

# HRM, Organizational Capacity for Change, and Performance: A Global Perspective

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*This special issue brings together a variety of articles, each one enriching understanding about whether and how human resource management (HRM) influences organizational performance (however defined) against a backdrop of complex change. We present a preliminary framework that enables us to integrate the diverse themes explored in the special issue, proposing a mediating role for organizational change capacity (OCC). OCC represents a particular subset within the resource-based literature labeled as “dynamic capabilities.” Although not well researched, there is evidence that OCC is positively associated with firm performance and that this relationship is stronger given conditions of high uncertainty. Our framework reflects on external and internal parameters, which we suggest moderate the relationship between human resource management (HRM), OCC, and organizational performance. Our intention is to provide compelling insight for both practitioners and researchers, especially those whose remit extends beyond national boundaries, with reference to areas of the globe as disparate as Greece, Ireland, Pakistan, Switzerland, and the United Kingdom.*

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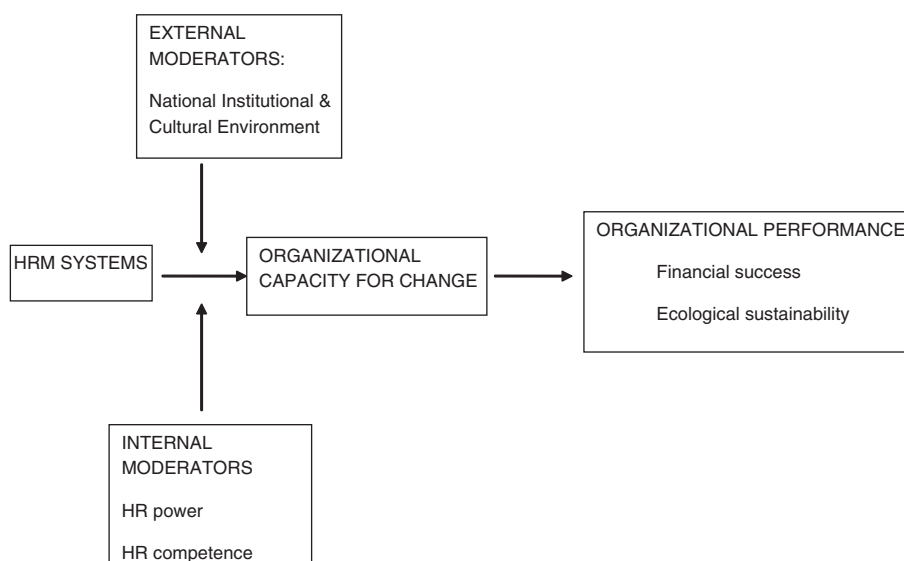
## Introduction

Although there has been a lot of scholarly interest in the way in which human resource management (HRM) systems elicit performance outcomes at the level of the organization (e.g., Becker & Huselid, 2011), there are only a few studies assessing the role of HRM in shaping an organization's capacity for change (OCC), in turn promoting organizational performance (e.g., Antila, 2006; Giangreco & Peccei, 2005; Judge, Naoumova, & Douglas, 2009; Zhu, 2005). While it seems intuitive that HRM has a role to play, there remains much work to be done to tease out the complexities involved, especially given that HRM is perceived and enacted in distinct ways in culturally and institutionally different regions of the world (Budhwar, Schuler, & Sparrow, 2009; Horwitz, 2011; Marchington & Grugulis, 2000). Drawing on Zupan and Kaše (2005), we present a preliminary framework that reflects external (institutional and cultural) as well as internal (HRM power and HRM competence) factors that (we suggest) moderate the HRM–OCC–performance relationship (see Figure 1). Our purpose in this article is to cast new light on the way in which HRM might impact performance through the mediating role of OCC. Focusing on this area has the potential to inform and enrich the understanding of HRM practitioners who are grappling with the manifold demands that change at different organizational levels present. We also add to scholarly literature, particularly where the focus is the contingencies involved in HRM/performance relationships across diverse national contexts.

The question of how to elicit OCC has assumed a new urgency against a backdrop of intense global competition, with changing patterns of trade bringing countries like China, India, Brazil, and Russia to the fore, while developments arising from the so called “Arab Spring” open the world stage for potentialities that are almost too enormous to be grasped. Nations belonging to the European Union as well as those farther afield (such as the United States) are dealing with an economic recession that has been labeled the worst in living memory, and the transition economies of Eastern Europe are in the throes of painfully shifting from command-and-control systems that have dominated earlier years toward the more liberated, market-driven models typically found in the developed world. Underlying these political and economic imperatives is a subtle but compelling theme that is starting to permeate (albeit sporadically) across national boundaries—a growing awareness of the fragility of the planet and the ecological demands that are evident given limited and diminishing natural resources. All these factors—political, economic and ecological—taken together have implications for those charged with both setting out their organization's strategic course and building the capability required to succeed in the face of the demands that change presents.

