage through human resource management can be pursued in two ways. One approach is to adopt generic HR policies that have been shown to be effective across many types of organizations. An example of a generic HR policy that has been shown to be effective in a wide range of organizations is linking pay to performance. Organizations that effectively link pay to performance can be expected to outperform their competitors, all else being equal. Adopting HR policies that have been identified as among the "best" can be useful for moving the organization into a competitive position. However, because such practices are widely known and easily adopted by others, they are not likely to be a source of long-term, sustainable competitive advantage (Barney 1991; Schuler/MacMillian 1984). To achieve sustainable competitive advantage, a firm may need to

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develop HR practices that are appropriate for its specific context. For example, a U. S. manufacturer competing on the basis of cost might adopt the policy of performance-based pay and then develop an individual piece-rate pay system that specifically supports that strategy and fits within the context of the American culture of individualism. Our interpretation of the academic and professional literature/practice is that both approaches to gaining competitive advantage exist, but that "lasting" competitive advantage from human resource management comes from developing HR practices that are appropriate for an organization's specific context (Boudreau/Ramstad 2002, 2003a).

HRM Systems

Horizontal integration and coherence among the parts are hallmarks of an HRM system. An example of how adopting a systems perspective can influence the practice of HR is provided by Higgs, Papper and Carr (2000). The authors begin by noting that the traditional HRM perspective treats selection primarily within the context of hiring decisions. Their discussion then elaborates on how systems thinking is transforming the way some HR professionals develop and manage selection processes.

As Higgs et al. explain, adopting a systems view of selection reveals that a large number of HR practices that were previously considered as distinct activities (e.g., hiring, training, performance evaluation, special assignments, career development) can all be considered selection processes. It follows that organizations should find a means for ensuring that these pieces fit together. It also follows that HR professionals who accept responsibility for the design and management of HRM systems must develop an understanding of HR that cuts across all HRM activities (policies and practices). That is, strategic HRM implies that HR professionals must nurture their capacity to operate as HR generalists rather than HR specialists. Higgs et al. identified competency modeling and managing against core values as two approaches being used by organizations to achieve the desired level of systemic, horizontal integration.

Competency Modeling. Within the framework of traditional HRM, job analysis is firmly established as the appropriate basis for developing HR practices that meet legal requirements. These techniques were not developed originally to serve as the foundation of an HRM system that is aligned with the organization's strategic direction and provide guidance for creating an internally aligned HRM system. During the past decade, competency modeling has evolved to meet these strategic needs.

In comparison to traditional job analysis, which focuses on specific jobs, competency modeling places more emphasis on determining the knowledge, skills, abilities and other attributes needed *throughout* the organization; it also encourages more consideration of the organization's future needs rather than focusing on the details of specific jobs as they are carried out in the present (Sackett/Lazco 2003; Schippmann 1999). Thus, at the level of the firm, competency modeling may provide the basis for developing an appropriate HR architecture (cf. Lepak/Snell 1999, 2003).

Vision and Values. Declarations of the organization's vision and values may also provide guidance to the development of coherent HRM systems. Statements of organizational vision and values are sometimes derided as superficial, but when taken seriously these provide direction and a set of implicit decision rules for evaluating the

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firm-specific appropriateness of various HR practices. Regardless of whether vision and values statements are considered the foundations or reflections of the organization's culture, they provide a common understanding of what the organization is striving to be – its desired identity. Thus, vision and values statements serve as touchstones that employees and HR professionals alike can use to assess whether particular HR practices are internally consistent (Pfeffer 1998; see also Boswell/Boudreau 2001; Boudreau/Dunford/Ramstad 2003).

Demonstrating Human Resource Management Effectiveness

Traditionally, assessments of the "effectiveness" of an organization's HR practices relied heavily on technical criteria established by the profession (e.g., the validity of a selection tool, lack of bias in performance appraisals) and embodied in U.S. legal regulations. More recently, HR professionals have been called on to demonstrate the effectiveness of HR practices – considered singly or as a total system – in monetary terms (Huselid et al. 2004; Becker/Huselid/Ulrich 2001).

Monetary Criteria. Twenty-five years ago, efforts to demonstrate effectiveness in monetary terms usually employed utility analysis (e.g., Schmidt et al. 1979) or cost accounting (e.g., Cascio 2000). Regardless of the technical merits of such approaches, they have not been widely adopted by organizations. Instead, most firms continue to rely on subjective estimates and intuition when assessing the effectiveness of their HR practices (Becker et al. 2001). Undoubtedly, there are many explanations for the slow adoption rate of utility analysis and cost accounting methods, including the fact that these measures may not reflect fundamental strategic objectives or the concerns of a broader set of important stakeholders (Donaldson/Preston 1995; Jayne/Rauschenberger 2000; Boudreau/Ramstad 2003a, b).

