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The influence of internal HRM activity fit on the dynamics within the “black box” ☆

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abstract

Research has often called for studies to explain the complex causal chain known as the “black box” between human resource management (HRM) activities and individual-, unit-, and firm-level outcomes. To explore the dynamics within the “black box,” this article describes the influence of HRM activities (e.g., HRM policies, practices, and processes) on individual-, unit-, and firm-level outcomes, taking into consideration important mediating phenomena within the “black box,” such as human capital resources, motivation, and opportunities. Yet, we suggest that this basic understanding is insufficient to understand the dynamics within the “black box.” To fully comprehend how HRM activities affect outcomes across levels of analysis through the “black box,” one must consider how HRM activities interrelate to create positive (negative) synergistic effects. This research contributes to the literature of strategic HRM research by describing how and why aligned and interrelated HRM activities can create synergistic effects that may influence individual-, unit-, and firm-level outcomes through the “black box.” The described theoretical framework leads to the development of propositions to guide future research.

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1. Introduction

Over the past few decades, research has indicated that human resource management (HRM) activities (i.e., HRM policies, practices, and processes; Kepes & Delery, 2007) affect a firm's competitive advantage and other firm-level outcomes (Becker & Huselid, 1998; Huselid, 1995). However, the causal chain between HRM activities and firm-level outcomes is not well understood despite a multitude of calls for studies to explain the mediating processes within this causal chain (Patel & Cardon, 2010). Such calls have become so common that they are referred to as calls for studies to explain the “black box” of strategic HRM (e.g., Becker & Gerhart, 1996). Still, our understanding of the specific dynamics within the “black box” has not advanced very much since Becker and Gerhart (1996) first introduced this term. This is unfortunate because such knowledge is important to advance our understanding of how and why HRM activities affect individual-, unit-, and firm-level outcomes, including a firm's competitive advantage.

In general, there is agreement about two primary mediating mechanisms between HRM activities and performance-related outcomes. First, HRM activities may affect organizational outcomes directly, such as by creating operational efficiencies (Ostroff & Bowen, 2000), by reducing labor costs (Barney & Wright, 1998), or by increasing the automation of services through the use of technology (Liao, Toya, Lepak, & Hong, 2009). Although this mechanism can be used to improve individual-, unit-, and firm-level outcomes, it is not without limitations due to external and internal constraints. For instance, there are both floor and ceiling effects in terms of how high or low compensation (e.g., labor costs) can be set for particular workforce types that result from external

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(e.g., market competition for labor and minimum wage requirements) and internal factors (e.g., operating budget constraints) (Gerhart & Rynes, 2003; Kepes, Delery, & Gupta, 2009). Furthermore, technological advantages gained over competitors through this mechanism may not be sustainable as most technologies can be imitated (Barney, 1991; Barney & Wright, 1998). Thus, firms might only gain a short-term advantage, if any, over rivals through this mechanism.

Second, HRM activities can influence firm-level outcomes through a more complex, causal chain involving individual-level dynamics. It is the complexity of this second mechanism that allows firms to use HRM activities as a resource to gain a sustainable competitive advantage over rivals (Campbell, Coff, & Kryscynski, 2012). The resource-based view of the firm (Barney, 1991; Rumelt, 1984; Wernerfelt, 1984) provides the logical backdrop for the argument that HRM activities can serve as a resource for such an advantage because systems of interrelated HRM activities can be valuable, rare, and “difficult, if not impossible for competitors to identify and copy” (Barney & Wright, 1998, p. 40). However, only a limited amount of research has attempted to examine this complex causal pathway.

In this paper, we begin with a review of the literature. Drawing upon the resource-based view of the firm, we first provide the theoretical foundation to explain how and why HRM activities can serve as a resource for a sustainable competitive advantage through the dynamics within the “black box.” We also describe phenomena within the “black box” of strategic HRM. We pay particular attention to the individual-level dynamics. Unfortunately, this is an often overlooked yet vital and integral part for understanding the dynamics within the “black box.” HRM activities such as compensation practices are at the core of the employer–employee exchange relationship (Gerhart & Milkovich, 1992) and should therefore affect phenomena at the individual and unit-levels within the “black box” and, ultimately, a firm's competitive advantage. Then, we review theoretical perspectives of strategic HRM as they provide the foundation for understanding the conditions under which systems of HRM activities may be a resource that can lead to a sustainable competitive advantage. After our review of the literature, we introduce a theoretical framework to integrate and advance the somewhat disparate literatures (e.g., the literatures on the resource-based view of the firm, the “black box,” and internal fit of HRM activities).