In this article, we propose a framework that sets out the key factors that we argue should be taken into account by those charged with designing and implementing HRM systems in order to build an organization's capacity for change, thereby shaping performance. We also examine potential moderators of the relationship between HR,

**FIGURE 1** The HR–Financial–Ecological Performance Framework



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OCC, and performance. Building on earlier work such as that by Zupan and Kaše (2005), our framework reflects two aspects of the external environment: the institutional framework (legislation, government policies, and so on) and the predominant cultural orientation within which the institutional framework is located. Internal factors, according to Zupan and Kaše (2005), relate to the extent of HRM power and the quality of HRM facilitators, including line management. We add to this framework by suggesting that OCC itself is not only related to organizational performance gauged in profitability or productivity terms, but also shapes the extent to which organizations deal with the aforementioned global challenge—achieving ecological sustainability (Judge, & Elenkov, 2005). The HR–Financial–Ecological Performance (HR–FE) Framework captures these ideas (see Figure 1).

The way in which HRM influences organizational performance given shifting global parameters has been

the subject of protracted academic inquiry (see Sheehan & Sparrow, 2012, for an overview). As mentioned earlier, our focus here is on HRM’s role in promoting OCC, in turn shaping organizational-level outcomes. Although empirical studies addressing this point are scarce, there are hints in the literature to guide theoretical framing. Giangreco and Peccei (2005), for example, in a study of 300 line managers in an Italian electricity supply company, found that line managers’ perceptions of the costs and benefits of change influenced their willingness to drive forward the change process. According to their findings, the reward and performance management systems that the organization had in place were central in shaping line managers’ perceptions. Studies of developing nations have also suggested that reward systems are drivers of performance against a backdrop of complex change, but here a case is made for HR practices that promote flexibility (numerical, temporal, and functional) (Budhwar, Bhatnagar, & Saini, 2012; Zhu, 2005). This suggests that institutional and other factors in the wider context may play a moderating role, shaping HRM–performance relationships, such that the HRM practices most likely to impact positively on OCC are selected and implemented to achieve the outcomes required.

Several *internal* moderators shaping the HRM–OCC–performance relationship have been proposed. Kim and Ryu (2011), for example, have argued that HRM specialists who have close and collaborative relationships with line managers are more likely to achieve effective outcomes against a backdrop of complex change. Drawing on social capital theory, Nahapiet and Ghoshal (1998) suggest that HR specialists are called upon to build and maintain structural, relational, and cognitive connections with employees and that these connections come to the fore where change is ongoing. Also focusing on the competence and capacity of HR specialists, Antila (2006) has shown that HR specialists are perceived to be effective in selecting the role that best fits the phase of the change being experienced. Drawing on Ulrich (1996), these scholars argue that HR specialists are called upon to act as administrative experts, employee champions, change agents, and strategic partners; the challenge is to understand when and how to engage with each role.

Based on the foregoing analysis, the aims of this paper are fivefold. First, we set out a conceptual framework depicting a proposed mediating role for OCC in the HR–performance relationship. Second, we define organizational performance not only in financial terms but also by taking account of the all pervading global challenge outlined earlier, that of achieving an ecological sustainability. Third, we consider the effects of two external

contingencies—institutional and cultural contexts—in shaping any potential role that HRM might have in building OCC, thereby influencing performance. Fourth, we highlight the potential impact of two key internal contingencies shaping the HR–OCC–performance relationship: HR power and HR competence. Finally, we reflect on the contributions made by articles in this special issue to the themes arising from the model presented in Figure 1, the HR–FE Framework.

We start by defining OCC, drawing on resource-based (Barney, 1997) and dynamic capability literatures (Eisenhardt & Martin, 2000; Helfat & Peteraf, 2008; Teece, 2007). This leads us to explore, first, current directions in the HRM–performance literatures, then the proposed mediating role of OCC in the HRM–performance relationship. We look at potential moderators, as depicted in Figure 1, and go on to make connections with the articles presented in this special issue. Based on the idea that HR systems build OCC, in turn influencing performance outcomes at the level of the organization, each article explores one part or another of the model, providing a compelling insight into the potential contribution that HR systems might make in different countries like Greece, Ireland, Pakistan, Switzerland, and the United Kingdom.

