

HRM Practice and Scholarship: A North American Perspective

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Human resource management (HRM) in the United States and Canada, referred to here as the “North American” perspective, has undergone dramatic change during the past thirty years.¹ Beginning in the 1980s, the focus of North American businesses began shifting from domestic to multinational to global. With the support of new technologies, the speed at which business was conducted increased dramatically. With these changes came the realization that competitive advantage could be seized and sustained through the wise utilization of human resources (Gupta & Govindarajan, 2001; Kanter, 1983; 1994; Porter, 1980; 1985). Reflecting these trends, both the practice of HRM within organizations and its study within academia have evolved accordingly.

Concurrently with these developments, business executives in some North American organizations began to view HRM professionals as potential business partners who should be involved in strategic decision making processes. Prior to the 1980s, an older “personnel” model dominated in North America. Specialists who worked from a centralized department were responsible primarily for acquiring and motivating the firm’s employees, and doing so within specified legal and cost constraints. Increasingly, however, HRM professionals are viewed as “human capital” asset experts whose efforts are directed at creating competitive advantages for the firm (Barney & Wright, 1998; Pfeffer, 1994, 1998; Schuler, Jackson, & Storey, 2001; Gupta et al., 2001; Schuler & Jackson, 2007).

In this chapter, we focus on the current state of North American HRM practice and scholarship in larger public and private sector organizations, while recognizing that it will continue to evolve and change in response to dynamic business conditions. Our discussion begins with a broad overview of the context within which the practice of North American HRM occurs. Then we describe recent scholarship in the area of strategic HRM, which currently is the dominant paradigm for North American HRM scholarship. We conclude our discussion by considering several current issues that offer opportunities for future endeavors that address the practical interest of HRM professionals while incorporating the strategic HRM scholarship paradigm.

In our coverage of North American HRM practice and scholarship, we make no attempt to compare and contrast the North American HRM scene to other regions or countries. Nor do we consider issues that are unique to either the U.S. or Canada. Recent comparative studies have described North American HRM policies and practices as reasonably similar. Both have

¹ A geographic definition of North America would include the countries of Central America, also. The countries of Central America, however, share more cultural similarities with South American countries than they do with the U.S. and Canada, and thus often are included within a cultural grouping referred to as Latin America. For discussion of HRM in Latin America, see Elvira and Davila (Elvira, M., & Davila, A. 2005. Emergent Directions for Human Resource Management Research in Latin America. *International Journal of Human Resource Management*, 16: 2265-2282.) and other chapters in this volume.

been characterized as: using an individualized approach to handling employment relations and communication; relying on sophisticated selection techniques; using individualized, performance-based rewards; emphasizing training and development for the purpose of human capital accumulation; showing strong concern with diversity management; and adopting a rather ethnocentric approach to managing international operations on the belief that North American HRM policies and practices reflect a “one-best way” (Parry, Dickmann, & Morley, 2008: 2027; Fenton-O’Creedy, Gooderham, & Nordhaug, 2008). While there are some differences in HRM policies and practices between the U.S. and Canada, the North American approach reflects the liberal market economies found in both countries (Hall & Sossice, 2001) as well as the penetration of U.S. multinationals into the Canadian economy (Parry et al., 2008; Dickmann & Muller-Camen, 2006).

The Practice of Strategic HRM

Among HRM professionals, the term “strategic HRM” is used broadly to signal the view that HRM activities should contribute to business effectiveness. Included under the broad umbrella of HRM activities are the development and articulation of an HRM philosophy, the design of HRM policies that reflect the firm’s overarching philosophy, as well as the implementation and evaluation of specific HRM practices (e.g., planning, recruitment, training, compensation, etc.).

For North American HRM professionals, the pursuit of strategic HRM typically implies that a key objective to be achieved through these HRM activities is improved firm performance. In addition, a strategic HRM approach recognizes that an effective HRM system is influenced by and entwined with numerous contextual forces (Jackson & Schuler, 1990; 1995; Jackson, Schuler, & Werner, 2009; Schuler and Jackson, 1989; 1999; 2007).

Understanding the Context

In North America, the practice of human resource management has long been shaped by legal regulations, which provide to employees a variety of rights and protections against unfair and unsafe employment practices (e.g., see Elkins, 2007). Monitoring the legal and regulatory environment to ensure that a firm’s HRM practices comply with legal requirements has long been one of the primary roles for North American HRM professionals. In addition, because an organization’s pay practices must take into account the pay practices of other organizations competing for the same labor, HRM professionals took responsibility for monitoring competitors’ pay practices. Likewise, because an organization’s planning for future recruitment, staffing and development is affected by supply and demand in the external labor market, the traditional role of HRM professionals generally included tracking labor market conditions.

Strategic HRM also includes developing a comprehensive understanding of the environment’s implications for the organization. In his discussion of strategic job modeling (which evolved from traditional job analysis), Jeffery Schippmann states: “perhaps the most useful thing a strategic job modeler can do is develop his or her own understanding and framework for thinking about the customer’s [organization’s] problems. This means... working to understand the underlying issues and developing working hypotheses about what is important and what is relevant in a given context” (Schippmann, 1999, p. 37). HRM

professionals who demonstrate a deep understanding of business issues and their implications are better able to develop HRM policies and implement HRM practices that recognize human resource management as a source of competitive advantage (Huselid, Jackson, and Schuler, 1997; Schuler & MacMillan, 1984; Lado and Wilson, 1984; Wright, McMahan, & McWilliams, 1994).

