S Y M P O S I U M

Strategic Human Resource Management Research in the United States:

A Failing Grade After 30 Years?

by Bruce E. Kaufman

Executive Overview

In this paper I look at the last three decades of predominantly American research literature on strategic human resource management from three dimensions: (1) development of theory with predictive accuracy and robust conclusions, (2) production of actionable and value-added managerial principles, and (3) accurate portrayal of the historical origins and development of this area of management scholarship and practice. After an extensive reading of the literature, I conclude that strategic human resource management researchers as a group deserve a D to F grade on all three dimensions. Among the problems are an overreliance on knowledge areas and perspectives pertaining to the internal dimension of organizations and management (e.g., strategy, psychology, and organizational behavior) and too little attention paid to those areas and perspectives dealing with the external dimension (e.g., economics, industrial/employment relations, and the macro side of sociology). I suggest an economics-based framework as a possible way forward; a less normative-driven research program would also be helpful.

> *I can hire practical men who are able to devise incentive systems, promotion plans, job evaluation schemes, and benefit plans. But my responsibility as president is to see that these particular tactics are consistent with long-range* strategy; *and for that job I need* principles, *not a manual of operations.* (quoted in Bakke, From Tactics to Strategy in Industrial Relations, 1948, p. 147; emphasis added)

> *As with medicine, management is and will likely always be a craft that can be learned only through practice and experience. Yet we believe that managers (like doctors) can practice their craft more effectively if they are routinely guided by the best logic and evidence. . . . We aren't there yet, but we are* getting closer. (quoted in Pfeffer and Sutton, "Evidence-Based Management," 2006, p. 64; emphasis added)

The first quotation, from 1948, features a company president telling an academic researcher that what he most needs is not a "how to" manual of human resource (HR) practices but a set of HR *principles* to help align the people part of his business with the organization's long-run *strategy*. The second quotation, from more than a half-century later, is from two well-known management researchers who echo the statement of the president—that is, what managers need are actionable principles (logic and evidence)—and claim that "[academic researchers] aren't there yet, but we are getting closer."

The conventional portrait in the management

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literature (e.g., Dulebohn, Ferris, & Stodd, 1995; Schuler, 1998) is that the company president circa the late 1940s (or 1950s, 1960s, and perhaps 1970s) could not find strategy-oriented HR principles because the field was still dominated by the piecemeal, administrative, and controlling approach of personnel management (PM) and the union-oriented conflict, containment, and cost-focused approach of industrial relations (IR). Progress started to be made toward a strategic approach to people management only with the founding of the modern field of human resource management (HRM) in the late 1970s and its macro-branch strategic human resource management (SHRM) in the early to mid-1980s. Accompanying this shift was a parallel reorientation in the research literature from providing prescriptive and administrative-technique answers to business problems to equipping managers with general principles of people management obtained from a scientific program of theory development and hypothesis testing. Boxall, Purcell, and Wright (2007) described the new approach as "analytical HRM" and said that the purpose was "not to propagate perceptions of 'best practice' in 'excellent companies' but . . . to identify and explain what happens in practice. Analytical HRM privileges explanation over prescription" (p. 4).

The above assessment by Pfeffer and Sutton (2006) noted that the HRM/SHRM fields are getting closer in terms of putting substance into the term managerial *science* and providing modern-day company presidents with actionable strategic HR *principles*. In this spirit, three recent reviews of the SHRM research literature reached upbeat and optimistic conclusions. Two of the reviews used descriptors such as "considerable advances" (Allen & Wright, 2007, p. 102) and "significant progress . . . at a rapid pace" (Lepak & Shaw, 2009, p. 1486); the third (Becker & Huselid, 2006) declared that "managers now 'get it'" (p. 921).

Perhaps because I come to the subject from outside the management field (economics and industrial/employment relations),[1] my evaluation of the progress made by the main body of HRM/SHRM researchers along the two dimensions just noted—a managerial science and an actionable set of managerial principles—is considerably less positive. It becomes even less so when a third dimension of scholarship—the historical perspective—is introduced. This negative evaluation particularly applies to the American part of the literature, as featured in leading management general and field journals, since it dominates the modern HRM scholarly conversation and most vividly illustrates the problem areas discussed here.[2]

Expressed as a written grade covering all three dimensions, my assessment is that American HRM/SHRM researchers as a group deserve a D to F. This verdict, while seemingly harsh and unfriendly, is intended to be an objective and fair evaluation aimed at promoting critical but constructive dialogue in the spirit intended by this journal. It follows in the line of other critical commentaries by researchers positioned outside the American SHRM mainstream (e.g., Edwards, 2009; Godard, 2004; Legge, 2005; Thompson & Harley, 2007; Wall & Wood, 2005). To the degree my grade errs on the low side, overgeneralizes in places, or incorrectly interprets the main line of the literature, I offer a mea culpa in advance.

The SHRM Scorecard: Overview and First Findings

The hallmark of a science is developing and testing "if A then B" chains of reasoning to explain, understand, and predict natural or human phenomena. The scientific project, even if it

[1] Though an economist by training and department affiliation, the author has been director of a graduate HRM program, has taught executive-level HRM, and has interacted with HR practitioners for many years (e.g., see Kaufman, 2012a). He has also written critical essays on both of his home fields.

[2] The point of my critique is directed at the main line of strategic HRM scholarship, as published in, for example, *Academy of Management Journal*, *Journal of Management*, and *Human Resource Management*, and the group of scholarly works most often cited therein. I readily acknowledge that one can point to exceptions and qualifications in the literature and, also, that a heterogeneity of positions and viewpoints exists among authors. My claim, however, is that the criticisms made here get to the heart of major failings in American SHRM as collectively viewed and widely interpreted. International authors in these journals tend to follow the same paradigm and thus are subject to the same criticisms. However, a number of international writers (e.g., Boxall & Purcell, 2011) have done considerably better at framing/developing SHRM in a broader economic, social, and political context; giving balanced treatment to contingent and contextual factors internal and external to organizations; incorporating cross-disciplinary models and perspectives; and taking where appropriate a critical view of management. The American-dominated literature is the most problem-prone because it is also where a narrow and scholastic scientism of often questionable value is most ascendant (my perspective being more critical than, for example, that of DeNisi, 2010).

has no immediate application or payoff, provides value by expanding the stock of human knowledge. A desired outcome of scientific research, however, is to use the theories and findings to in some way improve, promote, or better achieve desired human ends.

These two objectives, perhaps usefully identified as science-building and problem-solving, are both acknowledged goals in managerial research and, indeed, are widely linked under the umbrella of evidence-based management (EBM). In her Academy of Management presidential address Rousseau (2006) made this association clearly:

> Evidence-based management means translating principles based on best evidence into organizational practices. Through evidence-based management, practicing managers develop into experts who make organizational decisions informed by social science and organizational research. . . . This links how managers make decisions to the continually expanding research base on cause-effect principles underlying human behavior and organizations' actions. (p. 256)

In the HRM/SHRM literature, this dual mission of scientific inquiry and improved managerial practice is also widely acknowledged. For example, the journal *Human Resource Management* tells readers, "*HRM* strives to create a bridge between academic work (research and theory) and real-world practices." Likewise, Becker and Huselid (2006) noted, "If the prescriptions from the HR strategy literature prove to be either inaccessible or irrelevant to practicing managers, the vitality and prominence of the field will surely suffer" (p. 918).

The conventional view among HRM academics is that researchers have generated a large body of useful knowledge but practitioners are dismayingly slow and spotty in assimilating it into improved organizational practices. Rynes, Colbert, and Brown (2002), for example, observed: "Accumulating evidence suggests that certain human resource (HR) practices are consistently related to organizational productivity and firm financial performance. . . . Nevertheless, it is a well-known fact that organizations often fail to adopt practices that research has shown to be effective" (p. 149). In a subsequent article, Rynes, Giluk, and Brown (2007) gloomily stated, "The gap between science and practice is so persistent and pervasive that some have despaired of its ever being closed" (p. 987). Also indicative of a research–practice gap, Cascio and Aguinis (2008) said, "There is a serious disconnect between the knowledge academics are producing and the knowledge that practitioners are consuming" (p. 1,062).

Why the research–practice disconnect? Academic writers have tied it principally to one or a combination of three sources (see Deadrick & Gibson, 2009; Rynes et al., 2007): (1) a practitioner "knowing gap" (managers are unaware of academic research findings), (2) a "doing gap" (managers for various reasons do not implement the findings of academic research), and (3) an "interest gap" (the subjects explored in academic research are not of interest to managers). An entirely different possibility—recognized and discussed to some degree in the literature (e.g., see Deadrick & Gibson, 2009; Rynes et al., 2007)—is that the deficiency instead lies on the side of the HRM researchers. This side of the gap arises because the HRM academic research (1) is seriously flawed and inaccurate in its theory, findings, and managerial implications, (2) is too broadly or amorphously framed to provide actionable principles for practitioners, and/or (3) does not deal with HRM subject areas that are germane and add value for practitioners. If labels are helpful, these three deficiencies might be called the research "accuracy gap," "actionable gap," and "value-added" gap.