Our framework captures some of the key factors that we suggest influence OCC, but is by no means all encompassing, given that a countless number of potential moderators exist, reporting on which is beyond both the focus and the scope of this paper. For example, the financial resources of the organization might shape the extent to which HRM systems are effectively implemented and communicated in order to build OCC, and an organization's structure and internal culture also influence the way in which HRM plays out against a backdrop of complex change. Therefore, we acknowledge that our framework is necessarily sparse, due to both the space available for this article and its focus. Nonetheless, it brings to the fore key antecedents that we suggest are of interest and importance for HR scholars as well as those practicing in this area. There is wide debate, for example, on the way in which HR specialists might (positively or negatively) influence HRM systems (see Shipton & Davis, 2008, for a review) so we have selected HR power and HR competence as internal moderators in our framework. Furthermore, both national culture and the institutional environment are factors with particular meaning for HR specialists (for details, see Budhwar & Sparrow, 2002). Legislative strictures in many countries, for example, set the minimum employment standards that underpin HR practice, while available evidence suggests that cultural orientations have

to be taken into account in determining what type of HR policy or practice would work best in a particular setting (e.g., Katou, Budhwar, Woldu, & Al-Hamadi, 2010). On this basis, these are the variables that we have emphasized in our consideration of external parameters shaping HRM–OCC–performance relationships. We are guided by Zupan and Kaše's (2005) informative framework, albeit designed for a particular setting (Eastern Europe), proposing in our framework more general applicability.

Financial success has been widely used as a dependent variable in the HR literature (e.g., Katou & Budhwar, 2007) and gives a rough approximation of an organization's effectiveness in achieving strategic goals, especially when apparent over the course of time, given changing external parameters. Ecological sustainability has received less attention as a potential outcome variable; indeed, we are aware of only one or two studies outside of this special issue where the notion that ecological sustainability may flow from HRM systems has been explored (e.g., Jackson & Seo, 2010). We define ecological sustainability in line with Judge and Elenkov (2005, p. 895) as “the ecological results of an organization-wide commitment (or non-commitment) to preserve and protect the natural environment.” Although it seems that there is no universally accepted way to measure ecological performance (Hart, 1995), Judge and Elenkov (2005) used expert (external) ratings of the ecological performance of each company in the sample, taking into account whether companies demonstrated commitment to ecological principles, including the conservation and expansion of environmental resources and maintenance of the vitality of ecosystems. We use these insights as a basis for this part of the framework.

## Organizational Capacity for Change

Resource-based perspectives offer a theoretical lens for unraveling the potential contribution of OCC to organizational performance, suggesting that OCC is inherently valuable to organizations because it is not readily substitutable across organizations or cultural settings, evolving from contingencies that come together in a unique way. OCC is similar to notions of social capital (Nahapiet & Ghoshal, 1998) (derived from resource-based perspectives) but goes beyond a focus on shared capability to encompass what can perhaps be best described as a cultural orientation toward openness, flexibility, and adaptability (Judge et al., 2009). This is suggestive of an employee skill set that is broad-based enough for alternative scenarios to be pursued, combined with an all-pervading recognition of, and the ability to deal with, the

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emotional demands of uncertainty (Shipton & Sillince, in press). Furthermore, the notion is distinct from the related construct of change readiness (Armenakis, Harris & Mossholder, 1993). While change readiness is focused on the way in which individual employees are receptive to or antagonistic toward change, OCC takes a broader perspective, being concerned with cultural and structural factors as well as employee capabilities, their feelings about work, and the structures in place for building and sustaining talent (Judge et al., 2009).

In essence, OCC represents a particular subset within the resource-based literature labeled “dynamic capabilities,” encompassing an ability “to integrate, build and reconfigure internal and external competences to address rapidly changing environments” (Teece, Pisano, & Shuen, 1997, p. 516). According to Dougherty (1992), dynamic capability can be achieved in subtly different ways, depending on the unique constellation of factors that together constitute an organization’s resource base.

Evidence suggests that there are commonalities across capabilities given particular strategic priorities (Eisenhardt & Martin, 2000; Pablo, Reay, Dewald, & Casebeer, 2007). The existence of commonalities is not to imply that each company attempting to achieve new product development or innovation will do so in an identical way (Eisenhardt & Martin, 2000). Although broad parameters can probably be established, isolating causal attributes from superfluous detail may not always be possible. In this regard, Eisenhardt and Martin (2000, p. 1105) comment that: “We have the best research process in the world, but we don’t know why. ... How precisely each capability evolves in a particular context will vary according to the constellation of factors that arise from that setting.”