HRM Systems

Integration and coherence among the parts are hallmarks of a strategically aligned HRM system. An example of how adopting a systems perspective can influence the practice of HRM is provided by Higgs, Papper and Carr (2000). After noting that the traditional HRM perspective treats selection primarily within the context of hiring decisions, Higgs et al. describe how systems thinking is transforming the way some HRM professionals develop and manage selection processes. Adopting a systems view of selection reveals that many HRM policies and practices that previously were treated as distinct activities (e.g., hiring, training, performance evaluation, special assignments, career development) can all be considered selection processes that need to fit together. According to Higgs et al., competency modeling and managing against core values are two approaches North American organizations use to achieve systemic integration.

Competency Modeling

Prior to the 1990s in North America, job analysis was firmly established as the only appropriate basis for developing HRM practices that meet legal requirements. While appropriate for that purpose, the results of job analysis were not as useful as a foundation for creating a coherent and integrated HRM system that is aligned with the organization's strategic direction. Decreased job specialization, increased job sharing, and the increased prevalence of work teams are a few of the reasons why North American employers have begun to emphasize the competencies employees have over the tasks employees do in their jobs when designing HRM practices. The use of competency models is considered to be more consistent with the trend toward increased sharing of responsibilities across jobs and across levels in the organization. Part of the appeal of competency modeling seems to be that it is more useful for identifying the common competencies and behaviors that are *similar* across all jobs in a department, business unit, or organization. Competency modeling encourages more consideration of the organization's future needs rather than focusing on the details of specific jobs as they are carried out in the present (Sackett, Laczko & Lippe, 2003; Schippmann, 1999). Thus, competency modeling can provide the foundation upon which to build an appropriate HRM architecture (cf. Lepak & Snell, 1999, 2003).

Vision and Values

Declarations of the organization's vision and values also guide the development of coherent HRM systems. Statements of organizational vision and values are sometimes derided as superficial. But when taken seriously, they provide direction and a set of implicit decision rules for evaluating the firm-specific appropriateness of various HRM practices. Regardless of whether vision and values statements are considered the foundation of, or reflections of, the organization's culture, they provide a common understanding of what the organization is striving to be—its desired identity. Thus, vision and values statements serve as touchstones

for employees and HRM professionals alike (Pfeffer, 1998; see also Boswell & Boudreau, 2001).

Demonstrating the Effectiveness of HRM

Assessments of the “effectiveness” of an organization’s HRM practices have traditionally been made using technical criteria established by the profession (e.g., validity and reliability) and embodied in legal regulations. More recently, HRM professionals have been called on to demonstrate the strategic effectiveness of HRM practices in monetary terms.

Monetary Criteria

Thirty years ago, efforts to demonstrate the effectiveness of HRM practices in monetary terms usually employed utility analysis (e.g., Schmidt, Hunter, MacKenzie, & Muldrow, 1979) or cost accounting (e.g., Cascio, 2000). Regardless of the technical merits of such approaches, they have not been widely adopted by North American firms. Instead, most firms continue to rely on subjective estimates and intuition when assessing the effectiveness of their HRM practices (Becker, Huselid, & Ulrich, 2001; Lepak, 2009).

During the past decade, there has been a growing desire to demonstrate the effectiveness of HRM practices using business-relevant metrics. Thus, HRM consultants now offer a variety of more sophisticated measures that estimate the economic value added (EVA) or return-on-investment (ROI) for HRM activities (e.g., see Becker et al., 2001; Fitz-enz, 2002). Such metrics place considerable emphasis on monetary costs and monetary returns, and reflect great deference to the financial interests of shareholders and other owners. This narrow approach to assessing HRM effectiveness is likely to change in the future, however, as organizations develop an improved understanding of the underlying drivers of long-term organizational success. For example, using the logic of balanced scorecards and strategy maps (Kaplan and Norton, 1996a; 2004), some firms have begun to develop more sophisticated models of how HRM practices can contribute to achieving strategic objectives (Lepak, 2009; Rucci, Kirn, & Quinn, 1998; Ulrich, 1998; Becker et al., 2001). Looking ahead, we anticipate that North American firms will continue to develop business-related approaches to evaluating the effectiveness of their HRM systems.

Satisfying Multiple Stakeholders

A more complete assessment of HRM effectiveness would evaluate the effects of an HRM system on the organization’s broad array of multiple stakeholders (Colakoglu, Lepak, & Hong, 2006; Hyland & Jackson, 2006; Tsui, 1990). Certainly, the organization itself is a primary stakeholder, so it is appropriate to assess the impact of the HRM system against objectives such as improving productivity, improving profitability, and ensuring the organization’s long-term survival. Increasingly, employers also recognize that organizational strategies that depend on total quality, innovation and customer service cannot be met unless employees are willing to strive for these same goals on the organization’s behalf. Thus, employees also are legitimate stakeholders whose concerns must be addressed, so “soft” indicators of employees’ feelings about the organization (e.g., commitment, satisfaction, engagement) are being recognized as relevant indicators of effectiveness that

are worthy of top management's attention (Boudreau, 2003; Boudreau & Ramstad, 1999; Macey & Schneider, 2008).

Some organizations also evaluate HRM effectiveness against its consequences for customers. An effective HRM system should influence the quality and variety of products available to customers, the price at which products can be profitably sold, the service customers receive, and so on. As the U.S. economy evolved toward services, customers' expectations have been incorporated into job descriptions, their preferences have influenced criteria used to select new employees, their input is often sought to assess employee performance, and so on (White & Schneider, 2003).