I do not discount the three gaps on the practitioner side; however, my critical evaluation of the HRM and SHRM research literature rests on the perception that the three just-identified academic research gaps—after 30 years of considerable investment of time, talent, money, and material resources—are large, serious, and showing few signs of narrowing (some may be growing). In particular, my assessment is that the HRM/SHRM literature arguably deserves a failing grade based solely on the quality of the answers provided for managerial science and practice; when these answers are evaluated against the backdrop of resources committed and return on investment

Table 1
Editorial Board Members' Assessment of the Most Fundamental Findings From Human Resources Research[a]

Findings	Number of Responses
General mental ability is the strongest, or one of the strongest, predictors of performance	22
Setting goals and providing feedback is a highly effective motivational practice	22
HR practices are important to organizational outcomes	21
Structured interviews are more valid than unstructured ones	16
Valid selection practices are very important to performance outcomes	15
Personality is related to performance	11

[a] Findings with 10 or more responses on a Web-based survey of board members from a set of academic journals.

(ROI) from 30 years of research and publications, a D to F grade seems particularly appropriate.[3]

One tangible piece of evidence that helps substantiate this criticism was provided by Rynes et al. (2007), reproduced here as Table 1. The authors contacted 208 editorial board members of HR-related journals and asked each to list the "five most fundamental findings from human resources research that all practicing managers should know" (p. 989). Eighty-five provided usable responses. Table 1 contains the six answers that received at least 10 mentions.

Opinions may differ, but I would hazard a guess that most people would conclude that the six "most fundamental findings" of the last 30 years of HRM/SHRM research are distinctly underwhelming. Five of the six are very micro and psychology-oriented; only one relates to the strategic level of HRM. Also, arguably, none is framed specifically enough to provide actionable guidance to a manager. Indeed, I suspect most people would conclude that the majority border on the intuitively obvious (e.g., "setting goals and providing feedback is a highly effective motivational practice").

Rynes et al. (2007) combined the survey findings with data from an earlier study and concluded that three of the specific HRM fundamental findings (see Table 1) demonstrate particularly clear evidence of a sizable research–practice gap: items #1 (intelligence → performance), #2 (goal setting → effective motivation), and #6 (personality → performance). They then searched practitioner-oriented HR journals (*HR Magazine*, *Harvard Business Review*, *Human Resource Management*) for articles published between 2000 and 2005 dealing with these three subjects. Of the nine permutations (three topics, three journals), the lowest coverage rate (0%) was for topic #1 in *HR Magazine*; the highest (1.2%) was shared by topics #1 and #3 in *HRM*.

The fact that three of the most fundamental research findings in HRM/SHRM are given 1% or less of coverage in practitioner-related journals is indeed a startlingly large discrepancy. Although these authors endeavor to apportion responsibility evenhandedly, words such as "mysterious" and "puzzling" nonetheless crop up in their article as they consider why practitioner journals give such scant coverage to the "big three" findings. To a person such as myself who does not come from an industrial-organizational (I-O) psychology and organizational behavior (OB) background—as most HRM researchers do—not much is puzzling or mysterious here. The HRM/SHRM academics are

[3] A search of the management literature using the electronic database ABI/INFORM Complete finds 7,816 scholarly journal articles (peer reviewed) published in English from January 1, 1980, through March 1, 2012, on the subject of human resource management. A Google search of books published in English during this period on the subject of HRM turned up nearly 9,000 titles. As a back-of-the-envelope calculation, assume that each article (books omitted) required an average of 150 hours of research/writing time, the professors' annual salary was $100,000, one half of their work time was devoted to research, and two thirds of the articles were written by Americans. Based on these numbers, the direct salary cost of the last 30 years of American HRM journal literature is $20 million (with very slight rounding). This figure most likely considerably understates the full cost since research grants and complementary university resources (e.g., university buildings, computers and IT support, and administrative staff) are omitted. Some American HRM research is also published in domestic and international journals not included in this database.

continually telling the practitioners they need to become business partners, focus on vertical and horizontal fit issues, and get a seat at the strategy table, and yet five of the big six research findings have very little connection to the strategy/business partner role. Indeed, the authors later cite a consultancy study that finds the five issues rated by HR vice presidents as most important are organization-level subjects of executive compensation, compensation and benefits, special skills development, leadership development, and outsourcing. Thus, it appears to this observer that the largest source of the mismatch is on the academic side, with researchers exhorting practitioners to pay attention to macro-level strategy and business partnering decisions but then providing "fundamental findings" that in five out of six cases are at the extreme micro, individual, and psychology end of HR decision making.

Perhaps it is not fair or accurate to generalize about the substantive content of HRM/SHRM research from one possibly idiosyncratic data set.[4] An alternative procedure is to cast the net widely and look at popular university-level HRM textbooks for guidance, as they are written to be more relevant and actionable for students and practitioners. It would be invidious to compare individual textbooks by name and author, so as an alternative, I invite readers to take from their bookshelves a few of the better-known HRM texts, give five to 10 minutes to a quick perusal, and note which chapters provide one or more theoretically informed principles, strategically discriminating insights, or empirically validated findings that in some tangible way help guide choice among alternative HR investments, activities, or methods.

The texts on my shelf are very similar in most respects. The first chapter typically discusses the concept of HRM, current business and HR challenges, the global environment, and the fact that HRM has strategic importance and needs to be conceptualized and implemented with strategic goals of business alignment (vertical fit) and integration across HR functional groups (horizontal fit). This is a promising beginning, but then the textbooks quickly transition to a dozen or more chapters on all the traditional HR functional activities and issues that have characterized the field for the last nine decades (e.g., job design/analysis, legal compliance, staffing, compensation, and training).

Possibly my bookcases do not contain the best of modern HRM textbooks, but of the half-dozen I inspected, most have numerous chapters pretty much empty of anything that might be considered a well-articulated and substantively interesting theoretical principle or empirical proposition for choosing among HR practices. Yes, staffing chapters tend to discuss concepts such as reliability and validity, and the compensation chapter generally provides a demand/supply model of wage determination, both of which have theoretical content. What is largely missing, however, is carryover of the strategic choice theme from the first chapter to these functional chapters or, more generally, some theoretical guidance as to a discriminating choice of HRM practices and implementations. Instead, what I see in most textbooks is a cookbook list of tools and methods (e.g., employment forecasting techniques, recruitment sources, pros and cons of external versus internal candidates). Obviously researchers and textbook writers cannot be expected to prescribe specific choices of HRM practices in specific situations. However, what they can be expected to provide—if management has truly progressed from a craft to a science—are basic principles and boundary conditions that inform and guide choice in constructing individual HR bundles and choosing among bundles.

SHRM Research: A Deeper Look

Since the strategic dimension of HRM has in the last 20 to 30 years generated the most research attention and discussion, it is surprising that only one of the six fundamental findings in Table 1 is related to SHRM. This is item #3:

[4] An anonymous reviewer said he or she was one of the survey respondents and felt that my critique was unfair because it is very difficult to frame a research finding in a short sentence. Yes, this can be a challenge, but, by contrast, if given a similar survey for industrial/employment relations I think I could succinctly state a number of empirical findings, such as (all are ceteris paribus) "investment in employees and HRM varies inversely with the unemployment rate," "the importance of HRM in companies is a positive function of the breadth/depth of internal labor markets," "an unregulated employment relationship shortchanges employee interests and welfare," "a high-performance work system is a paying investment for only a minority of firms," and "employee commitment to the organization is a positive function of job security and distributive/procedural justice."

"HR practices are important to organizational outcomes." Also surprising is that, taken at face value, this finding seems remarkably broad and not particularly illuminating in either knowledge or practice dimensions. What HR practices? Important how? Important when? What kinds of performance? Basically it says "HR matters" and then stops. If the other five findings suffer from interest and valued-added gaps, this one surely suffers from an actionable gap. The problem, however, goes deeper.

To illustrate, consider the opposite case. That is, frame the null hypothesis as "HR practices are *not* important to organizational performance." This may be expressed as ΔPerformance/ΔHRM ≈ 0. The transactional, administrative, functional type of HRM is often cited as an example of the null hypothesis; many authors also claim that HRM's predecessor fields—personnel management and industrial relations—are guilty of the "no value" role (examples given shortly, with terms defined). Ulrich (1998), for example, declared in a much-read article:

> Should we do away with HR? . . . [T]here is good reason for HR's beleaguered reputation. It is often ineffective, incompetent, and costly; in a phrase, it is value-sapping [i.e., ΔPerformance/ΔHRM < 0!]. Indeed if HR were to remain configured as it is today in many companies, I would have to answer the question above with a resounding "yes—abolish the thing!" (p. 124)

To make this issue more concrete, consider that a recent survey of 600 companies (Bureau of National Affairs, 2006) found that the median HR expenditure per employee in 2005 was US$867 and the HR budget as a percentage of total operating cost was 1.1%. Both the null hypothesis and Ulrich's supporting statement suggest that this money invested in HR was not a paying proposition. But item #3 in Table 1 suggests the opposite. So how can we discriminate between the HR that pays (Table 1) and the HR that is a value-sapper?

In the most cited paper in the literature, Huselid (1995) provided guidance. He stated, "All else being equal, the use of High Performance Work Practices [HPWPs] and good internal fit should lead to positive outcomes for all types of firms" (p. 644). Likewise, in a meta-analysis Combs, Liu, Hall, and Ketchen (2006) framed the central hypothesis of the SHRM field (listed as Hypothesis 1) as "the use of HPWPs is positively related to organizational performance" (p. 504). For the sake of upcoming discussion, note that this sentence translates into "more HPWPs → higher performance."