Nevertheless, recently in the U.S., interest in developing business-relevant HR metrics has mushroomed. HR consultants now offer a broad variety of sophisticated measures intended to assess the effectiveness of an organization's approach to managing human resources by estimating the economic value added or return-on-investment of HR activities (e.g., see Huselid et al. 2004; Becker et al. 2001; Fitz-Enz 2002). Thus, current practices for assessing HR effectiveness continue to place considerable emphasis on monetary metrics (Sturman et al. 2003).

We believe that this narrow approach to assessing HR effectiveness primarily in economic terms is likely to continue to evolve in the future, as organizations improve their understanding of the underlying drivers of long-term organizational success. For example, using the logic of balanced scorecards and strategy maps (Kaplan/Norton 1996a, 1996b, 2004), some firms have begun to develop sophisticated models of how HR practices directly influence internal operations as well as customer satisfaction. These models illustrate the specific means through which HR policies and practices can influence an organization's ability to achieve its strategic objectives (Rucci/Kirn/Quinn 1998; Ulrich 1998; Becker et al. 2001).

Looking ahead, we anticipate seeing further evolution in the approaches organizations use to assess the effectiveness of their HRM systems (Boudreau/Hopp/McClain/Thomas 2003). Investors are among the most important stakeholders for a business because without their capital, the business could not continue. Thus, more sophisti-

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cated approaches to understanding how HRM systems influence investor satisfaction is one likely focus of future efforts. For example, the use of financial and stock market indicators to assess the effectiveness of HRM is often viewed as an approach designed to address the concerns of investors as stakeholders (Becker/Gerhart 1996; Becker/Huselid 1998; Gerhart 1999). But stock market indicators in particular tend to reflect the short-term orientation of some investors. For corporations that are partially owned by employees, via stock-based savings plans, these indicators may not be appropriate. For such investors, the long-term viability of the organization is more relevant (e.g., see Blasi/Kruse/Berstein 2003).

Satisfying Multiple Stakeholders. A more complete assessment of HR's effectiveness would consider the impact of the HRM system on all of an organization's multiple stakeholders. The importance of developing HRM systems that address the concerns of all key stakeholders is not widely recognized in the U.S., however.

Certainly, the organization itself is a primary stakeholder, so it is appropriate to assess the impact of the HRM system against objectives such as improving productivity, improving profitability, sustainability, and ensuring the organization's long-term survival. Increasingly, employers also recognize that organizational strategies that depend on total quality, innovation and customer service cannot be met unless employees are willing to strive for the same goals on the organization's behalf. In other words, employees also are legitimate stakeholders, whose concerns must be addressed. Thus, "soft" indicators of employees' feelings about the organization (e.g., commitment, satisfaction) are being recognized as relevant indicators of effectiveness that are worthy of top management's attention (Schneider/Bowen 1995). In industries where innovation is essential, indicators of employee engagement and knowledge development are being recognized as important relevant measures of HR effectiveness (Boudreau 2003; Boudreau/Ramstad 1999).

The effectiveness of an HRM system can also be assessed by showing its effects on customers. HR practices can determine the quality and variety of products available to customers, the price at which those products can be purchased, the service received and so on. As the U.S. economy evolved toward services, HR practices incorporated the voice of customers in numerous ways. Customer's expectations have been incorporated into job descriptions, their preferences have influenced criteria used to select new employees, their input is often sought to assess employee performance, and so on (Schneider/White 2004).

Other major stakeholders who can be affected by an organization's HR practices include suppliers and alliance partners. Through various forms of cooperative alliances, a company seeks to achieve goals that are common to all members of the alliance. Some alliances are formed to influence government actions. Research and development needs are another common reason for alliance formations. Joint ventures represent yet another type of alliance. Although organizations may understand that these stakeholders can all be affected by HRM, alliance partners are seldom included when organizations assess the effectiveness of their HRM systems.

Finally, within the U.S. the effects of an organization's HR practices on the local community and the broader society have generally not been taken into account when

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assessing the effectiveness of HRM, except to the extent that these concerns are embodied in laws and regulations (Florkowski/Nath 1993). In recent years, numerous revelations of unethical and corrupt business practices serve as a reminder that a variety of HR practices (selection, training, performance measures, compensation) can contribute to such problems. Clearly, any organizational assessment of HR effectiveness that fails to consider its ability to reduce unethical or corrupt business practices is deficient.

Figure 1 illustrates the variety of stakeholder concerns that effective organizations must consider and attempt to address. Choices about how to manage an organization's human resources often have unintended and unexamined consequences for stakeholders' perceptions of how well their concerns are satisfied. Thus, extending the domain of HRM to include a more nuanced consideration of stakeholders' concerns such as ethics and sustainability is an agenda item for the future practice of strategic HRM (Boudreau, in press).

Figure 1 Stakeholders and their Concerns

Adapted from S. E. Jackson and R. S. Schuler, *Managing Human Resources through Strategic Partnerships*, 8th ed., Cincinnati, Ohio: South-Western 2003, p.17. Used with permission.