Figure 1

Summary

Briefly, the practice of strategic human resource management in North America reflects the confluence of several unfolding trends, which include: development of a contextualized understanding of human resource management, emergence of a systems perspective to guide internally consistent and aligned HRM practices, creation of new monetary metrics for assessing HRM effectiveness.

STRATEGIC HRM SCHOLARSHIP

In North America, the science and practice of strategic HRM are related, but not tightly coupled. Thus, we turn next to a description of strategic HRM scholarship in North America.

North American scholars have not adopted a common definition of "strategic HRM," but most would probably agree that it covers research intended to improve our understanding of the relationship between how organizations manage their human resources and their success in implementing business strategies (cf. Snell, Youndt, & Wright, 1996). As a focal topic for HRM scholarship, strategic HRM began to emerge approximately thirty years ago. Since then it has evolved to include several streams of theory and empirical research. Due to space limitations, our tour of this work is necessarily too brief to adequately compare and contrast the numerous conceptual frameworks proposed, or to examine the ongoing methodological debates. Instead, we simply attempt to summarize a few key issues of interest to strategic HRM scholars and to visit some emerging areas of research. More detailed reviews can be found elsewhere (e.g., see Becker & Huselid, 1998a; Jackson et al., 1995; Schuler et al., 2007; Gardey, Alcazar, & Fernandez, 2004; Lengnick-Hall, 1988; McMahan, Virick, & Wright, 1999 ; Wright & McMahan, 1992).

Best Practices and HRM Bundles (Configurations)²

One of the primary conceptual developments in strategic HRM research is to differentiate between studies that focus on (a) the direct effects of HRM practices and/or systems on relevant outcomes, and (b) studies that focus on various contingencies that impact the use and effectiveness of HRM practices. Many early strategic HRM scholars examined the

² Generally North American research on strategic HRM has not draw a sharp theoretical or measurement distinction between organizations' formal HRM policies and the specific ways in which those policies are implemented by managers. Here we use the term HRM practices as a general term that can refer to formal policies as well as the actual practices found in organizations, which reflects the use of this term in the literature we discuss in this section.

impact of individual HRM practices in search of 'best practices' that positively influence various outcomes. For example, Terpstra and Rozell (1993) found a positive relationship between several staffing practices and annual profits. Russell, Terborg, and Powers (1985) found that the use of several training practices was positively correlated with retail store sales volume and store image. Gerhart and Milkovich (1990) provided evidence that differences in compensation practices were related to financial firm performance.

Extending this approach, strategic HRM researchers shifted to consideration of HRM practice "bundles," arguing that a defining element of strategic HRM is its focus on the entire HRM system. That is, HRM practices are assumed to operate in concert with each other. As noted by MacDuffie (1995: 198), *"an HR bundle or system must be integrated with complementary bundles of practices from core business functions."* When properly aligned, several practices together may reinforce each other; when mismatched, they may work against each other and interfere with performance (Delery, 1998; Lawler, 1992; Lawler, Mohrman, & Ledford, 1992). Alternatively, some practices may serve as substitutes for other practices (Ichniowski, Kochan, Levine, Olson, & Strauss, 1996), such that only one or the other practice is needed. Such bundles of HRM practices have been referred to by various labels, including high performance work systems (Becker & Huselid, 1998b; Huselid, 1995), high involvement HRM systems (Guthrie, 2001), human capital enhancing HRM systems (Youndt, Snell, Dean, & Lepak, 1996), commitment-based HRM systems (Arthur, 1994), or innovative employment practices (Ichniowski, Shaw, & Prennushi, 1997).

Several empirical studies have shown that firms using bundles of so-called high performance HRM practices outperformed firms that used only a few of these practices (Becker et al., 1998a). For example, Huselid (1995) found that high performance work systems were associated with lower employee turnover and higher labor productivity, which in turn, were associated with two financial indicators of firm performance. Batt (2002) found significant relationships between high involvement HRM practices and labor productivity and employee turnover rates for small companies and service companies. Similarly, Ichniowski, Shaw, and Prennushi (1997) found a positive relationship between innovative work practices and labor productivity for steel-finishing lines.

However, as critics have pointed out, there has been some inconsistency in the specific practices that various authors consider to be among the preferred practices, making it difficult to draw general conclusions about which practices qualify as "best practices" (e.g., see Becker & Gerhart, 1996). In order to continue moving forward with this line of research, more theory-driven research may be needed. The challenge is to trace the causal chain that explains how specific bundles of HRM practices influence intermediate outcomes such as motivation, productivity, turnover, and how those outcomes, in turn, can influence specific indicators of financial performance (Becker et al., 1998a; Boswell et al., 2001; Rogers & Wright, 1998; Wright & Gardner, 2002).

Research on best practices and HRM bundles is considered to fall within the realm of strategic HRM primarily because of the emphasis on predicting firm financial performance. That is, for some North American researchers, strategic HRM research is defined primarily by the outcome of interest—firm performance. Next we consider strategic HRM research that puts more emphasis on creating alignment between the HRM system and a firm's particular strategic imperatives.

Strategic Contingencies

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

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

Drawing on Porter's work, Jackson, Schuler and Rivero (1989) tested and found support for several hypotheses that specified the HRM practices that should be found in firms pursuing strategies that emphasized cost reduction, quality improvement, or innovation (see also Cappelli and Crocker-Hefter, 1993). Although the authors did not empirically test whether the use of strategically aligned HRM practices was more effective, their logic presumed that the HRM practices found in firms had evolved to fit the firms' strategies. More recently, this line of reasoning has evolved into the contingent configurational perspective. Scholars adopting the contingent configuration perspective focus on empirically examining the conditions under which various types of HRM systems are most valuable for achieving specific outcomes. In essence, the contingent configurational perspective embraces both a systems view and a contingency view. This complex approach attends to two issues: (1) the extent to which value is derived by having HRM practices that are aligned with each other (referred to as internal or horizontal alignment), and (2) the extent to which value is derived by having HRM practices should that are aligned with relevant contingencies (referred to as external or vertical alignment).