Both Huselid and Combs et al. wrote of "high-performance work practices." The precise delineation and measurement of HPWPs is still contested. However, most people conceptualize HPWPs as the bundle of sophisticated/advanced HR practices used in modern transformed employment systems associated with a high-commitment/involvement employment model. This type of system is often called a high-performance work system (HPWS). Takeuchi, Chen, and Lepak (2009) stated that HPWPs "refer to a group of separate but interconnected HR management practices, including comprehensive recruitment and selection procedures, incentive compensation and performance management systems, and extensive employee involvement and training, which are designed to enhance employee and firm performance outcomes through improving workforce competence, attitudes, and motivation" (p. 1).

Further insight on the HPWS idea is gained by inquiring where the model comes from and when it emerged. Its roots go back many centuries to the realization that when people in a group energetically cooperate and work toward a common goal the result is generally superior performance. As illustrated in the historical section that follows and explained elsewhere in detail (Kaufman, 2003, 2008), the unity of interest idea was also a staple of progressive PM and IR thought nearly a century ago. Mid-20th-century developments in organizational and management thought, such as socio-technical design of work systems (Trist, 1981) and Theory Y forms of motivation (McGregor, 1960), also play a role. However, the HPWS idea in modern form arguably has its roots in the writings of Harvard professor Richard Walton, who coined the term "high commitment work system" (Walton, 1985a, 1985b, p. 4); more important, he (1985b) also juxtaposed two alternative employment systems. The first is the traditional control model; the second is a newly developed commitment model. He wrote: "Over the past fifteen years a new model of work-force management has emerged. This commitment model can be found in the design of new plants and of newly founded companies" (pp. 47–48). He then outlined the new set of HR practices—the same genre of advanced practices that Takeuchi et al. (2009) cited, such as self-managed teams, broadened jobs, performance-related pay, and employee participation—and then summarized: "The common thread of the policies of mutuality is first to elicit employee commitment and then to expect effectiveness and efficiency to follow as second-order consequences. The theory is that these policies can both generate high commitment and provide ways to translate that commitment into enhanced performance" (p. 50). Quickly other writers took up this theme and translated the control versus commitment dualism into a parallel dualism of PM/IR versus HRM/SHRM. Beer and Spector (1984), for example, presented a table with 14 characteristics that distinguish the traditional PM/IR model of employment (e.g., command and control, separation of planning and doing, adversarial, administrative, reactive, labor as an expense) from the new HRM model (e.g., commitment, involvement, harmony, cooperation, strategic, proactive, labor as a human capital asset). Similarly, Ferris, Barnum, Rosen, Holleran, and Dulebohn (1995, pp. 2–3) made this distinction between PM/IR and HRM:

> The term HRM reflects the evolution of a science and practice distinct from its predecessor label, personnel management. Personnel management implied that employees were an organizational expense. On the other hand, HRM emphasizes the potential of employees as organizational assets. Concurrent with this shift . . . has been a transformation of the responsibilities and prominence of the field . . . from a maintenance function to one of increasing organizational and strategic importance.

Schuler (1998) wrote in the same vein. He listed six areas where PM/IR are different from HRM, such as PM/IR are operational, functional, HR specialist, conflict-oriented, and individual/narrowly focused, while HRM is strategic, business partner, HR generalist, harmony-oriented, and team/broadly focused. The differences in philosophy and content between PM/IR and HRM were widely discussed and debated through the late 1990s (described in Kaufman, 2001a) but have now become a mostly taken-for-granted (therefore passé) part of the HRM conventional wisdom; I emphasize them here, however, as useful context for the historical section that follows.

One important ramification of this dualism is that management writers from the 1980s to the present time have defined the HRM field in two partially incompatible and non-overlapping ways, in what I would call an "eat your cake and have it too" strategy. That is, to give the field the broadest provenance, HRM has been in the first instance defined generically as "people management in organizations," thus bringing under the umbrella all multiperson organizations, a variety of employment systems, organizations with and without HR departments, and both formal and informal HR practices.

However, to differentiate the field from its unfashionable and lowly transactional-administrative heritage (e.g., PM/IR); provide the HR function and HRM academics an influence and status boost; and give the field and its research program a modern, strategically important, and "going-places" persona, HRM researchers quickly brought in a more specialized conceptualization of HRM framed as a new management discovery of the 1960s, '70s, and '80s (Strauss, 2001).[5] In this guise, HRM is a new philosophy, approach, and set of HR practices (a "new recipe") based on

[5] A number of IR writers have done the same; for example, Kochan, Katz, and McKersie (1986) portrayed the commitment/involvement model as a new discovery in 1960s–1970s management thought, and Kochan and Barocci (1985) said it provides the foundation for a "new industrial relations" paradigm. A more accurate account, as indicated in what follows (and Kaufman, 2012a), is that the modern commitment model and HPWS (and the much-discussed Japanese management model of the 1980s; see Kaufman, 2004) are evolutionary developments with roots in the welfare capitalism period of the 1920s that "went underground" in the United States during the mass unionism period of the 1930s–1960s (late 1940s–1960s in Japan) and reemerged in the 1970s as a reconceptualized, retooled, and modernized version. Paradoxically, the centerpiece model of SHRM started in IR in the 1920s (Kaufman, 2001b), but SHRM does not want to recognize this and IR has been blinded to it by a post–Second World War pro-union commitment.

unitarist, human capital, high-commitment, and OB/strategic management principles, found only in a subset of "transformed" workplaces, and capable of generating higher organizational performance than the other models. A concomitant "narrowing" feature closely equates HRM with the activities and fortunes of the HRM department—per the Ulrich quote above and the continual angst over the department's "transform or die" (Schuler, 1990) choice and "why we hate HR" status (Hammond, 2005)—even though by HRM's broad definition the activity will *always* exist and contribute value as long as firms have employees to manage (Boxall et al., 2007).

While Huselid, Combs et al., and numerous other writers are careful to use the term "HPWPs" (as quoted above), the broader literature routinely conflates HPWS and HRM. Many examples are available, but as a recent illustration, Guest and Conway (2011) told readers, "Reviews of the human resource (HR)–performance relationship . . . confirm an association between more extensive use of HR practices and various indicators of organizational performance" (p. 1686). Note that they wrote not of HPWPs, but of generic "HR practices." Also note that they wrote of "an association between more extensive use of HR practices and . . . organizational performance," which I think can be fairly reframed as the hypothesis "more HRM → higher performance."

I have elsewhere claimed that this proposition is the *fundamental theorem* of the SHRM field (Kaufman, 2010d). It is a close cousin to item #3 in Table 1 but states with greater precision and more actionable content SHRM's central theoretical and empirical proposition. My contention that "more HRM" is the field's fundamental theorem may be disputed by some SHRM researchers, but it seems self-evident from the standard regression model made popular by Huselid (1995) and adopted in many dozens of subsequent studies. That is, it has a measure of organizational performance (variously defined) as the dependent variable and some index or list of HR practices as the central independent variable, with the expected relationship from theory stipulated as $\Delta\text{Performance}/\Delta\text{HRM} > 0$.

The degree to which all organizations benefit from HPWPs is not a settled question in the literature. On one end of the spectrum, some writers (e.g., Pfeffer, 1998) have staked out what Delery and Doty (1996) called a universalistic perspective, claiming that the answer is affirmative (e.g., all firms benefit from providing more job security and contingent pay to employees). At the other end of the spectrum, some writers (e.g., Marchington & Grugulis, 2000) have claimed that HPWPs—or, more generally, any list of HRM practices commonly used in SHRM empirical studies—are a good fit (money-making) only in certain contexts and are money-losing in others (a "strong" version of Delery and Doty's contingency perspective). All sides seem to agree with Delery and Doty's configurational perspective—that is, individual HR components work better when synergistically aligned to exploit complementarities.

Becker and Huselid (2006) appeared closer to the universalistic end when they stated that it is "not a question of high-performance vs. low-performance systems but rather a question of which high-performance system is appropriate" (p. 904). The most obvious interpretation is that "high-performance" means "advanced HRM," albeit in differentiated architectures, while low-performance means some alternative "non-advanced" approach, such as a transactional, low-commitment, or externalized "market" system (Delery & Doty, 1996).

As Becker and Huselid explained, the theoretical linkage between advanced HR practices and firm performance is primarily explained in SHRM with the resource-based view (RBV) of the firm. Allen and Wright (2007) called the RBV the "guiding paradigm on which virtually all strategic HRM research is based" (p. 90). The central idea from the RBV is to use HR to create competitive advantage for organizations by recruiting, motivating, and training employees so they have hard-to-imitate/buy abilities, knowledge, and commitment attitudes that create long-lasting rents (a.k.a. high performance). Thus, Colbert (2004) stated: "SHRM is predicated on two fundamental assertions. First is the idea that an organization's human resources are of critical strategic importance. . . . Second is the belief that a firm's HRM practices are instrumental in developing the strategic capability of its pool of human resources" (p. 341). One can reasonably read "more HRM → higher performance" into this statement; also evident is the special recipe approach to people management.

In case my reading is too literal or in some way off target, a more elastic interpretation can be given to Becker and Huselid's quotation that at the same time remains broadly consistent with RBV principles. The idea might be that "high performance" means any positive contribution relative to the status quo level (i.e., high ≈ high*er*), and, likewise, the HRM system can take a wide variety of not necessarily "advanced" configurations with not necessarily "advanced" practices as long as they in some way acquire or energize the positive human capital attributes and behaviors envisioned in something akin to the RBV model (without this minimal constraint their high-performance versus low-performance distinction loses traction). This stretched interpretation is still broadly consistent with the "more HRM → higher performance" principle of the field, seems to still separate HRM from low-performing PM and IR (e.g., Becker & Gerhart, 1996, distinguish the two as centered on value creation versus cost minimization), and gives conceptual space for alternative (non-RBV) HRM architectures and configurations across organizations and production systems (Boxall & Purcell, 2011, Ch. 8; Lepak & Snell, 1999). It likewise accommodates greater differentiation between core and peripheral employees, as recently espoused by Becker, Huselid, and Beatty (2009).