Partnership and the HR Triad

As human resource management has evolved to become more strategic, it has become clear that effective HRM requires close cooperation between HR professionals and

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line managers. Unfortunately, HR practitioners in the U.S. sometimes equate strategic HRM with "having a seat at the table" (i.e., being a member of the top executive decision making team), being a "business partner," and "showing bottom-line results." Such terminology does not adequately recognize HR's continuing and equally important responsibility for ensuring that employers meet the needs of all employees.

The fate of an organization, its investors, and its customers cannot be separated from the fate of all employees working for the organization (Schuler et al. 2001; Pfeffer 1998; Beatty/Huselid/Schneier 2003). In our own work, we use the term "HR Triad" to describe the three key partners involved in effective HR partnerships – employees (and union representatives), line managers, and HR professionals. Some of the general roles and responsibilities of each member of the HR Triad are shown in Figure 2. Much more specific roles and responsibilities can be found elsewhere (see Jackson/Schuler 2003).

Figure 2: Examples of the Roles and Responsibilities of HR TRIAD Members

Line Managers	HR Professionals	Employees/Unions
Include human resource professionals in the process of creating a business strategy and putting into place means of achieving the business strategy.	Assist line managers, employees and unions in developing and implementing elements of the human resource system.	Implement HR activities in conjunction with line managers and human resource professionals.
Work in tandem with human resource professionals, unions and employees to develop and implement elements of the human resource function.	Work in tandem with line managers to forge links between human resource activities and the business.	Become responsible for managing their own behaviour and their careers in organizations.
Share responsibility for managing the human resources of the company.	Assist employees in voicing their concerns to management.	Recognize the value of and need for flexibility and adaptability.
Set policy that supports ethical behaviour and sustainability.	Create policies and practices to support ethical conduct and an environment which supports them.	Represent the needs of all workers.

Adapted from S.E. Jackson and R.S. Schuler, Managing Human Resources through Strategic Partnerships, 8th ed., Cincinnati, Ohio: South-Western 2003:14. Used with permission.

Summary

To summarize, we have argued that the practice of strategic human resource management reflects the culmination and confluence of several trends that have unfolded during the past twenty-five years. These include developing a contextualized understanding of human resource management, thus facilitating vertical integration; developing systems of internally consistent and aligned HRM practices for horizontal integration; demonstrating the effectiveness of HR practices; and, forging an effective partnership among HR professionals, line managers, and employees and their repre-

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sentatives. It appears that a majority of large organizations in the U.S. have embraced at least of some of these core elements of SHRM (Huselid et al. 2004; Claus/Collison 2004).

Research in Strategic Human Resource Management

In the U.S., the science and practice of strategic HRM are related, but not tightly coupled, so we chose to summarize separately the key trends within each domain. Thus, we turn next to strategic HRM research.

U.S. scholars have not yet adopted a common definition of "strategic HRM," but most would probably agree that it covers research intended to improve our understanding of the relationship between how organizations manage their human resources and their success in implementing business strategies (cf. Scott/Youndt/Wright 1996). As a focal topic for HRM research, strategic HRM began to emerge approximately twenty-five years ago (Dyer 1985; Galbraith/Nathanson 1978, Niniger 1980; Fombrun, et al. 1984; Schuler/MacMillan 1984). Since then it has evolved to include several streams of theory and empirical investigations. Due to space limitations, our tour of this work is necessarily too brief to adequately compare and contrast the numerous conceptual frameworks proposed, or to examine the ongoing methodological debates. Instead, we simply attempt to summarize a few key issues of interest to SHRM scholars in the United States. More detailed reviews can be found elsewhere (e.g., see Becker/Huselid 1998; Snell/Youndt/Wright 1996; Martin-Alcazar/Romero-Fernandez/Sanchez-Gardy 2004; Lengnick-Hall/Lengnick-Hall 1988; McMahan/Virick/Wright 1999; Wright/McMahan 1992).

High Performance Work Systems, Best Practices, and HR Bundles

As we have already noted, an element that differentiates the strategic HRM approach from earlier approaches is a focus on the entire HRM system. One stream of strategic HRM research has focused on demonstrating that more sophisticated HRM systems create more economic value. These more complex HRM systems are sometimes referred to as "best practices" or "high performance work systems" or "HR bundles" or "one best way" (e.g., Becker/Huselid 1998; Cappelli/Neumark 2001; Delaney/Lewin/Ichniowski 1989; Delery/Doty 1996; Huselid 1995; MacDuffie 1995; MacDuffie/Drafcik 1992; Osterman 1984, 1987).

In this stream of research, HR practices are assumed to operate in concert with each other. When properly aligned, several practices together may reinforce each other; when mismatched, they may work against each other and interfere with performance (Delery 1998; Lawler 1992; Lawler/Mohrman/Ledford 1992). Alternatively, some practices may serve as substitutes for each other (Ichniowski et al. 1996). As noted in the discussion of competitive advantage, this stream of research tends to downplay the significance of context.