Theoretical Underpinnings

Throughout the many studies that comprise the body of research referred to as strategic HRM, one finds that a variety of theoretical arguments have been used to develop a supporting logic for the hypothesized effects (Jackson & Schuler, 2002; Jackson, Chuang, Harden, and Jiang, 2006).

Human Capital Theory

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

Resource-Based View

The resource-based view of the firm emphasizes the need for resources as being primary in the determination of policies and procedures (Wernerfelt, 1984). Organizations are viewed as being able to succeed by gaining and retaining control over scarce, valuable, and inimitable resources (Barney, 1990; Porter, 1980). The application of this theory to human resource management has led to an array of new insights for understanding how effective organizations manage their employees (Gupta et al., 2001).

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

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

Behavioral Perspective

Grounded in role theory, the behavioral perspective focuses on the interdependent role behaviors that serve as building blocks for an organizational system. Schuler and Jackson (1987) used role theory to link HRM practice with the competitive strategies of organizations (Porter, 1980). They argued that different strategies require different role behaviors of the employees and thus require different human resource practices. Therefore, human resource management is effective when the expectations which it communicates internally and the

ways in which it evaluates performance are congruent with the system's behavioral requirements (Fredericksen, 1986).

Recently, the behavioral perspective has been expanded into a newer area of research that examines the effects of so-called "network building" HRM practices. There are many potential avenues by which HRM practices and systems can influence the pattern of social relationships and interactions among coworkers. For example, incentive systems and performance management practices can induce individuals to attend to the performance of their co-worker, but the effectiveness of such inducements may depend on the structure of social relationships among interdependent actors. Focusing on top management teams, Collins and Clark (2003) showed that several HRM practices seemed to improve firm performance by encouraging executives to build their internal and external social networks, which they could then leverage to improve their firm's financial bottom line. In other recent examples, Jackson and her colleagues have extended the behavioral perspective to describe how HRM practices might be used to encourage behaviors needed for knowledge-based competition (Jackson, Hitt, & DeNisi, 2003; Jackson, Chuang, Harden, & Jiang, 2006). As noted by Subramaniam and Youndt (2005, p.459), "*unless individual knowledge is networked, shared, and channeled through relationships; it provides little benefit to organizations in terms of innovative capabilities.*" Understanding how HRM practices and systems impact and combine with the existing social capital of organizations appears to be a rapidly emerging area of interest for North American strategic HRM scholarship.

Models of Causal Processes

Having established that HRM systems can influence the attainment of strategic objectives, North American researchers have begun to investigate the processes through which HRM practices and systems influence relevant outcomes. Included in this growing body of research are studies that consider the role of social exchange processes, employee attributions, and climate perceptions.

Social Exchange Social exchange theorists (e.g., Gouldner, 1960) examine the exchanges that occur between employers and employees and the perceptions of reciprocity that are formed based on those exchanges. The norm of reciprocity suggests that employees feel obligated to respond equitably to treatments from others (including one's employer). HRM systems can be viewed as providing inducements that encourage employees to make valued contributions that are needed to realize a competitive advantage. From the perspective of social exchange theory, understanding the quality and type of exchange between the employer and employee is key to understanding employee performance. Two prominent streams of strategic HRM research on social exchanges consider employees' perceived organizational support and their psychological contract.

Wayne, Shore, and Liden (1997) argued that "*employees seek a balance in their exchange relationships with organizations by having attitudes and behaviors commensurate with the degree of employer commitment to them as individuals.*" (p. 83). In an empirical investigation Wayne et al. (1997) demonstrated that HRM practices that were developmental in nature were positively related to perceived organizational support. Perceptions of organizational support, in turn, were positively associated with affective organizational commitment and constructive suggestions (Eisenberger, Fasolo, & Davis-

LaMastro, 1990) as well as citizenship behaviors (Wayne et al., 1997), attendance (Eisenberger et al., 1990), and intentions to remain with one's current employer (Guzzo, Noonan, & Elron, 1994).

The process perspective also is used to explain the role of HRM systems in shaping employee's psychological contracts. As noted by Rousseau (1995), psychological contracts are *"individual beliefs, shaped by the organization, regarding terms of an exchange agreement between individuals and their organization"* (p. 9). HRM practices are important because they shape these expectations and also influence judgments about whether or not these expectations have been met.

Attributions Attribution theory provides additional insights into the process through which HRM systems operate to influence employee behaviors. As noted by Nishii, Lepak, & Schneider (2008), employees make attributions about the extent of control their organization maintains in implementing HRM policies. External attributions are made when events and outcomes are viewed as beyond the control of management, while internal attributions are made when events and outcomes are viewed as within the control of management. According to this attribution perspective, internal (rather than external) attributions are expected to have stronger influence on employee attitudes and behavior. A key reason for this difference is that internal attributions reflect employees' beliefs about the motivations of their managers—and such motivations are something that employees interpret and respond to.