Based on these insights, we define OCC in line with Judge et al. (2009, p. 1739) as “the dynamic resource bundle comprised of effective human capital at varying levels of a business, with cultural predispositions toward innovation and accountability, and organizational systems that facilitate organizational change and transformation.” Being a perceptual indicator, OCC is unlikely to be experienced uniformly; indeed, we suggest that OCC is sufficiently elastic a concept to reflect the differences across contexts, especially against a global backdrop. Nonetheless, there are common features: a highly skilled and committed workforce; a leadership team equipped with the knowledge and skills to cajole and persuade employees to embrace change; reward and recognition systems that capture people’s orientations toward adaptability and novelty; a toleration of and encouragement for experimentation and risk-taking; and a culture that embraces creativity as a starting point for new directions. Judge et al. (2009) have shown that OCC is positively and significantly associated with organizational performance using multisource data drawn from 86 manufacturing and service companies in Russia. Taking a global perspective, we argue that although exact configurations are likely to vary, where OCC exists, an organization is likely to be in a stronger position against a backdrop of change relative to one lacking this attribute. Based on this understanding, we propose that:

**Proposition 1:** *OCC gives rise to enhanced organizational performance measured in financial terms.*

Judge and Elenkov (2005) have shown that OCC is important not just in financial terms, but also for organizations seeking to achieve environmental sustainability. The logic is that ecological challenges represent a series of change demands that require the holistic, system-wide perspective described earlier. Although it is outside the scope of this article to look in-depth at the literature

in this area, an emerging body of work is suggestive of the link between organizational capability and progress toward the meeting of sustainability targets (see, e.g., Christmann, 2000; Judge & Douglas, 1998). Based on the resource-based theory of the firm (Barney, 1997), insights suggest that being able to operate in an environmentally sustainable way is a valuable, rare, and difficult-to-imitate strategic resource (Hart, 1995). Testing this notion, Judge and Elenkov (2005) asked managers and employees about their perceptions of OCC, drawing on multisource data derived from 31 companies in Bulgaria. Measuring a variable labeled “sustainability achievement” derived from assessments made by governmental sources, they found that sustainability achievement is significantly higher for organizations exhibiting OCC than for organizations lacking this attribute. This, together with the theoretical premise outlined earlier, leads us to our second proposition.

**Proposition 2:** *OCC gives rise to enhanced organizational performance measured in ecological terms.*

### HRM, OCC, and Organizational Performance

A lot of work over the past decade or so has examined the relationship between HRM and organizational performance gauged in financial and productivity terms. Although research by no means paints a straightforward picture, it suggests that there are so-called “high performance” practices such as sophisticated recruitment and selection, training and development, performance management, and targeted compensation systems, as well as structural arrangements (e.g., teamwork) that, if implemented, are likely to elicit beneficial outcomes for organizations (e.g., Kehoe & Wright, 2010). Building on this, scholars have explored the way in which HRM policy and practice in combination promote performance outcomes, suggesting that it is rather the synergistic effect of multiple, interrelated practices that impacts on outcomes, rather than one particular practice over and above another (Wright, Gardner, Moynihan, & Allen 2005; Katou & Budhwar, 2010). Although offering valuable and important insights, this line of thinking has been criticized for being universalistic, not fully capturing the complexities involved given diverse institutional as well as cultural influences (see Budhwar & Debrah, 2009; Jackson & Schuler, 1995). We suggest that both external factors like these and internal moderators influence the way in which HRM systems impact on OCC. Furthermore, we wonder whether there are particular facets of HRM that have applicability across national boundaries, particularly for high-talent employees whose

input is perhaps most central for building OCC (Becker & Huselid, 2011).

Taking a global perspective, Horwitz (2011) has identified that culture, opportunities for growth and talent development, and reward systems that offer competitive salaries relative to the competition, as well as consistent and fair HR practices and a toleration of diversity, are important means of drawing talented people into organizations *across cultures*, rather than in the predominantly Western paradigm described earlier. These insights echo those of Deloitte Touche Tohmatsu (2007) in conjunction with the Economist Intelligence Unit (EIU, 2008), who in a global study of 531 HR and non-HR executives found that there was growing interest in aspects of HR that had hitherto received less attention: performance management, leadership development, learning and development focused on high-potential employees, and other strategies designed to gain maximum value from staff. It seems that professional people in knowledge-intensive industries may have similar expectations of HR systems, with research suggesting that in transitional economies, for example, employees are looking for challenging work, career development opportunities, and a culture that builds trust and collaboration (Horwitz et al., 2006; Sutherland & Jordaan, 2004). Linked with this, a recent EIU study showed that raising pay to above market rates was only the fourth most effective HR practice among Asian firms; rated most important overall was increased training, followed by the use of mentoring systems and personal development plans to promote growth. This research is suggestive of trends toward “crossvergence,” at least for professionals and knowledge workers (Horwitz, 2011). Again, this research is insightful, especially for companies working across national boundaries or seeking to expand internationally. The focus in the preceding literatures, however, is building individual capability and attracting and retaining talented personnel. As mentioned earlier, in this article, we are interested in the potential role of HRM systems in promoting strategic capability, captured in OCC and linked with organizational-level outcomes.