Several empirical studies have shown that firms that have an entire set of so-called high performance HR practices outperform firms with none or only a few of these practices (Becker/Huselid 1998). However, as critics have pointed out, there has been some inconsistency in the HR practices (or policies) that various authors consider to be among the preferred practices, making it difficult to draw general conclu-

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sions about which practices qualify as "best practices" (e.g., see Becker/Gerhart 1996). In order to continue moving forward with this line of research, more theory-driven research may be needed as well as a distinction between HR practices and HR policies. The result might be research that traces the causal chain that explains how particular HR practices or policies influence intermediate outcomes (e.g., motivation, productivity, turnover) and how those outcomes, in turn, are related to specific indicators of financial performance (Becker/Huselid 1998; Boswell/Boudreau 2001; Rogers/Wright 1998; Wright/Gardner 2002), or other indicators of organizational effectiveness (Boudreau/Hopp/McClain/Thomas 2003).

Research on high performance work systems, best practices, and HR bundles is considered by its advocates to fall within the realm of strategic HRM primarily because of its emphasis on predicting firm financial performance. That is, for some U.S. researchers, strategic HRM research is defined primarily by the outcome of interest – firm performance. Next we consider strategic HRM research that puts more emphasis on creating alignment between the HRM system and a firm's context, e.g., its particular strategy.

Strategic Contingencies

The emergence of the strategic contingencies perspective in HRM research can be traced to early efforts to bridge the fields of strategic management (also referred to as business policy) and human resource management. The earliest works addressed the question of whether the effectiveness of specific HR practices might depend on the strategic objectives of the firm that adopted the practice (e.g., Miles/Snow 1984, Schuler/Jackson 1987).

Prior to the emergence of strategic HRM, most empirical research sought to identify the most effective HR practices. The specific context in which a practice was used was considered to be of little consequence. The implicit assumption was that the most effective practices would be equally effective across firms. By asserting that the value of HR practices depends on the strategic context in which they are used, contingency advocates challenged the prevailing assumption of "one best way." [Although it is now less prevalent, this assumption has not been completely abandoned by some strategic HRM researchers; it remains implicit, for example, in research that seeks to establish the superiority of so-called "high performance work systems."]

Strategic contingency theory assumes that managers adopt strategies as means for competing in the specific environments they face (Lundy/Cowling 1996). Two of the most well-known typologies for describing the alternative strategies available to firms are the defender-reactor-analyser-prospector theory proposed by Miles and Snow (1984) and the competitive strategies identified by Porter (1980). Following the logic of strategic contingency theory, the choice of human resource practices can be understood as a process of matching HR practices to the strategies pursued by the organization (Lundy/Cowling 1996). For example, prospectors may look externally for people in order to bring in the cutting edge competencies needed for technological innovation. In contrast, an organization pursuing a reactor strategy may value knowledge about the organization's own internal processes over technological advances (Hambrick 2003).

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Several studies provide some support for the contingency perspective. For example, drawing on Porter's work, Jackson, Schuler and Rivero (1989) tested and found support for several hypotheses that specified the HR practices that should be found in firms pursuing strategies that emphasized cost reduction, quality improvement, or innovation (see also Cappelli/Crocker-Hefter 1993).

Configurational Perspective

Closely associated with the development of this contingency perspective is the configurational perspective (Delery/Doty 1996; Ketchen/Thomas/Snow 1993; Martin-Alcazar et al. 2004). In fact, in our view, the configurational perspective is conceptually indistinguishable from the earlier contingency perspective. Studies that have been cited in the literature as examples of the configurational perspective could just as easily be cited as examples of the contingency perspective (e.g., Schuler/Jackson 1987). By using the term configurational instead of contingency, those who view these two perspectives as different point out the importance of attending to each of two issues: one is the idea that HR practices need to be aligned with each other (horizontal integration), and the second is the idea that HR practices should be aligned with the broader context (vertical integration). That is, certain sets or "bundles" of HR practices may be more appropriate because they fit together to mutually support a defined set of employee behaviors, competencies and motivations, *and* these in turn are appropriate given the organization's specific context (Baird/Meshoulam 1988; Ichniowski 1990; MacDuffie 1995; Fombrun et al. 1984; Delery/Doty 1996; Delery/Shaw 2001; Gomez-Mejia/Balkin 1990; Miles/Snow 1984; Schuler/Jackson 1987; Wright/Snell 1998; Boudreau 2003).

Theoretical Frameworks

If one accepts the proposition that an HR practice that is effective in one context might be quite ineffective in another context, one challenge that follows is developing a logic for predicting which practices are most suitable for which contexts. Prominent explanations that have been offered to explain why and how a firm's strategy (and other contextual factors) influences its HRM system include the behavioral perspective, human capital theory, and the resource-based view of the firm.