If an employee perceives that the reason for their company's HRM policies and practices is because it values the contribution of its employees, the employee may reciprocate by engaging in positive employee behaviors and attitudes. Conversely, when internal attributions for HRM policies and practices used are more negative—e.g., the HRM practices are viewed as attempts to exploit the workforce—employees are likely to respond in a dramatically different and potentially negative manner. In an empirical investigation of employees of a large supermarket chain, Nishii and colleagues (2008) found that negative attributions about HRM practices were related to lower employee satisfaction, while positive attributions were associated with both affective commitment and employee satisfaction.

Climate An additional process explanation for how HRM systems operate is that HRM systems shape the atmosphere or "climate" in which people work. An effective HRM system creates a setting in which employees' behaviors are directed toward achieving strategic targets (e.g., safety, customer service, etc.). The organizational climate reflects employees' collective views of what behaviors are expected and rewarded (e.g., Bowen & Ostroff, 2004).

An Integrative Framework: Contextualized and Dynamic

Suppose we accept the proposition that an HRM system that is effective in one context might be quite ineffective in another context. If that proposition is true, then one challenge that scholars face is how to explain and accurately predict which approaches are most suitable for which contexts. By any standard, the field of strategic HRM is still in its infancy. Nevertheless, there is an emerging consensus regarding the need to understand the

interplay between human resource management systems and the broader context in which these systems are used. Because the internal and external environments are dynamic, the process of managing human resources also must be dynamic. Success requires meeting the present demands of multiple stakeholders while also anticipating their future needs. Our interpretation of these essential elements of the emerging field of strategic HRM is illustrated in Figure 2.

Figure 2

Current Concerns and Future Directions

To date, scholars of strategic HRM have focused on trying to answer the design question, that is, What comprises the best HRM system in a given context? Looking ahead, it seems likely that the focus of academic work in the field of strategic HRM will evolve away from its current search for effective HRM system designs and toward understanding the processes through which HRM systems evolve and change in concert with their dynamic contexts. Also needed in the future is scholarship that more fully considers outcomes that reflect the varied concerns of multiple stakeholders. In addition to seeing scholarship aimed at gaining new insights into how HRM systems evolve in the context of environmental complexity, we expect North American HRM experts to also look for solutions to several immediate, more focused issues. In the remainder of this chapter, we consider a few current concerns that are attracting the attention of North American practitioners and scholars alike. As these examples illustrate, the central challenge to be addressed can often be traced to the conflicting interests of employers and employees.

Employee Privacy

Simply stated, the right to privacy is the right to keep information about ourselves to ourselves. Early in U.S. history, Henry Ford faced no resistance from federal or local governments when he sent social workers to the homes of employees to investigate their personal habits and family finances. Since then, legislation that addresses employee privacy rights has been enacted in both Canada and the United States.

Access to Electronic Communications

The U.S. and Canada both have federal privacy laws that give individuals the right to verify information collected about them and used by federal agencies (not private employers) in employment decisions. What many North American employees don't understand is that employers have substantial rights, too. For example, most electronic documents can be considered business records, which employers may be obligated to preserve (Roberts, 2007; Smith, 2007). Personal e-mails sent on a company computer; E-mail messages typed on a company computer but never sent; personal Web searches conducted on a company computer; personal instant or text messages sent to friends from a company computer, and text entered into a Word document that the employee later deleted all can be treated as business records (Zeidner, 2007).

Access to Medical Information

In addition to electronic communications, another privacy issue of concern is employer access to medical information (Eddy, Stone, & Stone-Romero, 1999; Lane, 2004; Saton & Network, 2000). In the U.S. (but not in Canada, where health care is a service provided by the government), employer-provided health insurance is the norm. In recent years, health insurance costs have grown so dramatically that many employers feel pressure to do whatever is necessary to reduce them. One way to lower costs is to employ people who make little use of health care services, because insurance for such employees is less expensive. Information about lifestyles and genetic makeup could help an employer determine who is likely to need extensive and expensive health care.

Managing Workplace Diversity

During the past decade, two types of workplace diversity have been of particular concern to North American employers: demographic diversity within the domestic workforce and international diversity within the increasing global operations of large firms. Left to work out their differences on their own, diverse teams and work units often experience a variety of negative consequences, including interpersonal conflict and dissatisfaction. On the other hand, when appropriately leveraged, diversity can also lead to beneficial outcomes such as improved decisions and greater creativity (Jackson & Joshi, 2011; Jackson, Joshi, & Erhardt, 2003; Van Van Knippenberger & Schippers, 2007).

Diversity Training

Training initiatives are among the most common HRM initiatives used to address the issue of workplace diversity. Domestic diversity training programs often seek to raise cultural awareness among participants. Typically, these programs are designed to teach the participants about how their own culture differs from the cultures of other employees with whom they work. In this context, the term *culture* is used to refer very broadly to the social group to which a person belongs. Ethnic background is one aspect of culture, but so are one's age, socioeconomic status, religion, and so on. (For a review of research on cross-cultural training, see Bhawuk & Brislin, 2000).

Diversity awareness training Diversity awareness training often seeks to help people understand how the stereotypes they hold about various groups can influence the way they treat people--often in subtle ways that they may not be conscious of. A typical diversity awareness program is conducted over the course of one or two days. The hope is that raising awareness about differences will lead to attitudinal and behavior changes. Based on a review of 20 studies conducted in organizational settings, Kulick & Roberson (2008) concluded that diversity awareness training results in sustained improvements in overall attitudes toward diversity. However, attitudes toward specific demographic groups (e.g., defined by ethnicity, gender, age) appear to be more resistant to change and may even be at risk of a backlash effect (e.g., see Alderfer, 1992).