This more elastic version of SHRM's fundamental theorem possibly helps explain the otherwise quite open-ended and non-specific nature of fundamental finding #3 in Table 1; that is, "HR practices are important to organizational performance." Perhaps what this means is that additional HRM practices, as long as they promote value creation through improved workforce attitudes, motivation, abilities, and skills, are contributors to higher performance. This could be called "weak universalism." Whether Becker and Huselid are closer to weak or strong universalism I am not sure, but certainly the broader SHRM literature reveals a diversity of viewpoints on this matter. To allow for this diversity, albeit around what appears to be a central tendency, I put forward this two-part generalization: first, the dominant (not exclusive) position in SHRM is "more HRM → higher performance," and second, some researchers posit a "strong" version where "more HRM" means additional investment in commitment/HPWS practices while others posit a "weak" version where more investment in any type of HR practice linked to improved knowledge, skills, and motivation counts.

Whether the definition of SHRM is interpreted narrowly (HPWPs) or broadly (any improved HR practice), the recent meta-analysis of 92 empirical HRM–performance studies by Combs et al. (2006) seems to provide strong evidence in support of some version of the field's fundamental theorem. The authors stated, for example, "Our results lay to rest any doubt about the existence of a [positive] relationship" (p. 524).

Although Combs et al. stated this conclusion with considerable finality, let me suggest three reasons why additional investigation and circumspection regarding the HRM–performance association may be warranted: theoretical grounds, normative pressures, and empirical patterns.

Theoretical Grounds

On theoretical grounds, it is possible that the SHRM fundamental theorem is (on average) empirically valid but for quite different reasons than SHRM writers adduce. The positive HR effect may not indicate that there is "money on the table" for the alert RBV-oriented manager to harvest (Huselid, 1995) but, rather, that market and organizational failures related to the structure of employment relationships (a topic in IR but typically not HRM) create a condition of widespread underinvestment in employees, human capital, and HRM (Budd, 2004; Freeman & Lazear, 1995; Kaufman, 2010b; Miller, 1991).

Among possible underinvestment explanations, there are three prime candidates. First, the costs of HRM investment are more immediate and tangible, while benefits are more future and intangible (e.g., the payoff to higher commitment), leading managers to underestimate the ROI from investing in the people part of the business. Second, the employment relationship has a significant prisoner's dilemma element (fear that one side will opportunistically renege on promises and exploit the other), and this causes managers to hold back on what otherwise would be mutual-gain human capital investments. Third, the ROI is biased downward because of externality and public goods problems (e.g., all firms want a skilled workforce but each individual firm underinvests in training—first, from fear of losing the investment through turnover, and second, from desire to free-ride on other firms' investment by poaching their human capital).

Thus, paradoxically, the SHRM mantra "more HRM → higher performance" may inadvertently be good advice for some to many firms, and the nation at large, by making up for HRM deficits due to various market and organizational failures. An insight, however, is that these deficits are not because managers haven't paid enough attention to academic research or aren't strategic enough in their vision; rather, they are caused by built-in structural defects of employment relationships that will endure absent some kind of collective action solution. Examples not often considered (or perhaps desired) in SHRM are a union to incentivize managers to internalize the costs of employee injuries and illnesses and provide expanded employee voice; a labor law banning cheap child labor and requiring minimum working conditions; and a Federal Reserve Bank to keep the economy at full employment so firms have greater market pressure to take the high road in HRM rather than the low road.

Normative Pressures

Although meta-analytic techniques help screen out sources of publication bias, normative pressures in HRM are sufficiently strong—and empirical methods sufficiently weak—that the seemingly conclusive verdict rendered by Combs et al. in favor of the "more HRM" hypothesis may not be as ironclad as stated. For example, confirmatory evidence of the ΔPerformance/ΔHRM > 0 relationship (the fundamental theorem) has been described as the holy grail for the field (Boselie, Dietz, & Boone, 2005). The reason, besides having scientific and practical import, is that it promises to provide both HR academics and practitioners with highly coveted "career goods," such as status, influence, and position.

Probably no field in business schools, at least as I judge it, has more status anxiety than HRM (also see Strauss, 2001). Accordingly, the fundamental theorem is regarded as the holy grail because it seems to provide the field's way out from its marginal position and value-sapping reputation and, correspondingly, a route to the coveted respect, status, influence, and seat at the table promised by SHRM. Illustrative of this connection, Wright, Dunford, and Snell (2001) stated, "The human resource function has consistently faced a battle in justifying its position in organizations," and then observed that "growing acceptance of internal resources as sources of competitive advantage brought legitimacy to HR's assertion that people are strategically important to firm success" (p. 702).[6] In a similar vein, Ferris, Hall, Royle, and Martocchio (2004) remarked, "HRM researchers have the potential to underscore the importance of HRM by highlighting its importance to organizational performance" (p. 100). Scientific and normative agendas seem strongly intertwined here, suggesting that theory and empirical claims about HRM and performance may have

[6] Three unhelpful associations common to the SHRM literature are featured in this statement. First, it speaks of "human resource *function*" (a.k.a. HR *department*), which equates the domain of HR not with the generic practice of people management done by managers at all levels but with the functional/staff activity of a particular branch of management. Second, it suggests that boosting the survival and influence of HR departments is a desired outcome, which links the field to the survival and success of one specific business institution, as IR mistakenly did from the 1960s through the 1990s when it narrowed its subject domain primarily to unions. Third, it also makes a link between HR departments and strategic HRM ("HR's assertion" → "people are strategically important") when strategic people management can be and often is implemented with little to no involvement of an HR department (as in critical faculty hiring in university departments). In the 1920s AT&T personnel vice president Walter Dietz framed this distinction as the difference between the "personnel job" (company-wide people management) and the "personnel man's job" (the work of the personnel department). The two can be and often are vastly different but are conflated by modern SHRM; likewise, a company CEO may make a strategic HRM decision that the HR department will operate at an administrative and tactical level, but this does not imply that employees in general are therefore managed in a nonstrategic way or are regarded as a commodity cost item (Dietz quotes from Kaufman, 2008, p. 234).

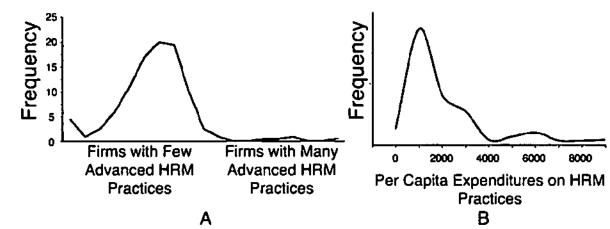
hype, fad, and bias elements (Gibson & Tesone, 2002).[7]

Empirical Patterns

A third source of caution and perhaps skepticism comes from comparing the predictions of SHRM theory with observed empirical patterns of HRM adoption. To illustrate, consider the two panels of Figure 1. Panel A shows the frequency distribution of 10 HR practices (ranging on the low side from no personnel department and open door to employee teams and a formal employee involvement program on the high side) reported for a large sample of American companies in 1994 (Freeman & Rogers, 1999); panel B shows a similar frequency distribution but for HRM expenditures per employee in the years 2004 and 2005 (Kaufman, 2010b).

It is difficult to reconcile the "more HRM → higher performance" theorem with the data in these diagrams. If more HRM pays, firms should be either located toward the right-hand part of the graph (considerable breadth/depth of HRM practices) or migrating in that direction, with due regard for contingencies, contextual factors, and frictions. At a point, however, we observe in both panels that only a very small proportion of firms are in the right-hand tail with some kind of HRM intensive management system. Further, it appears from survey evidence and news accounts that the movement toward HPWS organizations has stalled out and possibly reversed in the face of widespread layoffs and downsizings, cost reduction programs, and externalization of employment. Blasi and Kruse (2006), for example, estimated that at century's turn only about 1% of organizations had the entire HPWP bundle, and perhaps one third had some HPWPs—with no evidence of growing numbers. So a challenge faced by SHRM researchers is to explain the lack of congruence between what the theory predicts and what the data show.

Figure 1
Frequency Distribution of Human Resource Management (HRM) Practices and HRM Expenditures Per Capita



Sources: Freeman and Rogers (1999); Kaufman (2010b).

The SHRM Scorecard: Assessment

It should by now be apparent why I assign a D to F grade to SHRM research. The company executive in the first epigraph asked in 1948 for actionable principles of people management. What have HRM and SHRM produced in the 30 years since their founding? As I demonstrate in a later section, and as readers can ascertain from reading the entire article by Bakke (the source of the epigraph), generic SHRM concepts such as strategy, competitive advantage, commitment, and fit were already well known to academics and practitioners of that earlier era. Indeed, they had already articulated the RBV idea and its linkage to high-performance HRM. Modern HRM and SHRM thus appear to have dressed up many old ideas in new garb and claimed a new discovery for things known and practiced by earlier generations, albeit now presented in a way that is overgeneralized and oversold.