Behavioral Perspective. Grounded in role theory, the behavioral perspective focuses on the interdependent role behaviours that serve as building blocks for an organizational system. Role behaviours are 'the recurring actions of an individual, appropriately interrelated with the repetitive activities of others so as to yield a predictable outcome' (Katz/Kahn 1978). The primary means by which the organization sends role information through the organization, supports desired behaviours, and evaluates role performances is human resource management.

Schuler and Jackson (1987) used role theory to link HR practice with the competitive strategy of the organization (Porter 1980). They argued that different strategies require different role behaviours of the employees and thus require different human resource practices. Therefore, human resource management is effective when the expectations which it communicates internally and the ways in which it evaluates performance are congruent with the system's behavioural requirements (Fredericksen

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1986). Since then, this approach for explaining why alternative strategies were likely to require different HRM systems has been referred to as "the behavioral perspective."

The behavioral perspective assumes that firms develop HR practices as a means for managing the behaviors of employees. It further assumes that different strategies impose differing behavioral imperatives. It defines an effective HRM system as one that (a) accurately identifies the behaviors needed to implement the firm's strategy, (b) provides opportunities for employees to engage in the behaviors needed, (c) ensures employees have the competencies required, and (d) motivates employees to behave as needed (Schuler/Jackson 1987; Jackson/Schuler 2002; Treacy/Wiersema 1995). Furthermore, the behavioral perspective argues that employees' decisions about how to behave reflect their interpretation and responses to an organization's entire HRM system – that is, employees imbue practices with meaning (see Daft/Weick 1984). Consequently, involving employees' in the process of developing and implementing HR practices is essential.

Recently, the behavioral perspective was used to explain the effects of so-called "network building" HR practices on firm performance. Focusing on top management teams, Collins and Clark (2003) showed that several HR practices seemed to improve firm performance by encouraging executives to build their internal and external social networks, which they could then leverage to improve their firm's financial bottom line. Making somewhat similar arguments, Jackson, Hitt and DeNisi (2003) recently extended the behavioral perspective to describe how HR practices might be used to encourage behaviors needed for knowledge-based competition.

Human Capital Theory. Grounded in economics, human capital theory provides an alternative logic for understanding the choices firms make in managing human resources. The crux of this theory is that people are of value to the organization to the extent they make it productive (Becker 1964; Becker/Huselid 1998; Lepak/Snell 1999). Thus, organizations make decisions about investments in people just as they make decisions about investing in machinery, viewing them as a form of capital. Costs related to training, retraining, motivating, and monitoring the organization are viewed as investments in the human capital of the firm, just as maintenance of machinery would constitute an investment in the capital of the firm (Flamholtz/Lacey 1981; Wright et al. 1994; Wright/Dunford/Snell 2001; Cascio 1991, 2000). Efforts to develop HR metrics that establish the value of investments in HR practices are firmly grounded in the logic of human capital theory.

Human capital theory has also been used to gain insights into the decisions firms make about how to staff their operations. Human capital can be attained by either hiring from outside the organization or by training and developing human capital already within the organization (Wright et al. 2001). The decision to 'buy or make' depends on a comparison between the projected value to the organization, which will be realized when the capital is deployed and the costs to the organization of each option, given the current environmental context.

Resource-Based View. The resource-based view of the firm emphasizes the need for resources as being primary in the determination of policies and procedures (Wernerfelt 1984). Organizations are viewed as being able to succeed by gaining and

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retaining control over scarce, valuable, and inimitable resources (Barney 1991; Porter 1980). The application of this theory to human resource management has led to an array of new insights for understanding how effective organizations manage their employees (Gupta/Govindarajian 2001).

Within the organization, the HR department can be viewed as controlling scarce resources to the extent that it controls access to the skills necessary for the achievement of strategic goals (Lepak/Snell 2003). On a broader level, a firm may gain a competitive advantage by using HR practices – e.g., an appealing remuneration scheme--to lure and retain top talent (Gomez-Mejia/Balkin 1992). These competitive advantages are sustained through continued training, support of organizational culture, selection processes, and other traditional human resource practices.

The resource-based view has been invoked as the logic for explaining why coherent HRM systems lead to sustained competitive advantage: whereas it may be easy for competitors to copy or imitate any single HR practice, it should be more difficult to copy an entire system of aligned practices (Wright et al. 1994; Lado/Wilson 1994). Furthermore, even if competitors are able to copy an entire HRM system, they may find that the system is not as effective because it is not aligned with the new organization's specific strategy or other elements of its broader context.

An Integrative Framework: Contextualized and Dynamic. By any standard, the field of strategic human resource management is still in its infancy. Nevertheless, there is an emerging consensus regarding the need to understand the interplay between human resource management systems and the broader context in which these systems are used – including characteristics of the immediate organization (technology, strategy, culture, and leadership) as well as characteristics of the external environment (laws, unions, country culture, and economic conditions (Delery/Doty 1996; Martin-Alcazar et el. 2004; Jackson/Schuler 1995). Because the internal and external environments are dynamic, the process of managing human resources must also be dynamic. Success requires meeting the present demands of multiple stakeholders while also anticipating their future needs. Our interpretation of these essential elements of the emerging field of strategic HRM is illustrated in Figure 3.