Diversity skills training Another approach to diversity training focuses more specifically on developing the behavioral competencies needed to work effectively in organizations characterized by diversity. With diversity skills training, the objective is to change behaviors that are needed to work effectively with dissimilar others. Among the skills identified as relevant for working in diverse teams are communications, conflict management, behaving

in ways that reflect sensitivity to cultural differences, as well as other skills that are generally useful for teamwork.

Improving Diversity Climate

Diversity climate refers to employees' perceptions of the degree to which all members of the organization are integrated into the social life of the organization practices (Mor Barak, Cherin, & Berkman, 1998). Diversity climate perceptions have been shown to predict behavioral outcomes such as attendance (Avery, McKay, Wilson, & Tonidandel, 2007) and turnover ([McKay, Avery, Tonidandel, Morris, Hernandez, & Hebl, 2007](#)). Given that training alone does not achieve behavioral change, other HRM practices may also need to change before employees notice a difference in the organization's diversity climate (Rynes & A., 1995).

Evaluating Diversity Initiatives

As is true for most HRM initiatives, North American employers believe that programs aimed at effectively managing workplace diversity are justifiable in part because they promise to reduce labor costs and improve productivity. In a comprehensive study of diversity management practices, Kalev, Dobbin & Kelly (2006) sought to determine whether the use of diversity initiatives improves organizational outcomes such as diversity among top executives or firm performance. Based on data from 708 private sector establishments, the authors concluded that diversity practices aimed at reducing managerial bias (e.g., diversity training) were the least effective in increasing the proportion of white women and black men and women. Practices aimed at reducing social isolation (e.g., mentoring) were modestly effective. Practices aimed at increasing accountability for meeting diversity goals were the most effective.

Performance Management

During the past decade, North American HRM professionals have adopted the term *performance management* to refer to a set of HRM practices that includes performance measurement, performance feedback and performance-based rewards. While there are many current trends that might be discussed here, we focus on two specific issues that characterize the North American perspective, namely the widespread adoption of multi-rater performance evaluation and feedback and performance-based pay.

Multi-rater (360-degree) Performance Evaluation and Feedback

Many North American companies assume that supervisors know more than anyone else about how well subordinates perform their jobs, so they give supervisors all the responsibility for measuring employee performance and providing feedback. Supervisors produce more reliable and useful performance judgments than other sources, perhaps because they have knowledge about several aspects of employees' performance (Smither, London, & Reilly, 2005; Viswesvaran, S., & Schmidt, 1996). Nevertheless, increasingly, North American employers understand the need to ensure that a variety of perspectives are considered when making employment decisions (Lawler, 1992; Walker & Smither, 1999).

Performance-based Pay

Employers have always recognized the importance of rewarding employees for good performance. For the past several decades, most North American employers relied on merit pay to achieve this objective. According to one survey, 80% of U.S. employers offer performance-based bonuses. For nonexecutive white-collar employees, variable pay accounts for more than 11% of employees' total compensation (White, 2006). For non-executive employees, performance-based pay is typically tied to individual performance, but for executives, performance of their business unit the organization as a whole are the most important performance indicators.

Following the financial crisis of 2008, many people expressed substantial ethical concerns about the aggressive use of performance-based pay within the financial services industry. But ethical concerns about the performance-based pay are not really new. Because of its powerful motivating ability, performance-based pay is recognized as a potential explanation for unethical behavior by employees in a variety of jobs and industries. Poorly designed pay practices can lead to employee behaviors that maximize the performance being measured, yet are detrimental to the interests of the employer and/or customers and/or the broader society.

Widespread use of performance-based pay has also contributed to increasing pay disparities between high-level executives and rank-and-file employees. CEO pay levels in the U.S. are widely perceived as unfair (Makri & Gomez-Mejia, 2007). CEOs of U.S. companies are paid more than 400 times what their employees earn, on average (Lublin, 2007). While public concern about unfair CEO pay is the norm, HRM professionals have generally done little to address this issue, and HRM scholars have done little to examine the consequences of these perceived inequities.

Looking ahead, we expect the issue of performance management to continue to attract attention within North America. Concerns over the role that some HRM practices have perhaps played in creating greater income disparities and tempting employees to engage in unethical behavior will likely challenge HRM experts to consider new approaches to monitoring and rewarding employee performance. Furthermore, to the extent that societal unease with corporate executives persists after current economic conditions have moderated, it is likely that HRM scholars and practitioners will be called upon to pay greater attention to the HRM systems used to manage high-level executives in particular.

International HRM Issues

Within North America, the growth of international HRM has been a significant development during the past thirty years (Briscoe, Schuler, & Claus, 2009). Due to economic globalization, many firms compete on a worldwide basis rather than on the regional basis that was predominated previously (Gupta et al., 2001). For North American firms, human resource management in this new international context requires developing an understanding of the issues facing multinational enterprises (MNEs).

Whereas managing expatriates had been the dominant and most active area of IHRM practice and scholarship in North America during the 1980s and into the 1990s, it is now

just one of many topics attracting attention. As the pace of globalization quickened, and as the costs associated with the growing numbers of expatriates came under scrutiny, North American firms reduced their reliance on expatriates. Like other global firms, they turned to third-country and host-country nationals to staff both non-managerial and managerial positions. In the 21st century, North American MNEs are fully engaged in managing a global workforce comprised of all employees, at all levels and in all locations of the firm's international operations (Tarique, Schuler, & Gong, 2006).