Although innovation is not the same as OCC (innovation rather comes about through OCC), there are useful insights to be derived from these literatures. Laursen and Foss (2003), for example, concluded from their research that organizations should adopt “high-performance” HR practices. They argued that practices designed to elicit decentralization such as empowerment facilitate problem solving at a local level, thereby enabling organizations to draw upon the latent “tacit” knowledge of those closest to

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the task at hand. They further suggested that knowledge dissemination is important to create the updated capability required for OCC, which is enhanced where organizations implement team-based working and are committed to practices such as job rotation and project work. Research by Shipton, West, Dawson, Patterson, and Birdi (2006) found that two groups of HR mechanisms are likely to enhance innovation in work organizations. Those designed to promote exploratory learning and those intended to exploit existing knowledge (training, induction, appraisal, contingent pay, and teamworking) were related significantly to innovation in products and technical systems. Contingent reward had no direct effect on either type of innovation, but a significant effect became apparent in combination with exploratory learning. Similarly, training, induction, and appraisal, combined with exploratory learning, had a more powerful effect on the dependent variables in combination than applied separately.

Building on the preceding insights, there are perhaps two areas of HR activity that have a strong resonance for OCC: (1) the theme of learning, growth, and career development, where there is scope through effective HR practice for building the openness, flexibility, and high capability required for OCC; and (2) performance management, which provides a sense of direction for individuals in line with the strategic orientation of the business. Here, expectations can be conveyed about the importance of flexibility and openness to new avenues of business endeavor, and appropriate recognition given for meeting performance targets in this area. We briefly touch on these two areas before examining the effects of external and internal contingencies on the HRM–OCC–performance relationship.

### **Learning, Growth, and Career Development**

Although learning and development is crucial in building the capability required for OCC, not all approaches are equally valuable to this end. Generally, learning and development is oriented toward the realization of identified priorities and goals (Shipton et al., 2006). Practices like externally led formal training delivery and coaching either intentionally or inadvertently reinforce that employees are expected to perform in a prescribed way. Furthermore, many of the tools and processes endorsed in best practice guides (such as competency frameworks, profiles for classifying job and person-related learning needs, and learning-style questionnaires) give the impression that there is one ideal way of performing that will deliver the performance outcomes the organization seeks. This is an effective way of working where the environment is static, but questionable where organizations are faced with an imperative to change.

Countering this perspective, we suggest that to build OCC, it is important instead to enable exploratory learning. Exploratory learning involves generating new ideas through actively searching for alternative viewpoints and perspectives. This would involve creating an environment where employees generate new ideas through actively searching for alternative viewpoints and perspectives. For example, through project work, job rotation, and visits to parties external to the organization, it becomes feasible for employees to achieve the critical detachment required to question and challenge existing ways of operating. Placements and job rotations could achieve the same benefits, as can mentoring support from practitioners outside an individual's immediate work area and/or membership of teams that span boundaries and hierarchies. Exposure to different experiences and points of view makes individuals more willing to examine their own mental models and to make any necessary adjustments, thereby avoiding the tendency to become locked in to limited perceptual sets. HR and learning and development specialists have a key role in building opportunities like these into the organization's repertoire, together with partners in HRM and the wider management team, in order to establish a clear strategic vision for exploratory learning and implement the mechanisms likely to build OCC.

### **Performance Management**

Other crucial areas for HR specialists in building OCC concerns performance management, the process of communicating company strategy through individual objective setting, links to training and development planning, and possibly compensation. Performance management offers a way of conveying to individuals a desired future

direction as envisaged by senior managers and raises the bar in terms of expectations and required capabilities (Varma, Budhwar, & DeNisi, 2008). The aforementioned study by Shipton and colleagues (2006) found that the relationship between a measure of appraisal and organizational innovation in manufacturing organizations was significant and positive. A meta-analysis conducted by Guzzo and Bondy (1983) found that appraisal promotes productivity, quality, and cost-saving initiatives. Some studies suggest that feedback given during the appraisal process leads to a recognition of the gaps between performance and targets (Guzzo, Jette, & Katzell, 1985), thereby motivating employees to work innovatively. Through appraisal, employees gain a clearer view of how their tasks “fit” with the organization-wide agenda (Bach, 2000) as part of a strategy for building OCC. Furthermore, appraisal, conducted in a way likely to foster learning and growth, may help employees to acquire the confidence necessary to use opportunities presented for higher-level learning (Gratton, 1997). Such insights lead to the development of our next proposition.