The task of developing and implementing an effective HRM system presents numerous challenges. To date, research and theory have focused on the design question, that is, What comprises the best HRM system in a given context? Meanwhile, lacking clear answers to the design question, HR practitioners are faced with the challenges of interpreting the needs of multiple stakeholders, negotiating solutions that optimize their satisfaction, managing the process of change, monitoring effectiveness, and sustaining continuity while retaining the flexibility needed to adjust and improve. Looking ahead, it seems likely that the focus of academic work in the field of strategic HRM will evolve away from its current search for effective HRM system designs and toward understanding the processes through which HRM systems evolve and change in concert with their dynamic context. Gradually, the rather mechanistic view of HRM systems that prevails currently may be replaced by a perspective that recognizes the social aspects of human resource management and the processes through which organizational members create meaning from a complex array of signals.

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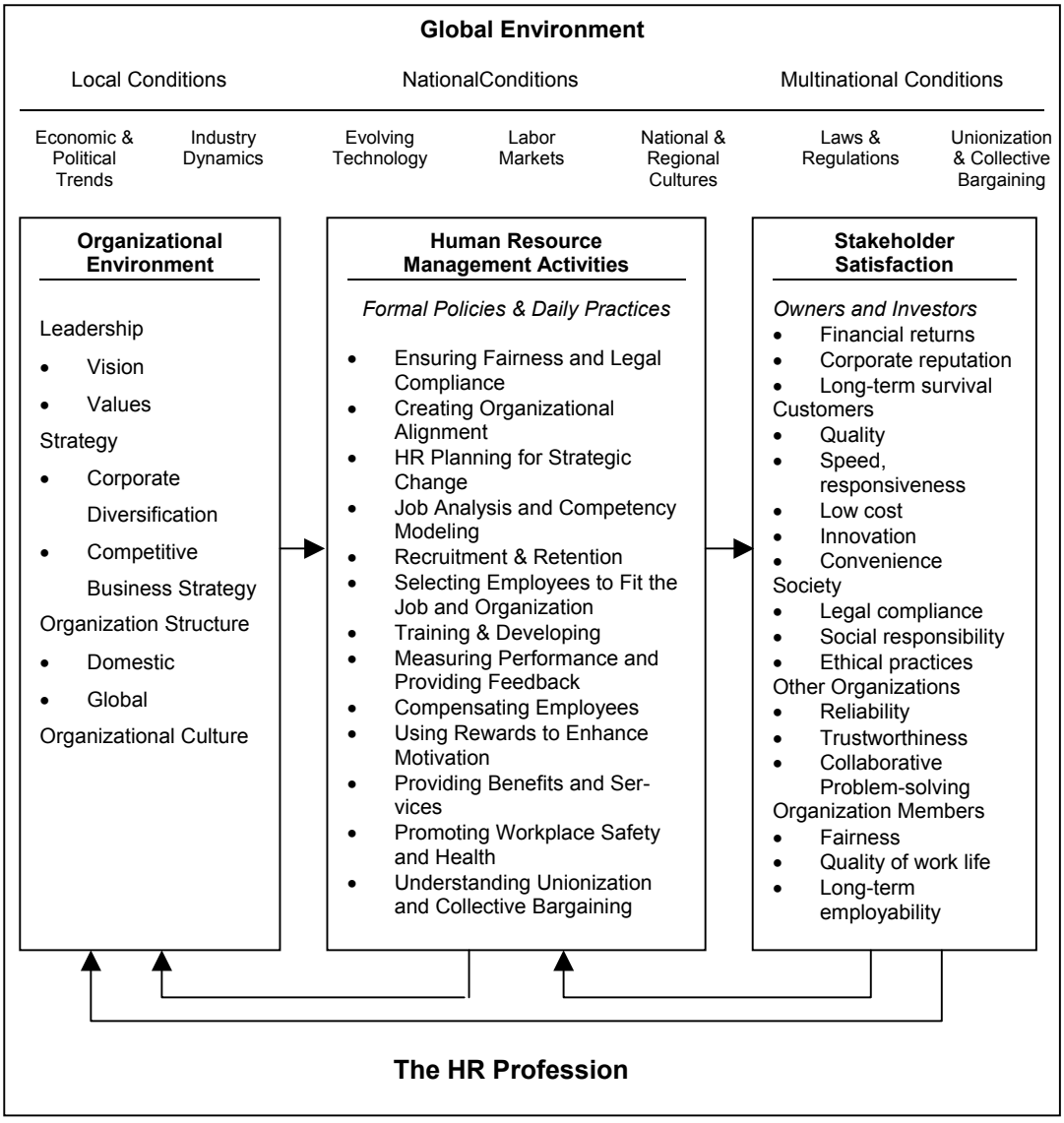
Figure 3: Contextual and Dynamic Framework for Strategic HRM



Adapted from S.E. Jackson and R.S. Schuler, Managing Human Resources through Strategic Partnerships*, 8th ed., Cincinnati, Ohio: South-Western 2003: 9. Used with permission.*

Also needed in the future are studies that consider outcomes of concern to multiple stakeholders. To date, most strategic HRM research in the U.S. has focused on financial performance and emphasized outcomes of interest to investors. Whether other stakeholders also benefit from these practices is not yet clear. A recent study of HR practices used in hospitals provides an example of how the concerns of multiple

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stakeholders can be taken into account. In that study (Brown/Sturman/Simmering 2003), the authors showed that compensation practices used in hospitals predicted both financial outcomes and patient care.