Global Talent Management

As North American firms first began expanding their international operations, they often assumed that the HRM practices of the parent country could and would be adopted worldwide. Consistent with this perspective, they staffed senior management positions in their foreign operations with expatriates from the U.S., creating a senior management cadre for international locations. By staffing foreign operations with expatriates, the North American parent sought to exercise control over their foreign operations (Tarique & Caligiuri, 2004).

Increasingly, however, the efforts of North American international HRM staff have been redirected toward managing local-nationals, global staffing, integration of worldwide HRM policies, management development, and other topics considered to be of strategic value (Tarique and Schuler, 2010). Recognizing that there is now an extensive body of knowledge that should be mastered by HRM professionals with international responsibilities, the Society for Human Resource Management's HRM Certification Institute recently introduced specialized testing and certification for the title of Global Human Resource Professional (GPHR).

Managing Cross-Border Alliances

For most North American firms, the process of internationalizing involved expanding slowly from a domestic base into progressively distant areas. But for other North American firms, establishing cross-border alliances has been the preferred means for expanding internationally. Ideally, this approach enables a firm to learn how to operate in a new location prior to investing heavily to establish a presence in that location (Luo, 2002). Two common types of cross-border alliances are international mergers and acquisitions and international joint ventures. While international mergers and acquisitions have the tendency to reduce the number of companies in a market, international joint ventures typically increase the number of companies in a market. In both cases, costs can be reduced, profits enhanced, speed of market entry increased and risks managed.

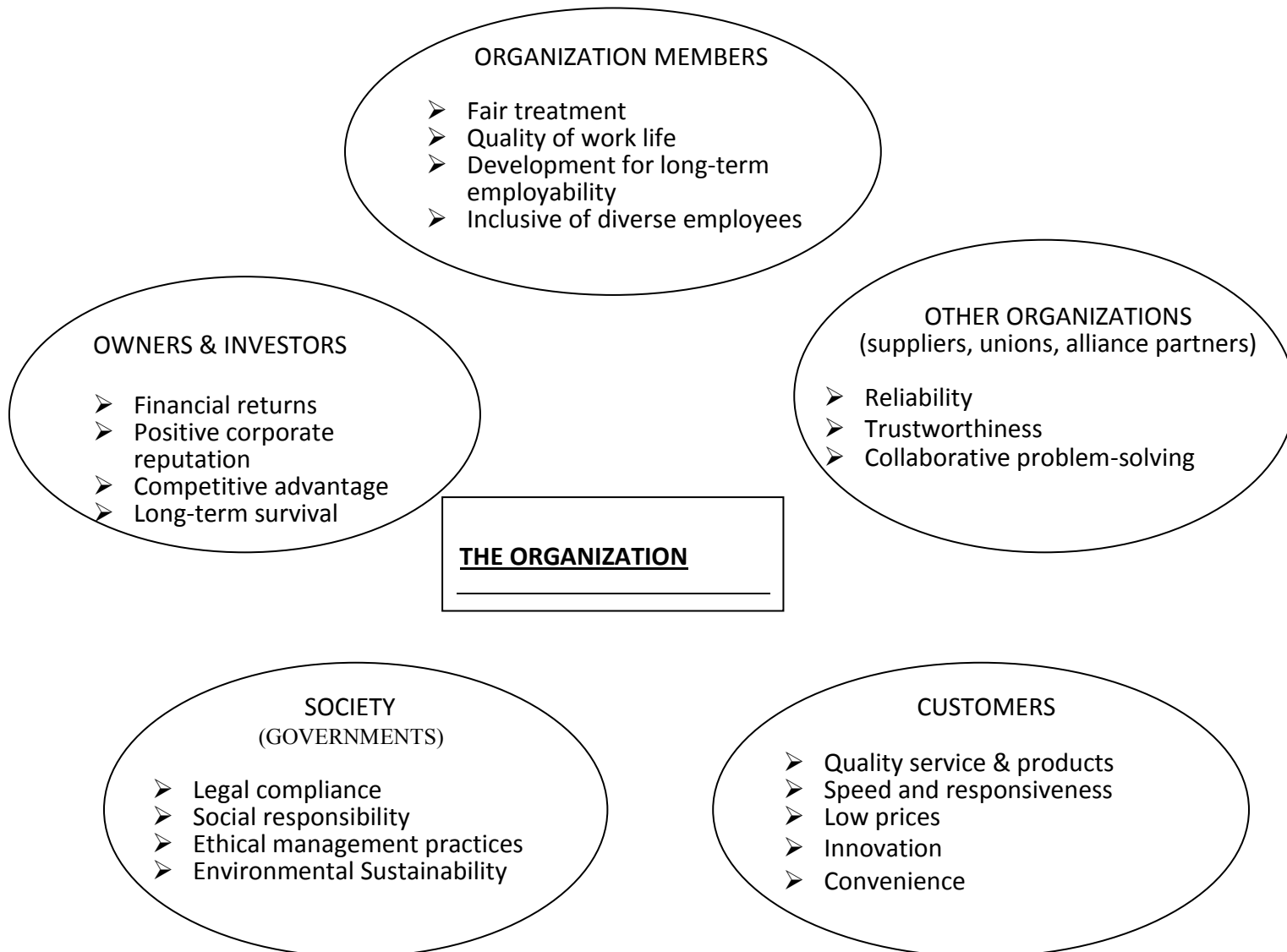
Research suggests that many of the problems that arise in managing cross-border alliances are due to ineffective human resource management (Schuler, Jackson, & Luo, 2004). Research intended to improve our understanding of how to manage cross-border alliances is still in its infancy. Nevertheless, there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

Conclusion

Human resource management in North America is evolving rapidly as firms focus on the new strategic challenges of the 21st century. Increasingly, HRM issues are recognized as integral elements in strategic planning and strategy implementation--for domestic firms as well as MNEs. With the objective of providing an overview of HRM in North America, we have briefly commented on a few major developments, including the importance of analyzing and interpreting the impact of context, responding to the concerns of multiple stakeholders for HRM, the use of empirical data and theoretical frameworks that contribute to advances in HRM practice and scholarship, several current issues that provide opportunities for HRM practitioners and scholars to collaborate in future research, and the challenges of international HRM.