2. Literature review

We begin the literature review with a description of the resource based view (Barney, 1991, 2001), which provides the backdrop for explaining the conditions under which internally aligned HRM activities can be a source of a competitive advantage. We then provide an overview of the phenomena within the “black box” of strategic HRM. We conclude this section with a discussion of the multiple perspectives that have emerged within the strategic HRM literature: (1) the universalistic, (2) the contingency, and (3) the configurational perspectives.

2.1. The resource-based view of the firm

The notion that HRM activities can affect the competitive advantage of firms draws upon the resource-based view of the firm, which encourages employers to identify critical resources that can be used to obtain a sustainable competitive advantage (Barney & Wright, 1998; Wright & McMahan, 1992). A firm obtains a competitive advantage when it earns profits that exceed the average for its industry (Campbell et al., 2012; Porter, 1985). However, a firm only achieves a “sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy” (Barney, 1991, p. 102). Interrelated HRM activities that form a coherent HRM system can be a resource that leads a firm to a sustainable competitive advantage because such a system can be valuable and rare as well as non-substitutable and difficult if not impossible for competitors to imitate. Thus, the resource-based view of the firm serves as the backdrop for describing the conditions under which interrelated HRM activities within a system can provide an economic foundation for a sustainable competitive advantage (Barney & Wright, 1998; Campbell et al., 2012; Wright & McMahan, 1992).

First, to be valuable, HRM activities must either decrease labor costs or increase revenue (Wright, McMahan, & McWilliams, 1994). Thus, HRM activities must create value by reducing costs or increasing revenue to yield above average financial returns. As an example, a firm might implement a new training program that provides first-line supervisors with the competencies necessary to take on some of the responsibilities of managers. Consequently, a firm may be able to reduce the number of managers needed, which could result in reduced labor costs. As another example, empirical work has provided strong evidence for the notion that select HRM activities, such as effective personnel selection practices, increase revenue (Schmidt & Hunter, 1998). For instance, certain tests can be used to select job applicants with higher levels of cognitive ability, which is the most effective predictor of employee performance. As employee performance improves and is aggregated to the firm-level, it should improve firm-level effectiveness (Heskett, Jones, Loveman, Sasser, & Schlesinger, 2008).

Second, although value is a necessary criterion, it is not sufficient for achieving a sustainable competitive advantage. HRM activities must also be rare to be a strategic resource. If HRM activities are valuable, but not rare, they can only result in competitive parity rather than a competitive advantage (Barney & Wright, 1998). For instance, although the use of cognitive ability tests is an effective means to screen job applicants (Schmidt

& Hunter, 1998), the benefits of such tests generalize across firms and industries. In other words, cognitive ability tests, although valuable as a means for selecting valued human resources, are not necessarily rare as any company may use them for selecting employees (Ployhart, 2012).

Third, HRM activities that are valuable and rare provide a firm with returns that are above market average in the short-run. However, to be a strategic resource and generate long-term above average returns, HRM activities must be difficult to imitate. A strategic resource is more difficult to imitate if it can be described as causally ambiguous or socially complex (Barney, 1991; Hatch & Dyer, 2004). Causal ambiguity exists when there is a lack of understanding of the link between a resource and a competitive advantage (Reed & DeFillippi, 1990). In the context of strategic HRM, causal ambiguity is illustrated by the “black box” between potentially interrelating HRM activities and individual-, unit-, and firm-level outcomes (Messersmith, Patel, & Lepak, 2011; Nishii, Lepak, & Schneider, 2008; Patel & Cardon, 2010). It is difficult for competitors to observe the interacting effects of HRM activities on individual- and unit-level phenomena within the “black box” that then affect unit- and firm-level outcomes.