Research and Practice in International Human Resource Management

Within the U.S., the development of international HRM has been another significant trend during the past quarter century (Reynolds 2001, 2004; Dowling/Schuler 1990; Schuler 1994). As a result of the globalization of industry, many firms now must compete on a worldwide basis rather than on the regional basis that was previously favored (Bartlett/Ghoshal 1991). Human resource management in this international context requires developing an understanding of the issues facing multinational enterprises (MNEs) (Evans/Pucik/Barsoux 2002; Briscoe/Schuler 2004).

Whereas there seems to be a significant gulf between research and practice in strategic HRM, research and practice in international HRM are more closely linked. Thus, in this section we discuss both together. Our brief review of developments in international HRM is organized around two topics--managing expatriates and managing MNEs--because these two topics have received the majority of research attention in the U.S. during the past twenty-five years (Briscoe/Schuler 2004).

Managing Expatriates

Managing a domestic workforce can differ drastically from managing a foreign workforce. Nevertheless, many U.S. organizations that operated internationally for much of the past twenty-five years adopted the human resource practices of the parent country, the U.S. In addition, they used expatriates as a major means of staffing the senior management cadre of international locations. By staffing foreign operations with expatriates, the U.S. parent could exercise control over the foreign operation (Tarique/ Caliguri 2004). Because this ethnocentric approach was widely adopted by U. S. firms as they began to internationalize, most of the early practice and research in IHRM focused on expatriate selection and compensation (Tung 1988; Tarique/Caliguri 2004; Adler 2002; Mendenhall et al. 2002).

Twenty-five years ago, international personnel professionals in U.S.-based multinational firms devoted almost all of their time to managing expatriate assignments – in particular, expatriate compensation (Reynolds 1997). By the 1990s, expatriate compensation issues still consumed half of the time of corporate international HR staff (Reynolds 2001, 2004).

Today, considerably more of the time of U.S. international HR staff is devoted to issues associated with managing local-nationals, and to issues such as global staffing, integration of worldwide HR practices, management development, and other topics considered to be of strategic value (Reynolds 2001, 2004). The number of HR professionals in the U. S. who have responsibilities for international HR issues also has grown considerably. When the first professional association for international HR managers was established in the 1970s, it had only about 100 members. Today, some 8000 members of the major professional association for HR professionals (the Society for Human Resource Management) identify with this specialty. Recognizing that there is now an extensive body of knowledge that should be mastered by HR professionals

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with international responsibilities, the Society for Human Resource Management recently introduced a specialized testing and certification process.

Research in international HRM has followed a similar trajectory. Prior to the 1990s, the volume of U.S.-based research in the field of international HRM was quite small, and it focused almost exclusively on managing expatriates. Much of the research sought to identify predictors of success in expatriate assignments. Numerous studies conducted during the past decade have shed light on individual characteristics that enable expatriates to adjust readily to new and unfamiliar circumstances. Research has also found that the cross-cultural training and developmental activities provided to expatriates can prepare them to work more effectively in other cultural contexts (e.g., see Black/Mendenhall/Oddou 1991; Caligiuri 2000; Ones/Viswesvaran 1997).

Managing expatriates continues to be a significant activity and an active area of research, but it no longer dominates IRHM in the United States. As the pace of globalization quickened, and as the costs associated with the growing numbers of expatriates came into question, U. S. firms decreased their reliance on expatriates. Like other global firms, they turned to third country nationals and host country nationals as vital sources of staffing, for both non-managerial and managerial positions (Reynolds 2004; Pucik/Tichy/Barrnett 1993). With the concurrent rise of multinational enterprises, practitioners and researchers alike are developing new ways of conceptualizing international HRM (Reynolds 2004).

Managing MNEs

As U. S. MNEs have evolved, HR professionals have become more sensitive to cultural variations. Numerous studies have documented country differences in HR practices, and several have linked these to differences in the cultures and institutional environments of the U.S. and other countries (e.g., Adler/Ghadar 1990; Rousseau/Schalk 2000; Sparrow/Schuler/Jackson 1994; Tung 1990). Such differences create special challenges for global firms.