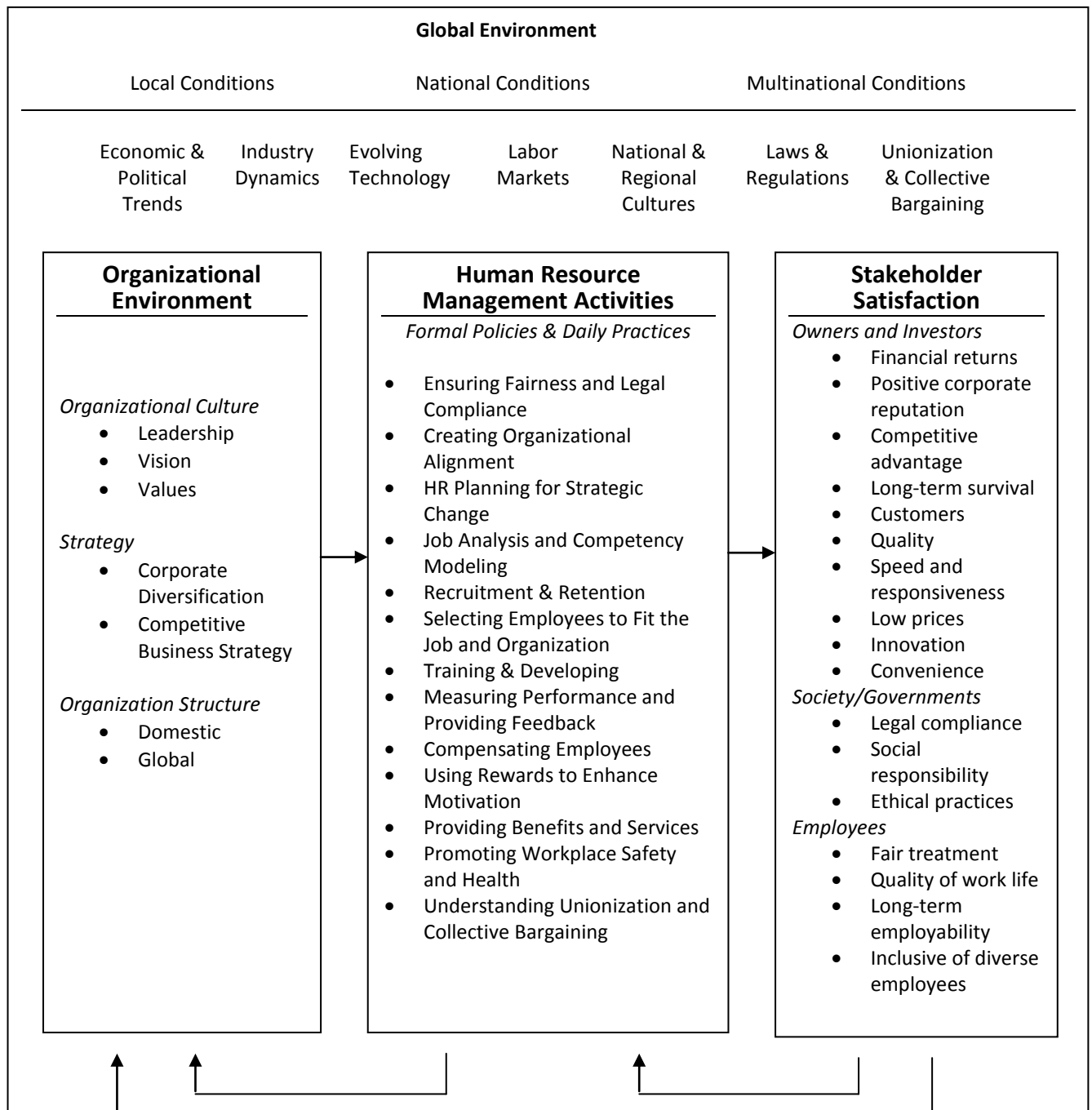
As we write this chapter we see the dynamics of the global economy and global labor markets becoming increasingly important forces that shape human resource management in North America. These dynamics appear so powerful that attempting to draw a distinction between domestic and international HRM may become an obsolete exercise. Almost all large North American firms have operations and/or strategic partners located in other countries. To the extent that large firms set the norms and standards for workforce management, small and medium-sized firms also are influenced by the increasing globalization of economic activity within North America. Thus, for HRM practitioners and scholars alike, the pressing challenge now is to develop contextualized and dynamic frameworks for understanding and effectively managing human resources in organizations that span the globe and compete in an increasingly integrated economic system.

Figure 1 Stakeholders and their Concerns



Adapted from S. E. Jackson, R. S. Schuler and S. Werner, *Managing Human Resources 10e*, (Cengage Publishers: Mason, Ohio, 2009) p.5. Used with permission.

Figure 2 Contextualized, Dynamic Framework for Strategic HRM



Adapted from S. E. Jackson, R. S. Schuler and S. Werner, *Managing Human Resources 10e*, (Cengage Publishers: Mason, Ohio, 2009) p.15. Used with permission.

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