**Proposition 3:** *The relationship between HRM and organizational performance (whether gauged in financial or sustainability terms) is mediated by OCC.*

### External Contingencies as Moderators of the HR–OCC–Organizational Performance Relationship

Issues of convergence, suggestive of the growing homogenization across HR systems throughout the world, and divergence, reflecting the distinct cultural and institutional differences that exist across nations, have long dominated the debate (e.g., Budhwar & Sparrow, 2002; Budhwar & Debrah, 2009). It has been suggested that HRM is strongly affected by national dynamics in combination with institutional factors as well as culture and local norms (Sparrow, 2009). The institutional and cultural environment is made up of a set of rules and nationally devised ways of working that form the backdrop for work activity, often outside of conscious intent. This backdrop offers opportunities to firms by legitimizing certain strategic endeavors—for example, efforts by energy companies in the United Kingdom to change the performance matrices of technical staff given that they are increasingly charged with giving advice on energy use. The legal framework, as it pertains to employment law, has ramifications for HR practitioners, and certainly for those countries that are part of the European Union, where employees have rights to not be discriminated against for reasons such as race and can be dismissed fairly only where acceptable protocols are observed.

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Cultural as well as institutional factors are moderators of HRM–OCC–organizational performance relationships. Aycan (2005) has shown that three sets of practices—recruitment and selection, performance appraisal, and training and development—raise important considerations for HR specialists depending on the dominant cultural orientations of the members involved. Although in Western contexts such as the United States, individuals are selected based on experience, education, qualifications, and so on, elsewhere in the world other factors may come to the fore. In Japan, a collectivist culture, for example, assessments are likely to be made based on whether individuals fit well into existing social groups, while in some Islamic countries it is necessary to take into account the extent to which potential new recruits are connected with influential others. Similar considerations have to be factored into the mechanics of performance appraisal. For example, high-power distance cultures like Mexico are likely to find systems like 360-degree appraisal problematic, since incorporating subordinates’ comments into the performance assessments of senior colleagues would seem inappropriate for all concerned. Neither are performance criteria neutral across countries. Collectivist cultures are likely to rely on criteria that are social and relational, while individually oriented cultures will be concerned instead with the outcomes produced by individuals, set against performance targets (Aycan, 2005). Furthermore, training and development in cultures that are oriented toward fatalism rather than performance is likely to be viewed as potentially problematic. In some cultures (such as China), where there is an orientation



toward fatalism rather than individual agency, training may be viewed more as a reward for good performance rather than as a concrete way of enhancing employee competence (Wong, Hui, Wong, & Law, 2001). Such considerations raise questions about how interventions like training and performance appraisal are best communicated and implemented by managers in different areas of the globe.

We suggest that HR practices may have a role in building what has been called a “localization mesh” (Horwitz, 2011), making adjustments such that HR practices align with the dominant cultural and institutional setting where the organization is located (Teagarden, Butler, & Von Glinow, 1992). Rather than being uniform across national settings, OCC evolves to the extent that HRM systems take into account these variables and make adjustments in ways that make sense for a given cultural setting. Considering the above proposals, we propose that:

**Proposition 4:** *The relationship between best practice HRM and OCC is moderated by both the institutional framework and national culture, such that the relationship is stronger and more positive where adjustments to HRM are made to take these factors into account.*

### Internal Contingencies as Moderators of the HR–OCC–Organizational Performance Relationship

There are almost a limitless number of internal moderators that potentially impact on the extent to which HRM systems influence performance, mediated by OCC. Here, we focus on two: the competence and power of HR specialists. We have selected these variables, although there is long-standing debate about the extent to which HR specialists may or may not impact on strategic outcomes (see Shipton & Davis (2008) for a review) but there is still a lack of clarity about the role of HR specialists, separate from the impact of other stakeholders such as line managers. Kim and Ryu (2011) have argued that for HR to be effective it should be socially well connected, especially to line managers and their subordinates. Indeed, in a recent survey it was found that the majority (81%) of line managers felt that their HR departments were out of touch (Brockett, 2009). Insights like these have led to a focus on the way in which HR is perceived across stakeholders (Bowen & Ostroff, 2004). This line of reasoning suggests that HR is effective to the extent that it influences employee work-related attitudes, shaped in turn by the way in which HR is perceived and enacted by these nonspecialists groups. Employees need a positive and unified understanding about underlying goals and practices, and HR specialists who have the capability to

build such an understanding are in a stronger position to influence sought-after outcomes, especially against a backdrop of change. Antila (2009) further argues that the way in which HR managers perceive their roles is a determinant of effectiveness in strategic terms. They subdivide HR specialists into two categories: one, type B, where there is a focus on traditional, administrative activities with a specific specialism at heart (such as learning and development or employee relations) and another, type A, where there is an understanding of strategic levers and acknowledgment by the wider management team of what HR can contribute especially during times of change (Wright, McMahan, Snell, & Gerhart, 2001). Our next and final proposition is as follows:

**Proposition 5:** *The relationship between best practice HRM and OCC is moderated by both HR competence and HR power, such that the relationship is stronger and more positive where HR specialists have the capability and wider support to contribute to the organization’s strategic goals.*

### Testing the Framework

Most aspects of the framework (e.g., HRM systems, HR power and competence, and the cultural orientation of employees) are well researched, and existing measures considered in earlier sections of this article can be applied in operational terms in order to test the framework (e.g., Guthrie, Flood, Liu, MacCurtain, & Armstrong, 2009). Other measures (e.g., ecological sustainability) are new and still evolving, and we have touched in a preliminary way on some possible considerations for scholars to reflect upon when examining this variable as a dimension of organizational performance. Although the exact mechanics of establishing whether organizations score low or high in this area have yet to be widely agreed on (Judge & Elenkov, 2005), we believe that increasingly organizations will be expected to demonstrate that they are concerned about their impact outside of financial and productivity considerations, and that it is timely to reflect on this theme within the proposed framework.

Other aspects of the framework (financial performance) are widely used by scholars within the discipline of HRM and elsewhere (see, e.g., Katou & Budhwar, 2007, 2010). Performance can be ascertained subjectively, by asking managers for their assessment of success with reference to their organization’s prior achievements, expectations for the future, and/or relative to competitors. Insights about performance can be gauged objectively by consulting archival data where it is available. It is good practice to triangulate sources by bringing together both

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internal and external sources of information. OCC as the mediator for the HRM system–performance relationship is not well researched yet, although related areas such as change receptivity are more long-standing (Arminakis et al., 1993). Here, we are again guided by Judge and colleagues (Judge, Bowler, & Douglas, 2006; Judge & Elenkov, 2005; Judge et al., 2009), who have developed a measure derived from the change management literature that incorporates 8 dimensions, with 32 items. Previous research on this construct has systematically validated this measure’s reliability and validity (Judge et al., 2006). The instrument captures the insights of employees across multiple levels, including senior managers, CEO team, middle managers, front-line employees, and nominated change champions. They further suggest that the questionnaire is issued to representative members of each level within the company. Example questions about senior management’s capacity for change are available in Judge and Elenkov (2005, p. 897).

Edwards and Rees (2008, p. 22) have argued that research into the broader area of international HRM should be based on the “... complex relationship between globalisation, national systems and companies,” which offer “three distinct ‘levels of analysis’ for interpreting and understanding HRM strategies and practices—the globalisation effect, the regional effect, the national effect, and the organisation effect.” Similarly, investigating OCC is suggestive of multilevel analysis, to reflect that individual capabilities are nested within the teams to which they

belong, influenced in turn by the wider organization as well as factors in the national and international environment. This requires research access that is both deep and broad. Depth involves capturing the insights of multiple respondents, while breadth requires spanning organizations in order to derive findings with wider applicability. Equally important is to address measurement issues. Cascio (2012) argues that for scores to be compared meaningfully within and across cultural groups, it is necessary to establish translation, conceptual, and metric equivalence. These are important areas for future researchers to address, with a particular focus on OCC.

In addition to the above, given that the proposed framework takes account of two dimensions of organizational performance as well as moderators and mediators across several levels of analysis, it is inherently complex. While capturing in research terms the framework as a whole may not be feasible, examining one or more of the facets that it subsumes has the potential to provide useful insight. In the next section, we briefly summarize each study in the special issue, making connections where it makes sense to one or more aspect of the framework.

## The Contents of This Special Issue

The article by Katou and Budhwar explores the link between HR practices and organizational performance, proposing a mediating role for psychological contract fulfillment, defined as the influence of the employer on employee attitudes to the extent that work-related expectations have been met. Based on a sample of 74 organizations from the public and private sector in Greece, they found that three HR practices—employee incentives, performance appraisal, and employee promotion—are antecedents of positive employee attitudes, and that employees are more likely to contribute to strategic-level outcomes (demonstrating loyalty as well as concern for the organization’s reputation) where they believe that implicit promises have been upheld by the organization. Their work demonstrates that HR practices have the potential to influence organizational performance (measured in terms of perceived effectiveness and efficiency), but also that, in return, employees expect to have their needs fulfilled. A challenge for HR managers might be to select and implement the HR practices most likely to be viewed as important within a specific context. External moderators, including cultural orientation, might determine what is valued in one setting relative to another. As such, the paper provides insight across several themes outlined in the preceding section.