One challenge that U. S. MNEs continue to struggle against is adapting their HR practices to the new cultures in which the organization operates and doing so in a manner of operation that is both comfortable for the organization and appropriate for those cultures (Pucik et al. 2002; Adler/Ghadar 1990). Of course, cultural differences are not the only challenge; as is true for domestic U.S. firms, MNEs must align their HRM systems with other elements of the external environment – the laws, economic conditions, and political trends in each country of operation (von Glinow/Drost/Teagarden 2002).

A closely related challenge is developing a global approach to managing human resources that embraces a few universal principles that give the entire global system consistency and internal integrity, while also allowing local and regional autonomy. Achieving the right mix requires continual evaluation and discussion about which policies and practices can be global and which can or should be regional or even local (Govindarjan/Gupta 2001). As they have adopted local HR practices, many U. S. MNEs have found it difficult to develop global HRM systems that are internally consistent and effective throughout the entire MNE (Schuler/Budhwar/Florkowski 2002; Boudreau/Ramstad/Dowling 2003).

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Strategic International Human Resources. As is true for firms operating in a single country or region, MNEs strive to develop HRM systems that fit the contours of the present context – a context that is much more complex and multifaceted – yet anticipate the future concerns of its varied stakeholders. That is, effectively managing human resources in MNEs requires a framework for strategic international human resource management (Evans et al. 2002; Briscoe/Schuler 2004). Strategic international human resource management has been defined as "human resource management issues, functions, policies and practices that result from the strategic activities of MNEs and that impact the international concerns and goals of those enterprises" (Schuler/Dowling/DeCieri 1993).

The practice of strategic international human resource management involves the management of inter-unit linkages and internal operations (Bartlett/Ghoshal 1991). Managing inter-unit linkages is needed to integrate, control and coordinate the units of a firm that are scattered throughout the globe (Ghoshal 1987; Galbraith 1992). Internal operations, on the other hand, encompass the remaining issues. For example, internal operations include the way a unit operates in concert with the laws, culture, society, politics, economy, and general environment of a particular location (Ballon 1992; Tung/Thomas 2003).

Managing Cross-Border Alliances. Another important challenge for MNEs is managing cross-border alliances. Due in part to the high costs for developing new products and entering new markets, more and more U.S. companies have elected to enter into cross-border alliances. Two types of cross-border alliances that present special HRM challenges are international mergers and acquisitions and international joint ventures (Schweiger/Verg 2001). While international mergers and acquisitions have the tendency to reduce the number of companies in a market, international joint ventures typically increase the number of companies in a market. In both cases, costs can be reduced, profits enhanced, speed of market entry increased and risks managed.

Research suggests that many of the problems that arise in managing cross-border alliances are due to ineffective human resource management (Schuler/Jackson/Luo 2004). Research intended to improve our understanding of how to manage cross-border alliances is still in its infancy. Nevertheless, there is a growing volume of scholarship devoted to developing testable, theoretically-grounded frameworks that can serve as guides to new empirical research while also providing new insights to practicing HR professionals (Inkpen/Beamish 1997).

Some of the theoretical perspectives that have been used to guide studies of strategic HRM will undoubtedly prove useful for future research in strategic international HRM, including those theories we described above as well as institutional theory (Zucker 1987), agency theory (Jensen/Meckling 1976) and transactions-cost theory (Williamson 1985). In addition, the perspective of organizational learning theory (Kogut 1988; Cohen/Levinthal 1990) is proving useful. For many firms, the process of internationalizing involves expanding slowly from a domestic base into progressively distant areas. Establishing cross-border alliances may provide an efficient means for firms that seek to learn how to operate in new areas prior to investing heavily in them (Luo 2002; Shenkar/Zeira 1987). For this tactic to be effective, however, a variety of issues must be tackled; in the process, a firm's ability to manage human re-

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sources effectively within the cross-border alliance will be tested. Improving our understanding of this and other learning processes and developing guidelines for effectively managing cross-cultural organizational learning are challenges to be addressed by strategic international human resource management in the next quarter century.

Conclusion

The nature of U.S. human resource management is changing rapidly as the 21st century gets under way. Increasingly, human resource management is being recognized as central to strategic planning and strategy implementation--for domestic firms as well as MNEs. With the objective of providing an overview of the past quarter-century of HRM in the U. S., we have briefly commented on a few major developments, including the importance of analyzing and interpreting the impact of context, the recognition of the importance of multiple stakeholders for HRM as well as organizations, the efficacy of a partnership involvement in the design, development and implementation of HRM activities, a growing professionalism in HRM both domestically and globally, and the use of data and theory for research advancements and contributions.

As we write this article we see the dynamics of the global economy and global labour markets rapidly evolving as dominant forces for human resource management in U.S. companies, both domestic and multinational ones. These dynamics appear so powerful that the distinction between what constitutes domestic and multinational is fast disappearing. Consequently, we predict that the contextual and dynamic framework for studying and understanding HRM will apply to all organizations in the U.S. and their HRM professionals in their efforts to manage human resources as effectively as possible.

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