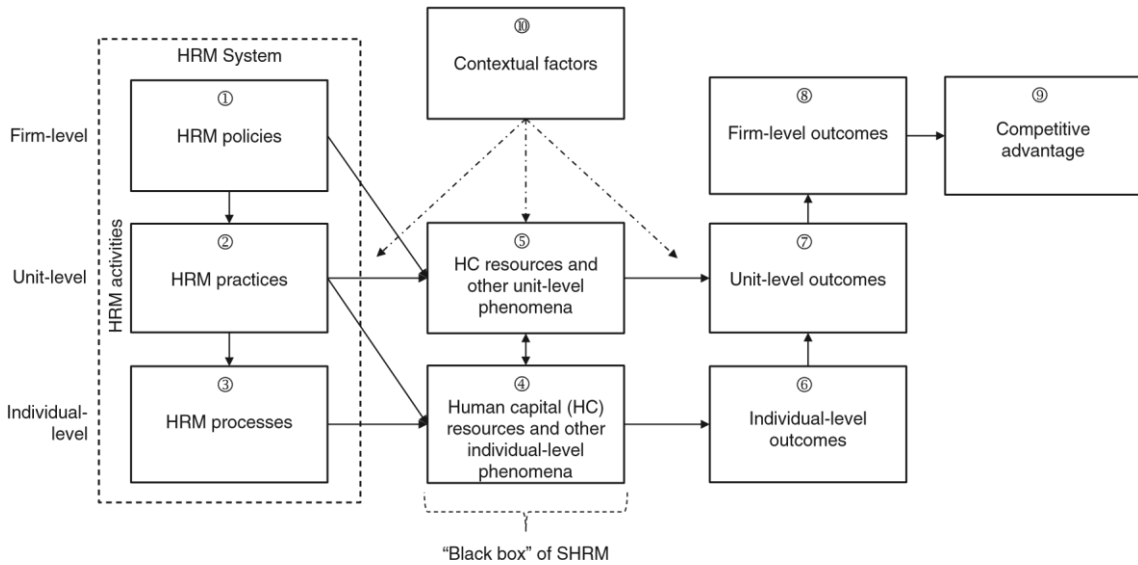
Social complexity can result from transaction-specific human capital (Becker, 1964) or social exchange relationships (Blau, 1964) that develop over time (Wright et al., 1994). Social exchange relationships exhibit serial dependence (Molm, 1994) and are not easily transferred to other firms. Accordingly, HRM activities can be used to create effective social exchange relationships that are difficult to imitate (Hatch & Dyer, 2004). If interrelated HRM activities are socially complex and their link to individual-, unit-, and firm-level outcomes is causally ambiguous, they are a resource that is difficult to duplicate or copy (Barney & Wright, 1998; Wright et al., 1994). Finally, to be a strategic resource, HRM activities must be something that cannot be substituted without great effort (Barney, 1991). If competing firms are able to develop alternative activities that can be leveraged to create value, any competitive advantage gained may be nullified. For example, if technological services are developed that serve the same function as certain HRM activities, the HRM activities cannot be a resource for a sustainable competitive advantage (Wright et al., 1994). Therefore, in order for HRM activities to be a resource for a sustainable competitive advantage, they must be difficult to substitute. In the next section, we describe the “black box” of strategic HRM, which is a means for firms to acquire a sustainable competitive advantage.

2.2. The “black box” of strategic HRM

Fig. 1 presents the theoretical model examined in this paper. Before discussing the relations in the model, we describe the “black box” of strategic HRM (Fig. 1, Boxes 4 and 5) and address some theoretical foundations. Historically, there has not been consensus regarding the specific phenomena within the “black box,” perhaps owing in part to disagreement or inconsistencies in the definition of terms such as human capital (Wright, Coff, & Moliterno, 2014) as well as due to the fact that not all individual-level phenomena have similar effects to unit- or firm-level phenomena on outcomes across levels of analysis (Ployhart, Nyberg, & Maltarich, 2014).