Parkes and Borland reflect on the way in which HRM has an unprecedented opportunity to elicit a different type of performance outcome—that of achieving ecological sustainability. They argue that to provide “sustainable” competitive advantage, HR specialists will need to draw on their expertise in organizational development (OD) in order to change thinking and behavior such that achieving ecological sustainability is seen as an important outcome alongside more traditional measures of performance and success. They endorse what is described as a “new OD” that influences employee values and attitudes rather than systems and structures. Connecting HRM and environmental sustainability has only recently started to attract academic attention and is likely to grow in terms of future research directions. This paper provides a backdrop for the second proposition outlined in this article.

Issues of external context are addressed by several papers in this special issue. Marion Festing and colleagues examine the country-specific profiles of performance management systems across three global settings: China, Germany, and the United States. They suggest country-specific global performance management profiles that reflect each country’s cultural orientation in five areas: criteria, actors, methods, purposes, and feedback. In a compelling study that connects performance management systems with insights from the culture literature, they have developed a set of testable propositions that shed light on key factors likely to shape the performance outcomes.

Tobias Scholz, in the empirical study of a unique and underresearched industry—developing video games—shows by contrast that cultural heterogeneity is an enabler of, rather than a barrier to, performance, an outcome that he gauges in terms of the creativity of multicultural teams. In short, his findings confirm the importance of cultural diversity in talent management and demonstrate that culturally diverse teams exhibit higher creativity than their more homogenous counterparts.

Theodorakoplous and Figueira, also focusing on context, showing that the emergent learning that occurs as managers work closely together is associated with innovation and entrepreneurial performance in small firms. These authors shed light on the way in which strategic leadership (not far from our depiction of the internal moderator “HR competence”) has the potential to release organizational learning through encouraging boundary spanning and the effective transfer of knowledge.

Garavan and colleagues, exploring the antecedents for training and development roles in the European call center industry, focusing on Ireland, show that

institutional forces influence the way in which the role plays out. Suggesting that three theoretical perspectives—strategic choice theory, institutional theory, and co-evolution theory—go some way toward understanding training and development roles, they reveal in an in-depth qualitative study over time that the latter explanation holds most credence. Their insights offer helpful hints to those practicing in the area of learning and development, who are called upon to take into account wider factors rather than rely on individual agency in order to build the training roles needed for effective performance.

The two final articles, by Nigah and colleagues and by Yousaf and Sanders, shed light on the HR practices most conducive to positive employee attitudes and reveal that despite the studies being conducted in globally distinct areas of the world, there are more commonalities than differences, in terms of what achieves the sought-after outcomes. Each study examines one HRM practice or another as predictors of employee attitudes, and each one spotlights the aspirations of knowledge workers. The Nigah et al. study focuses on professional services in the

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United Kingdom, while Yousaf and Sanders collected data from academic staff at a Pakistani university. Nigah et al. reveal that employees exhibit higher work engagement where there is a system of so-called “buddying” in place. This involves new recruits being offered consistent and effective peer group support, especially in the early days of their employment. Concerning themselves with organizational commitment rather than engagement, Yousaf and Sanders show perhaps counterintuitively that employees who see themselves to be highly employable are in fact more likely to exhibit positive attitudes toward their organization than those with lower employability prospects. They attribute this in part to the higher satisfaction of this group and in part to the higher level of self-efficacy manifested by employees where perceptions of employability are high.

Our unique contribution in this article is to highlight the mediating role of OCC in the HRM–performance relationship, making connections with both financial and ecological outcomes at the organizational level. OCC, the perceptual measure of an organization’s ability to adjust effectively to a fluctuating external environment, flows from a sense that members have both the capability and the positive attitudes needed to enact change (Judge et al., 2009). These perceptions, we suggest, are shaped by the

extent to which companies take account of HRM systems that represent best practice (sophisticated selection, training and development, teamworking, communication and involvement, etc.). The relationship between HRM systems and organizational performance is strengthened where adjustments are made to take account of the wider institutional framework and national culture and further enhanced where HR specialists have the power and the competence to enable this alignment.

The articles in this special issue align to a greater or lesser extent with the HR–FE framework, and each has a unique contribution to make. Some studies, for example, highlight key debates such as the need to make adjustments to standardized HR systems to take account of national culture (Festing et al.) and the role of cultural heterogeneity in eliciting productive outcomes for teams and organizations (Scholz). Others look at under-researched themes such as the way in which HR roles evolve, taking account of institutional factors (Garavan), as well as the role of the psychological contracts in shaping performance outcomes at the level of the organization (Katou and Budhwar). In bringing together this collection of papers, we hope we have inspired interest from the HR community and beyond in further developing these and other critical themes.



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