The critique of SHRM goes deeper, however. It is a fair question for business school deans and the people who finance colleges and universities whether the large sums invested in academic research yield sufficient insights and results to justify the expenditure. If the six HRM "fundamental findings" in Table 1 are even roughly an accurate representation, one cannot help but conclude that the field has produced exceedingly thin gruel for the money invested. If the company president from

[7] A pro-union and anti-management bias was (and to some degree still is) a pronounced feature in industrial relations (Kaufman, 2004), while labor economics has a free-market bias. For example, a fundamental theorem in labor economics is the law of demand (i.e., ΔEmployment/ΔWage < 0), and mainstream labor economists have a vested interest in seeing the law confirmed in empirical studies because it provides support for the field's theory base and an argument against this type of market regulation (viewed critically by many economists). Although dozens of empirical studies of the minimum wage find a negative employment effect (akin to the positive HRM effect), a recent meta-analysis (Doucouliagos & Stanley, 2009) reported that it is actually zero once the results are corrected for publication bias. To be clear, therefore, I am not picking out HRM researchers as the only sinners here.

1948, for example, woke up today and saw Table 1, would he conclude that it provides him with the people management principles he felt were missing back then? I doubt it. Or, if the same president were to look at representative PM/IR textbooks from the early post–Second World War era and then compare them with the current genre, would he see the new people management principles he was searching for? Again, I doubt it. Actually, my impression is that the textbooks from a half-century ago (e.g., Myers & Pigors, 1961; Strauss & Sayles, 1960) are along several dimensions—for example, the source and remedy of employment problems, conflict versus unity of interests, the psychological/social needs of employees, and the position and challenges of the HR department in business organizations—a more useful and insightful (if less colorful) guide to people management than many of the textbooks today.[8]

Implications for managers (the problem-solving dimension) are not, of course, the sole rationale for doing HRM research. There is also the science-building dimension—that is, the discovery and advancement of knowledge about people management in organizations. I happily grant that one can read the last 30 years of SHRM research and learn a lot. I nonetheless contend that evaluated on the "must do" basics the field still deserves a failing grade.

From my perspective, the frequency distributions in Figure 1 represent as a summary statement the core phenomena that theory in SHRM should be directed at explaining. This implies that attention should be focused on a direct and neutral research program that focuses on explaining strategic choice among alternative employment systems (entrepreneurial, bureaucratic, technical, low-road, HPWS, etc.) rather than the current indirect and normatively slanted approach that emphasizes one employment system (call it the "more/advanced" model) and, instead of modeling choice among systems per se, goes through the "back door" by making inductive inferences based on firm performance measures that are influenced in a complex and difficult-to-disentangle way by numerous business-related variables (including the equally plausible roles of "more finance," "more marketing," and "more operations").[9]

If SHRM redirects its attention to Figure 1, the theory has direct and concrete behavioral features to explain, such as the mean, median, variance, and skewed right-hand tail of these distributions. In practical terms, it devotes attention, for example, to the reasons why some firms at the bottom of the distribution do not even have a personnel department (about 30% in panel A), while others located in the top part have an HPWS and per-employee HRM expenditure level 10 times greater. Likewise, another attention item is whether firms located in particular parts of the distribution tend to adopt similar or heterogeneous HR practice bundles. Then there are interesting questions such as how these distributions vary across industries, countries, and over the course of several decades or even a century, and how these patterns can be explained in a parsimonious yet consistent way.

The science-building purpose of HRM research is to explain with cause-and-effect theories important empirical features such as these. If SHRM theory is evaluated on this basis, it fails on six criteria: (1) generality (i.e., SHRM is mostly a theory of the upper part of the distribution), (2) level of analysis (overemphasis is given to the strategic decision involvement of HR departments when the location of the firms in the distributions is often determined by CEOs and other top decision-makers), (3) empirical congruence (the distributions are counterfactually highly dispersed and without apparent convergence over time), (4) ethnocentrism (the theory has limited applicability to HRM systems and associated distributions outside the Anglo-American orbit), (5) logical plausibility (the theory mostly neglects the cost side of HRM in favor of the benefit side, thus

[8] Two interesting and useful research studies could be done here. The first is to compare personnel/IR textbooks from the 1950s with those today regarding HR principles, philosophy, topics (union chapters down, equal opportunity and gender chapters up), and the theoretical grounding given to practices; the second is to find current HRM texts that have gone through at least 10 editions and see to what degree they reveal growth in the principles and knowledge base of the field, at least beyond the obligatory but mostly nonoperational stress in the first chapter on the strategic and global dimensions.

[9] Gilboa and Samuelson (2012, p. 183; emphasis in original) stated: "Inductive inference is the art of selecting theories based on observations. . . . A first fundamental principle is that one should consider only theories that have *not* been refuted by the data" (e.g., Figure 1). They note that choice of best-fitting theory using the inductive approach unavoidably depends on researchers' subjective selection criteria (i.e., it is important to demonstrate HRM matters).

giving incorrect inferences about the shape of the distributions and the locations of firms within them), and (6) usable and reliable practice predictions (most to all firms in the distribution gain higher performance by investing in some form of advanced HRM?).

I realize that Rome was not built in a day, but after 30 years and many millions spent we might reasonably expect more progress than this. So, in the spirit of moving things forward (rather than just criticizing), let me briefly outline an alternative economics-based approach for theory building and empirical work in SHRM.

Improving the Scorecard: Insights From Economics

The HRM field could benefit greatly by broadening its framework to include more economics; indeed, I would say the most fruitful approach for the future is to adopt the economics framework as the base and then integrate into it key theories and concepts from strategy, organization theory, and OB. When I say "economics," I also mean much more than traditional microeconomics and labor economics, such as organizational economics, personnel economics, institutional economics, and behavioral/social economics.

The marginal-style analysis central to economics is not appropriate for all theory applications, but it is a good place to start. Let's consider the SHRM field's fundamental theorem, ΔPerformance/ΔHRM > 0. Bluntly stated, either this theorem is wrong (or, generously stated, incomplete) or economic theory is bankrupt at its most elementary level. The reason is that the SHRM theorem violates the law of diminishing returns and the corollary equimarginal principle. Holding other production inputs constant (e.g., the plant, equipment, and number of workers), economic theory maintains that more HRM adds to production but at an eventually diminishing rate. It does not seem too far-fetched, for example, to suppose that more expenditure on training classes, sophisticated selection methods, and employee involvement programs boosts output but at some point in successively smaller increments. Thus, the "golden rule" in economics is that a firm should keep investing in more of a productive input as long as its marginal revenue product (MRP, the incremental product produced multiplied by the extra money it brings in) is greater than the extra cost incurred, and the optimal stopping point is when marginal gain becomes equal to marginal cost.

Thus, if taken seriously (and surely science is meant to be), the SHRM theorem counsels firms to open-endedly invest in more HRM (second-order contingencies modifying but typically not overturning the HRM main effect). Such a strategy, at least absent the fortuitous counterbalancing effects of significant market and organizational failures (described earlier), is a certain money-loser for all firms and for both weak and strong versions of "more HRM" because it instructs managers to keep on adding more HRM *regardless of its contribution to extra production/revenue* and *regardless of its extra cost to the organization*. This action principle does not seem the best bet to convince CEOs that HRM is ready to be a business partner and have a seat at the table, yet it has occupied the center stage of academic SHRM for more than 25 years.

Rather than ΔPerformance/ΔHRM > 0, the fundamental theorem suggested by an economic approach is ΔPerformance/ΔHRM = \$V, where V is the unit cost of extra HRM. In words, this states that the company president in the first epigraph should add more HRM as long as it contributes to profit, meaning up to the point where marginal revenue product MRP_{HRM} equals the marginal input cost V.[10] A corollary equation for the company president (Kaufman, 2010a) missing from SHRM theory is

[10] Jones and Wright (1992) discussed the economics framework and application of marginal decision rules to HRM, but neither they nor others in management have carried it forward. This omission leads to not only skewed conclusions about optimal HRM investment but also a "ships in the night" syndrome. For example, in an oft-cited statement, Wright and McMahan (1992, p. 298) defined SHRM as "[t]he pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals." This is a verbal statement of the standard profit maximization problem taught at all levels of economics from which the marginal HRM decision rule is derived (Kaufman & Miller, 2011). Likewise, Coyle-Shapiro and Shore (2007) reviewed the management-based literature on the employee-organization relationship, noted that the inducements/contributions model is central, and summarized (p. 173), "The main thrust of the research has focused on employer inducements as the starting mechanism and employee contributions as the outcome." In an economic model, the inducement is the wage (broadly defined) and the contribution is the worker's marginal revenue product, and the decision rule for managers is to offer inducements as long as the gain in MRP exceeds the extra financial cost. Economics can be highly mathematical, but none is required for these general principles.

$MRP_{HRM}/V = MRP_K/R = MRP_L/W$, which advises him to adjust his input budget so the marginal profit return per dollar expended is the same across all inputs (K = capital, R = cost of capital, L = labor, W = wage rate). In words, if an extra unit of HRM brings in $10 of profit and an extra unit of labor (or marketing, accounting, finance, etc.) brings in only $5, some of the input budget should be shifted to HRM.

