



Selection & Assessment

Strategic Human Resource Management
Framework for High Performance
Organizations: What does the evidence tell
us?

CQ Dossier | Evidence-based Human Resource Mgmnt

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CQ Net is the evidence-based management (EBM) team learning platform. Learn strategies & interventions that have been supported by scientific research. This CQ Dossier is part of the Evidence-Based Management Learning Team "How to select, hire and retain the right people for a high-performance organization?".

Executive summary

This CQ Dossier describes how organizations can gain a competitive advantage through human capital. The dossier describes how investment in HRM practices can enable high performing organization to realize the knowledge, skills, and abilities of the human capital within the firm. The dossier describes evidence-based best practices in choosing bundles of HR practices that empower and motivate employees to perform at their best.

Organizations can gain a competitive advantage with human resources

During the 1980s there was a paradigm shift within Human Resource Management whereby researchers and practitioners advocated for a resource-based view of the firm. This view of the firm recognized that organizations could gain a competitive advantage through leveraging human resources. Resource-based theory states that resources are important factors of a firm's competitiveness if they meet the value, rareness, inimitability, and non-substitutability (VRIN) test (Barney, 1991). The premise behind the resource-based view of the firm is that human capital is a source of competitive advantage for organizations if they pass the VRIN test. Human capital is a) valuable when it is linked to indices of individual and organizational effectiveness; b) is rare when there is heterogeneous distribution among firms; c) is inimitable when there is specificity within the firm's human capital; d) human capital is non-substitutable when it is difficult to replace (Barney & Wright, 1998).

Dynamic capabilities are valuable, rare, imitable and non-substitutable resources (VRIN)

Since Barney's revolutionary theory, there has been increasing scrutiny on how best to leverage the people within the organization. With this scrutiny, researchers and practitioners now recognize the merits of a dynamic, knowledge-based capabilities approach. When a firm manages the dynamic capabilities within the firm, they can

integrate, build and reconfigure internal and external competencies to address the rapidly changing environment (Ambrosini & Bowman, 2009). Ambrosini, Bowman, and Collier (2009) argue that managerial perceptions of the environment are not necessarily based on an objective analysis of the environment and managers may create change based solely on their own dynamically evolved cognitions. Dynamic capabilities allow organizations to gain a competitive advantage and to help organizations avoid the rigidity of developing static competencies (Ambrosini et al., 2009). Thus, the goal of a dynamic capabilities view of the firm is the generation of a novel bundle of valuable, rare, imitable and non-substitutable resources (VRIN). This dossier describes how organizations can best leverage human capital through strategic human resource management (SHRM).

Developing employees' KSAOs through learning and development positively impacts an organizations dynamic capabilities

One of the best ways in which organizations can best leverage their human capital is through implementing effective HR practices. HR practices are most effective when they facilitate the development of the knowledge within the firm [through recruitment](#), training, socialization, performance appraisal and other HR practices (Lengnick-Hall, Lengnick-Hall, Andrade & Drake, 2009). It is important that organizations implement policies that create value within the firm. One of the opportunities for organizations is by the identifying the knowledge, skills, abilities, and other characteristics (KSAOs) necessary for successful performance and developing these characteristics through employee training and other developmental programs (Boon et al., 2017). In leveraging human capital, it is important to remember that HR practices can't be implemented in isolation. Rather, there needs to be an integration of HR practices so that the system empowers employee motivation (Lepak, Lioa, Ching & Harden, 2006). In this sense, human capital is enhanced using multiple HR practices that are integrated into a cohesive system.

The AMO-model emphasises that organizational excellence is achieved by increasing employees' abilities, motivation and opportunity to contribute

Recent research in the field suggests that organizations can best leverage human capital through implementing high performance work systems (e.g., Appelbaum et al., 2000). The AMO (ability-motivation-opportunity) model proposes that organizational excellence is achieved through a function of employees' abilities, motivation and opportunity to contribute (Appelbaum et al., 2000). Human Resource Management functions can improve organizational performance by re-engineering HR practices to increase employees' KSAs and employee motivation. Through improving HR practices, this gives employees the opportunity to use their KSAs to achieve individual and organizational goals. A recent meta-analysis shows that human resource management can enhance organizational performance by creating value within human capital and through encouraging desired employee behaviors (Jiang, Lepak, Hu et al., 2012). Effective HR practices are bundled effectively so that they enhance [employees' skills, motivation and provide opportunities for employees to demonstrate their capabilities.](#)

HRM practices should be linked to the overall strategy of the firm

There are several ways in which organizations can enhance the capabilities of employees. HRM practices that encourage high knowledge, skills and abilities can be emphasized to link human capital and organizational performance. These practices can include careful selection and high investment in employee training. To achieve a high performing bundle of HRM practices, it is important that organizations link HRM to the overall strategy of the firm (Wright & McMahan, 1992). In considering which bundle of HRM practices to adopt, most of the research suggests a focus on HR activities, such as selective staffing, comprehensive employee training and broad developmental efforts such as job rotation and cross utilization can enhance organizational performance. Generally, programs that promote empowerment such as participative problem solving, teamwork with job redesign, and group based incentives also are useful for an optimal

balance. It is also important that firms adopt HRM practices that compliment each other. For example, if a firm invests in a high-quality employee performance appraisal system, it is important that this is aligned with incentive systems that reward high performers (Huselid, 1995). HR programs that are synchronized and compliment each other also have additive effects through boosting empowerment among employees (Huselid, 1995).

In conclusion, this dossier provides information on how best to leverage human resources through investment in strategic HRM practices. When organizations adopt a synchronized package of HR practices that are aligned with the organization strategy, this allows for a competitive advantage.

Key take-aways

- Organizations can gain a competitive advantage through leveraging human resources
- Organizations can best leverage human resources through generation of a novel bundle of valuable, rare, imitable and non-substitutable resources (VRIN) resources
- HR practices are most effective when they facilitate the development of the knowledge within the firm
- There needs to be an integration of HR practices so that the system empowers employee motivation
- To achieve a high performing bundle of HRM practices, it is important that organizations link HRM to the overall strategy of the firm

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