It may fairly be said that advising the company president to add more HRM as long as the marginal gain is greater than the marginal cost is no more an operational management principle than is the alternative advice that "HR matters." Both are empty bromides without more content. The way SHRM tries to provide content is through the strategy and RBV concepts. Opinions will differ, but my impression is that the strategy concept is itself largely empty of operational guidance, while the RBV applies mostly to a particular class of employment systems. SHRM writers (e.g., Lepak & Snell, 1999) have worked out the features of alternative HRM architectures for *given* strategies but have not worked out with much concrete specificity—certainly not with the RBV—under what contextual conditions a company is better off choosing strategy A or B. Perhaps one reason is that an attempt to do so quickly reveals that strategy is not an independent variable in the managerial decision problem (or in the HRM–performance regression) but is itself a key dependent variable that has to be solved for as a function of a wide variety of market, production, labor, and organizational characteristics (often used as control variables in the performance regression). With regard to the RBV, it emphasizes one internal source of competitive advantage—more skilled, motivated, and knowledgeable employees—but neglects other internal and external sources of advantage, thus making it more of a theory for a special case (e.g., an HPWS).

As I have endeavored to demonstrate elsewhere, the economics framework is potentially more fruitful for managerial guidance because it is easier to identify market, production, labor, and organizational factors that influence either the marginal gain or marginal cost sides of the HRM decision problem (Kaufman & Miller, 2011). It is also easier to use these factors to form typologies of alternative employment systems (Kaufman, 2012c). Likewise, the concept of input complementarity in economic production theory provides a natural and more analytic way to capture synergies among HRM inputs, thus helping to model and explain alternative HRM architectures and bundles (Laursen & Foss, 2003).

Without going into detail, one can treat HR practices as an input into the firm's production function that, along with capital, labor, and other managerial functions, carries a price tag but also helps produce output and therefore revenue (thus capturing the "value creation" dimension of HRM). Assuming that the goal of the firm is to maximize profit or rate of return on capital, one can derive an HRM demand curve for individual organizations. (Also of note, the model opens up the so-called "black box" in the HRM → performance relationship and reveals a two-part transmission mechanism of "direct" and "indirect" HRM effects.) The HRM demand curve depicts each firm's expenditure on HR practices (e.g., as measured in the HRM variable in a Huselid-type regression model) as a function of its current price (the explicit or implicit per-unit cost of HR activities, either purchased or made in-house) and how this expenditure varies with (1) a rise or fall in the cost of HRM (movement up or down the demand curve) and (2) a change in any variable, such as business cycle, technology of production, education level of the workforce, or new labor law, that affects the productivity of HRM (a shift right or left of the curve). Further, by disaggregating the HRM variable into j subcomponents (e.g., j = selection, training, performance evaluation, etc.) and incorporating the idea of input complementarity, it is also possible to predict the composition of the HR bundles that firms choose. Thus, variation in demand curves across organizations leads to different choices of HRM expenditure levels, which maps into an HRM frequency distribution, such as pictured in Figure 1.

Not only is this economics-based model parsimonious, consistent, and analytic (said to be the direction the field wants to go), it also performs well in explaining empirical patterns—despite economic theory's reputation as remote from reality. A fast-food restaurant, for example, has a simple production technology, easily monitored job tasks, and low hire-fire costs and, hence, finds that a relatively informal and bare-bones HR program is the highest—most profitable—performer (e.g., recruiting through walk-ins, few benefits, little training, straight-time wage). Graphically, it has a "low" (to the left) demand curve for HRM. If managers of this and similar firms (e.g., retail stores, delivery companies, movie theaters) took seriously SHRM theory's "more HRM pays" advice they would have a happy HR function (with more people also enrolled in university HRM courses) but also a more impoverished income statement.

By contrast, firms such as computer chip manufacturers, airlines, and consulting firms find that investment in an HPWS-type model (up to a point!) is highest performing. Given the knowledge-intensive, complex, and interdependent nature of the production system; the importance of employee morale and citizenship behavior; and the organization-specific nature of job skills, the large expense that goes with HPWS practices, such as careful selection, above-market wages, job security, and cross-functional training, nonetheless yields a healthy ROI from higher productivity, quality, and innovation. The HRM demand curve is "high" (to the right).

Yes, some of these ideas can be found in various SHRM studies of employment systems (e.g., Toh, Morgeson, & Campion, 2008) and discussions of HRM architectures (e.g., Lepak & Snell, 2007). However, the important contingencies these demand-curve "shift variables" represent are too often treated in the literature as a secondary sideshow to the main effect of more HRM. Because American HRM also gets much of its theory content from OB and related behavioral sciences, these external contingencies often lack the same breadth, depth, and rigor of theoretical treatment.

To sum up this section, a failing D to F grade for the last 30 years of SHRM research seems a fair if regrettable and perhaps heartburn-inducing conclusion. Admittedly, I have focused on the shortcomings and left out many areas of positive accomplishment. When one grades an exam, however, the core fundamentals should be correctly framed and presented to pass. Judged on the fundamentals, a failing grade is reasonable if perhaps "tough love."

My evaluation is that many of the problems in SHRM research, broadly viewed, arise from overemphasis on knowledge areas and ideas relating to the internal dimension of organizations and management (e.g., strategy, I-O psychology, organizational behavior) and too little attention to those relating to the external dimension (e.g., economics, industrial/employment relations, the macro side of sociology).[11] Reduced to a one-sentence summary, SHRM suffers from too much psychologizing and not enough economizing.

Individual SHRM researchers are not the major source of the problem; rather, the fault lies with doctoral HRM programs, business school incentive structures, and journal article selection criteria that all lead to excessive specialization and segmentation among employment-related fields. HRM doctoral programs, for example, need to provide better internal/external discipline balance and a broader view of the employment relation-

[11] Although economics in earlier decades was the foundation for PM/IR education (Kaufman, 2002, 2004, 2012b; noting that economics PhDs, such as Myers, Heneman, Yoder, and Strauss, wrote many of the most prominent personnel books through the 1960s), the pendulum since the 1970s has swung the other way, and today economics is secondary to peripheral in HRM/SHRM (e.g., Scarpello's 2007 handbook on HRM education has chapters on psychology and organization theory but none on economics). While HRM education, as in the past, is still very functional and technique oriented, its foundation has thus shifted from applied labor economics to applied OB with an overlay of strategy (Strauss, 2001). This has pluses and minuses, but a large minus, particularly in a business school, is the penchant to focus on the psychology → behavior link (like in RBV-SHRM models) without explicit attention to benefits and costs and, in particular, the bottom-line impact. For example, two recent review articles on employee voice (Klaas, Olson-Buchanan, & Ward, 2012; Morrison, 2011) discussed at length psychological traits associated with more effective voice but never discussed whether more voice (like more HRM) adds to or subtracts from profit. (The word "profit" is not once used in either article.) Likewise, Combs et al. (2006, p. 504) asserted that HPWPs "reduce turnover and improve organizational performance" without recognizing that this advice reduces profit if marginal cost of reducing turnover exceeds marginal revenue. Note in an upcoming quotation in the historical section that businessman John Patterson *did* use this kind of marginal reasoning more than a century ago (the cost of a worker's meal = 3¢, the revenue gain = 5¢, Δprofit = 2¢). Although some OB/HRM researchers make contact with economics (e.g., Pfeffer, 2007), it nonetheless seems odd for HRM to have so stressed the business partner role and the growing global and competitive nature of markets and yet downgraded economics and elevated psychology/OB. Also, without economics training HRM students and researchers are greatly handicapped in accessing the rapidly growing but technically complex literature in the economics of personnel (Lazear & Shaw, 2007)—a body of work having its own problems but, at the same time, considerably more predictive content.

ship—a great virtue, I consider, of traditional IR schools and institutes. Likewise, business schools need to quit giving mostly lip service to the value of cross-disciplinary and practitioner-friendly research when what they actually reward (as we all know) is an increasingly narrow, technocratic, and detached scientism to get more top-tier journal publications for higher B-school rankings. But, for the sake of honesty, let's also admit that most professors love this game the way it is, so let's not expect journals to change publication criteria or research–practitioner gaps in HRM or economics or IR to close any time soon. However, with a D to F grade after 30 years, SHRM has plenty of room to make improvements even in the present game, and to be told we are "getting closer" doesn't really convince or satisfy.

The Historical Side of SHRM: Another Failing Grade?

The emphasis so far has been on evaluating modern SHRM research in terms of robustness and value added in the areas of theory and managerial practice. Another part of academic HRM research, however, is to help us understand the historical roots and development of the field and function to better understand not only where they have come from but also where they are headed in the future. Because of space constraints, this part of the discussion can give only a very abbreviated overview of subjects and developments that are extensively treated elsewhere (cited herein).

The received story (e.g., Dulebohn et al., 1995; Lawrence, 1985; Wren, 2005) is that the HRM field started back in the early 1920s with the advent of personnel management. PM, the story goes, was a low-level staff function that handled the administrative aspects of hiring, firing, and pay; conducted a potpourri of mostly disconnected personnel activities associated with functional areas of staffing, training, and appraisal; organized company picnics and sporting events; and kept a lid on any union activity. The personnel department was not a strategic player and, indeed, often served as the depository for managerial deadwood. Ten years later, when mass unionism swept over the nation during the New Deal of the 1930s, companies added a labor or industrial relations component to personnel (Kochan & Cappelli, 1984); its main function was to negotiate with unions where there was no choice and keep out unions elsewhere. The personnel/IR function continued to gradually add duties and responsibilities after the Second World War, such as compliance with new labor laws and benefit programs (e.g., civil rights legislation, pensions). Until the HRM transformation of the 1980s, however, PM/IR remained trapped in the old ways of hierarchical control, bureaucracy, adversarial relations, policy manuals, and a hire-fire approach to employees (Lawler, 1988). Then, a "new day" was ushered in and "the Human Resource Management function, once responsible for record-keeping and maintenance, . . . evolved into a strategic business partner" (Ferris, Hochwater, Buckley, Harrell-Cook, & Frink, 1999, p. 386).

Actually, this historical self-story is sufficiently incomplete, inaccurate, and unhelpful that it too deserves a failing grade. To justify this negative evaluation, I proceed in two steps. The first is to present three mini case studies of employment practices from early-20th-century America (from Kaufman, 2008, 2010c). They illustrate that management of people was conceived and practiced in a strategic manner more than a century ago, rendering modern SHRM researchers' "new discovery" bravado a considerable overstatement. After these case studies, I extract several lessons and implications from them with relevance not only to the history of the field but also to SHRM's current-day problems and low scorecard grade.

National Cash Register (NCR)

Around 1900, founder John Patterson created at NCR what was probably the most advanced HRM program in the country. He hired a labor expert, Charles Carpenter, to professionalize employee management. Carpenter and Patterson established the first centralized company-level employment department in the country. It gave expert advice to line managers on selection, compensation, training, performance evaluation, and dispute resolution. Patterson also made NCR the country's leader in employee benefits and working conditions (then called industrial welfare work). Patterson had a completely new factory building designed to maximize lighting, comfort, and health of the employees. He also hired Lena Harvey, one of the first women to be hired into an HR position, to lead the welfare program. Harvey and Patterson added to the factory a cafeteria that could seat 1,300 people, built next to it a Welfare Hall for theater and musical performances and company town hall meetings, and provided funds for a kindergarten for working mothers, an employee library, recreational programs, and a company health clinic. Patterson was partly motivated by a personal desire to be "right" and "square" with his employees. But he was also emphatic that this largesse served a strategic goal of higher profit and competitive advantage, telling his biographer:

> Does it pay? All through the shops are scattered signs with the two words "It pays." There is no charity in anything we do. Isn't it good business to lose three cents on a girl's lunch and get back five cents worth of work? . . . It is not possible to reduce it all to a profit-and-loss account. . . . But I do know that our labor turnover is trivial when compared with most concerns our size, and that careless work is very rare. (p. 83)

The NCR system became so renowned that it began attracting visitors locally and from around the world. When the International Harvester Company sent manager Stanley McCormick to visit NCR to benchmark the program, he summarized his impressions this way:

> To express the N.C.R. system in brief, I would say: It is to make the employee earn more, but to do so in such a way that his good will and best efforts are secured, and that therefore the company also earns more. . . . The essential feature about the N.C.R. methods is the system as a general system, rather than as separate items. . . . For example, I think much of the so-called advance work [new welfare activities] would not be possible without liberal wage conditions. (cited in Kaufman, 2008, p. 86)

Here we see an American businessman more than a century ago referring to "advanced" HRM practices and articulating the principles of vertical and horizontal fit.

Ford Motor Company

In 1913 Henry Ford replaced the traditional craft system of building cars (using a team of skilled workers to assemble the entire car on a stationary platform) with the moving assembly line method. This innovation reduced the time it took to build a car from 12.5 hours to 1.5. But it also caused a serious labor problem and profit drain for Ford because suddenly the company had a huge mismatch between its new production system and its traditional HRM system. Turnover spiked to nearly 400% per year (double the level at other auto companies), the daily absentee rate was near 10%, quality of workmanship dropped, and workers displayed their discontent by a deliberate slowdown. These labor problems were costly for any employer but especially so for Ford given the integrated and continuously operating nature of the new assembly line system.

Henry Ford hired John Lee to head a new employment department and advise him on transforming the company's labor program. Here seems to be an early example of an HRM executive in a strategic business partner role. The result of Ford and Lee's partnership was impressive. Reflecting on the company's labor policy, a historian of the company wrote, "Thus the Ford Motor Company, which in 1911 had no labor policy at all, possessed three years later the most advanced labor policy [i.e., HRM strategy and program] in the world" (Nevins, 1954, p. 541).

The new Ford HRM system combined in one integrated program four components not heretofore found elsewhere in any major company: principles of scientific management (e.g., time and motion study), an advanced program of industrial welfare, a centralized employment function, and a formal mechanism for employee voice and dispute resolution. Among the innovations introduced by Lee were a formalized "skills-wage classification system," a company-financed training school, termination only for just cause, and a Sociological Department with a cadre of trained investigators and counselors for home visits and family problem solving.

What won Ford worldwide fame, however, was another HR innovation: the "Five Dollar Day" (called by a London newspaper "the most dramatic event in the history of wages"). Overnight Ford practically doubled the pay an employee could earn. Like Patterson, Ford denied that the program came from charitable or "do good" motives; rather, by reducing turnover to a minuscule 16%, bringing to the employment office the highest quality of applicants, and motivating everyone to hustle on the job, Henry Ford could claim that the Five Dollar Day was "one of the finest cost-cutting moves we ever made."

Here again is an example of strategic HRM in action, with very high-performing consequences for the company, stockholders, and employees. The case study also seems to confirm the "more HRM → higher performance" SHRM theorem, but with two caveats. The first is to note that Ford put an upper limit on the "more HRM" (why not $8 per day?); the second is to observe that in the 1920s Ford shifted from an HRM-intensive commitment model to an HRM-lean technical control model, presumably on the belief that with new conditions (e.g., a smaller union threat) it was now a situation where less HRM → higher performance. A similar "less HRM" movement spread across the United States a decade later during the Great Depression—a development modern SHRM theory seems ill equipped to explain but an economics-based theory easily can (leftward HRM demand curve shift, reflecting a lower benefit-cost return).

Standard Oil

The Standard Oil Company of New Jersey, principally owned by the Rockefellers, used a traditional HRM labor model until 1918. In the traditional "hired hand" model of that era, HR was highly externalized, decentralized, unsystematic, and informal. A company had no employment department or HR function; rather, a company executive or plant manager set overall labor guidelines and then delegated to individual foremen and gang bosses the day-to-day implementation. Thus, people wanting jobs congregated outside the plant gates each morning and foremen came out and chose a certain number based on eyeballing the crowd or personal acquaintanceships. The foremen also assigned each person to a job, decided the rate of pay, gave whatever instruction or training was required, and had practically complete liberty to discipline and discharge. No written records beyond a time card were kept; employees who asked about how their pay was calculated or complained about a working condition (e.g., no bathrooms or drinking water were common) risked being terminated on the spot.

Standard Oil experienced two devastating strikes at its refinery in Bayonne, New Jersey, in 1915 and 1916. The company had strongly resisted any sign of unionism, including firing workers suspected of union sympathies, and there was no organized union presence at Bayonne. Instead, the strikes emerged as spontaneous mass walkouts against oppressive and unfair treatment by managers who considered labor as a commodity, like oil, to be bought for as little as possible, worked to the utmost, and then gotten rid of with no cost or responsibility. The workers reciprocated in both strikes with widespread violence, property destruction, and torching of company property—until quelled by state police and military forces.

John D. Rockefeller Jr. ordered an A-to-Z overhaul of the company's labor policy. He brought in Clarence Hicks—later described as the "dean of industrial relations men" in pre–Second World War American industry—to head the new HR program and gave him a position at the highest level as assistant to the president and chairman of the board of directors. Hicks and Rockefeller went beyond the Ford program and created the most comprehensive and integrated HRM program in the United States at that time. The company established a corporate Industrial Relations Department and separate IR departments at each major facility. (Most large nonunion companies of that period used the IR label for their HR functions.) The IR departments had six major divisions: personnel and training, industrial representation, benefits, safety, medical, and service.

Each new employee received a written handbook that summarized the company's labor policy and all the terms and conditions of employment. It communicated this unitarist, commitment, and mutual gain message this way:

> It is the policy of the Company that the interests of its employees shall be safeguarded in every reasonable way. . . . [E]ach employee has an opportunity to become an important part of the Company; . . . your career with us is limited only by your ability; and . . . the Company offers you a chance of life service under favorable conditions. We hope it will be a pleasure, not a task, to give the best that is in you. We are counting on your cooperation in all matters that make possible the success of the individual employee and the prosperity of the Company. (Kaufman, 2010c, p. 117)

The linchpin innovation of the new HRM program was employee representation. Departments and occupational groups elected peers (e.g., one representative for every 150 workers) to serve on plant and company-wide joint councils and various subsidiary committees. All issues of joint concern, including wages and hours, production processes, and company operating and financial performance, were on the table. The councils performed a combined function of voice, participation, and dispute resolution. (This form of employee voice and participation was subsequently declared an illegal "company union" by the 1935 National Labor Relations Act.)

Looking back on 1918, historians of the company (Gibb & Knowlton, 1956) observed:

> The conclusion is scarcely debatable that in one mighty surge of effort the Jersey directors, prodded by Rockefeller Jr. and led by Hicks, had pushed the company almost overnight to a position where it could be regarded not just as a good employer but as among the most progressive in the field of labor relations in America. No one of the many measures adopted in this year of great transitions was unprecedented, but the comprehensive scope and the total effect of all the efforts imparted to company policy an almost revolutionary character. (pp. 578–579)

Case Studies: Lessons and Implications

The reader can see from these three case studies that the early days of the HRM field bear little resemblance to the conventional portrait of record-keeping and company picnics. Instead, the historical evidence indicates that executives such as Patterson, Ford, and Rockefeller engaged with the people management function and HRM leaders at a strategic level and transformed their traditional employment programs into that era's version of a high-performance work system. Further, this transformed HR system was adopted by a top echelon of other medium to large companies in the 1920s and received so much publicity that numerous delegations of foreigners came to the United States for company visits and plant tours similar to what happened in Japan in the 1980s (Kaufman, 2008, pp. 202–209). Domestic observers were also impressed. In one of the two most comprehensive review articles written in the 1920s on PM/IR developments, IR economist William Leiserson (1929) stated, "But with all due allowances made, when the contributions of Personnel Management are recapitulated in some fashion as we have attempted, the result is bound to be an imposing sum" (p. 164). In the other, fellow IR economist Sumner Slichter (1929) concluded, "Modern personnel methods are one of the most ambitious social experiments of the age" (p. 432).

The transformed high-performance system of the 1920s was adopted by a visible but distinct minority of companies (representing perhaps 15% to 20% of the manufacturing workforce), was crude compared to today's sophisticated HR systems (as a Model T is compared to a 2012 Ford), and utilized a more hierarchical HR architecture and bureaucratic form of control/coordination. These differences, however, are of a structural and practice nature arising from a contingency central to organization theory but having a distinctly secondary role in RBV-dominated SHRM: differences in production system technology and design. That is, the 1920s version was fit to a mechanical-era mass production model while today's HPWS is fit to an electronic-era flexible specialization model. Evidence reveals, however, that the core business and behavioral principles behind the two versions are similar.

A linchpin component of the modern strategic HRM model is employee involvement and participation (EIP). Not only did advanced companies of the 1920s practice deep and substantial EIP, writers of the period also clearly articulated the theoretical principles for it (Kaufman, 2000, 2001b). For example, in his

1919 book *When the Workmen Help You Manage*, William Basset told readers, "The management that now sets about giving thought in a big [strategic] way to bringing out the possibilities of its plant and *human resources* is the only management that can survive" (p. 27; emphasis added). The key to "bringing out the possibilities" is stated in the first sentence of the book: "the fitting together of employer and employee upon a new basis of cooperation." Basset, however, does not put forward the universalistic "HPWS for everyone" (weak or strong) idea that seems in some version to so dominate modern SHRM. Rather, it is an example of what I elsewhere call a case of "strong contingency" (Kaufman, 2010b), Basset instructs readers in the foreword that "no one rule or system is properly applicable to every industrial unit. . . . The principles do not change; the applications always change" (p. vi).

Basset was not the only person nine decades ago to articulate fundamental themes underlying the modern HRM/SHRM model. Slichter (1919) observed, "The labor administrator tends to be a protector of a valuable capital asset—the goodwill of the workers" (p. 819). The term "goodwill" was popularized by labor/IR economist John Commons (1919), a co-founder of the HRM field in the late 1910s (with Meyer Bloomfield and Walter Dill Scott, the latter from I-O psychology), in his book *Industrial Goodwill* (1919). The term used today for an HPWS system is "commitment model," but back then it was the "goodwill model." Commons gives this explanation for the "advanced HRM → high performance" relationship:

> Goodwill is productive . . . because it enlists [the worker's] whole soul and all his energies in the thing he is doing. . . . [I] ndustrial goodwill is a valuable asset [and] . . . is valuable because it brings larger profits and lifts the employer somewhat above the level of competing employers by giving him a more productive labor force than theirs in proportion to the wages paid. And this larger profit reflects itself in the larger value of stocks and bonds, the higher capitalization of the going business. (pp. 19–20, 26)

Thus, where 1920s PM/IR and 2010s HRM/SHRM differ is not with respect to the underlying principle behind the commitment model but rather with its methods/techniques of implementation and extent of application.[12] Commons (and other writers) distinguished alternative employment models, such as commodity (externalized, demand and supply), technical (scientific management, industrial engineering), goodwill, and collective bargaining. The assertion of many SHRM writers is that the goodwill–commitment model is, as a first-order generalization, *the* high-performing option, while the assertion of the pioneers of the field is that *each* model is highest-performing in *certain contexts*—including a "sweatshop" model during a depression or among unskilled immigrant workers. Supportive of this position, data on company adoption of HRM practices (National Industrial Conference Board, 1936) shows the same type of wide dispersion in the 1930s as for the present day in Figure 1.

The early 1920s transformation point in HRM matches the shift in employment systems of that period (some, but not all) from reliance on external labor markets (ELMs) to internal labor markets (ILMs). With the former HR is restricted to a bare-bones, administrative, hire-fire role; with the latter HR becomes an important and sometimes strategic player with large staffs, budgets, programs, and influence—as in major American and Japanese companies after the Second World War (e.g., IBM, Kodak, Delta, Toyota, Sony, Fujitsu) described by Foulkes (1980; also Kaufman 2012a, and Jacoby 2003, 2004; also Woo, 2012). Thus, HRM/

[12] The RBV and strategy ideas also appear at this time. Cyrus Ching (1928, p. 83–84), head of IR at U.S. Rubber, wrote: "An increasing number of industrial leaders have come to understand that a smoothly functioning organization with real loyalty [commitment] to the business is a priceless investment. . . . It is practically the only thing which a competitor cannot buy. . . . It is the one asset which gives a company a definite lead over all less far-sighted organizations." The *Harvard Business Review* was founded in 1923 and that year featured its first article on HRM (Hotchkiss, 1923). In the article, titled "Industrial Relations Management," the author stated, "When, however, we pass from tactics to the question of major strategy, . . . industrial relations management deals with a subject matter which pervades all departments [and] . . . it must to succeed exercise an integrating, not segregating, force on the business as a whole" (pp. 249–250). The strategic orientation of early IR is also indicated in the title of Balderston's book *Executive Guidance of Industrial Relations* (1935), also with a 10-item list of HPWPs. The IR field served as the macro HRM component through the 1950s; once PM/HRM left IR and became dominated by micro I-O psychologists it took another two decades for a needed macro dimension—now called SHRM—to be "discovered."

SHRM writers portray the development of the field as following an upward trajectory, starting at a very low point in the 1920s (payroll/picnics), gradually expanding with new functional duties and union activities during the PM/IR era, and then transitioning in a discontinuous jump in the 1970s and 1980s to a higher and steeper path per the "strategic" and "business partner" role (Vosburgh, 2007, Exhibit 5; Ulrich, 2011, Figure 1; Ferris et al., 1999).

In reality, the path is more of an inverse U shape that follows the arc of movement from externalization before the First World War to the peak of internalization in the mid-1950s to mid-1970s and back toward externalization post-1980s, with changes in labor/employment law, union density, and production systems as moderator variables. (Graphically, the HRM demand curve for the nation shifted rightward from the 1920s to the 1950s, stayed at a high level into the 1970s, and then in the 1980s to the present time gradually shifted leftward.) From this perspective, what "strategic" and "business partner" often mean in the context of the last 20 years is helping externalize the employment system, increase productivity through work intensification, reduce labor cost by cutting wages and benefits and shifting risk to employees, and promoting flexibility by eliminating job security—developments largely minimized or glossed over in mainline SHRM.

Thus, when William Leiserson (1931) observed that "the whole trend in personnel management since 1930 has been to hire a man for personnel work who thinks like the higher executive, that is, in terms of property, profits, sales, and so on. The personnel man who thought in terms of human beings was gradually being weeded out as being 'wild' and 'impractical' (p. 114), he didn't realize he was also describing the field seven decades later as externalization, labor commodification, and business partnering drain the HR function of real strategic value drop by drop (Jacoby, 2003).

For reasons by now obvious, HRM/SHRM writers get a D to F grade in the historical dimension of their work. They have as a group substantially misunderstood, misportrayed, and neglected the origins, development, and current status of their field—dovetailing with the failing record in the dimensions of theory-building and managerial practice.[13]

Conclusions

I recognize that this is a grim portrait of the HRM/SHRM literature, and possibly I paint with too dark a brush and outlook. I will be happy to recant, admit my errors and excesses, and say another mea culpa if HRM/SHRM academics can do three simple but essential things:

- First, demonstrate that the subject is a science by showing how HRM/SHRM theory explains the characteristics of the frequency distributions in Figure 1.
- Second, demonstrate that the subject provides useful managerial principles by filling in Table 1 with a half-dozen new items that are actionable and substantively value-added for organizations.
- Third, demonstrate that the historical and current trajectory of the HR function, measured in terms of breadth, depth, and strategic involvement, is reasonably approximated by an upward-sloping linear function with PM/IR at the low end, HRM/SHRM at the high end, and an upward step somewhere in the 1970s–1990s.

Absent significant counterfactual evidence, I stick to my position.[14] In the interim, it would seem good form to also pull back on critical finger-pointing at (allegedly) unaware and slow-moving practitioners and inefficient and slow-moving markets. Some problems at home require attention first, beginning with opening up the internal market for ideas.

[13] A fair and balanced account requires recognition that a number of IR writers have also oversold the HPWS idea (Appelbaum, Bailey, Berg, & Kalleberg, 2000; Kochan & Osterman, 1994), used the same "more HRM → higher performance" regression model (Ichniowski, Shaw, & Prennushi, 1997; MacDuffie, 1995), and neglected the strategic/goodwill nature of IR/PM in the 1920s (Godard & Delaney, 2000; Kochan, Katz, & McKersie, 1986). I organized a symposium in *Human Resource Management Review* (Fall 2001) on the topic "What can HRM learn from IR?" and said in the introduction that it would be equally useful to have a companion symposium on "what can IR learn from HRM?" It is this type of cross-field dialogue I am trying to promote, even if critically framed in this case.

[14] Actually, having now had my say, I can settle for whatever grade readers think is fair. As we tell our students, the important thing is not the grade but the learning experience.

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