Individual performance (Fig. 1, Box 6) is typically defined as a function of an individual's ability (i.e., knowledge, skills, abilities, and other characteristics; KSAOs), motivation, and opportunity ($P = f[A, M, O]$; P = performance, A = ability or KSAOs, M = motivation, O = opportunity; e.g., Appelbaum, Bailey, Berg, & Kalleberg, 2000). It is also assumed that individual performance has an effect on unit- and firm-level performance (Fig. 1, Boxes 7 and 8) (Campbell et al., 2012; Heskett et al., 2008; Ployhart & Moliterno, 2011). Therefore, within the “black box” are phenomena, such as human capital resources, motivation, and opportunity across levels of analysis, which should influence performance at the individual-, unit-, and firm-levels.

Recently, authors have introduced a new conceptualization of human capital resources that diverges from the presiding perspective of human capital theory that has existed for several decades (Nyberg, Moliterno, Hale, & Lepak, 2014; Ployhart et al., 2014). According to this new view, human capital resources can be characterized “as individual or unit-level capacities based on individual KSAOs that are accessible for unit-relevant purposes” (Ployhart et al., 2014, p. 371). Psychological empowerment, for instance,



Note: At the highest level of abstraction within a HRM system is the HRM philosophy (see section 3.1; Kepes & Delery, 2006). For simplicity reasons, we omitted it from our model.

Fig. 1. A model of the "black box" of strategic HRM.

captures employee KSAOs, motivation, and perceived opportunities (Seibert, Wang, & Courtright, 2011) and has been identified as an important construct in the "black box" (Liao et al., 2009; Messersmith et al., 2011). Psychological empowerment, first introduced by Kanter (1977), can be expressed in four sets of cognitions: meaning, competence, self-determination, and impact (Maynard, Gilson, & Mathieu, 2012; Spreitzer, 1995). Meaning characterizes the value of a work goal relative to one's own ideals. As meaning relates to the concentration of energy, it is strongly related to employee motivation. Competence reflects employees' beliefs in their capability to effectively complete a task (Spreitzer, 1995). Consequently, competence can be used to represent employee KSAOs (Seibert et al., 2011).

Self-determination captures employee perceptions of opportunities to perform and contribute to organizational objectives (Appelbaum et al., 2000). Finally, impact describes the degree to which an employee affects outcomes at work (Spreitzer, 1995). Like self-determination, impact characterizes the extent to which employees perceive that they affect outcomes in specific work contexts (Ashforth, 1989). Thus, the four dimensions of psychological empowerment capture KSAOs, motivation, and opportunities, which have been identified as important mediating variables between HRM activities and individual- as well as unit-level outcomes (Delery & Shaw, 2001; Kepes & Delery, 2006). In combination, the four dimensions of psychological empowerment reflect an active approach to work roles in which employees are able to affect their individual roles and context.

Human capital resources, motivation, and opportunities can also be manifested at the unit-level (Fig. 1, Box 5). For example, a review of 156 studies by Nyberg et al. (2014) examined the various ways that human capital resources have been conceptualized and measured at the unit-level. It should be noted, however, that not all phenomena in the "black box" have an equivalent counterpart or effects across levels of analysis. For example, various types of phenomena may not have corresponding relations at the individual and unit-level as a result of complementarities (the presence of one unit-level phenomenon increases the value of another) and emergence (the creation of a unit-level phenomenon resulting from a combination of individual-level phenomena). By definition, resources at the unit-level derive from individual-level phenomena and can be used for unit-relevant objectives (Ployhart et al., 2014). Thus, we may observe phenomena within the "black box" that are similar in form across levels of analysis (e.g., individual-level knowledge by the employees within a work unit and unit-level workforce knowledge). Yet, we should not assume that phenomena at the unit-level within the "black box" are identical to individual-level phenomena. For instance, some phenomena within the "black box" only manifest at the unit-level, such as conflict, climate, and cohesiveness (Bowen & Ostroff, 2004; Wech, Mossholder, Steel, & Bennett, 1998).

To this point, we briefly discussed some phenomena within the "black box." These phenomena are affected by HRM activities and then influence outcomes outside the "black box," such as individual- and unit-level performance (Fig. 1, Boxes 6 and 7) as well as a firm's competitive advantage (Fig. 1, Box 9). Accordingly, the "black box" serves as a socially complex and casually ambiguous link between HRM activities and outcomes. Individual-level outcomes include those that are beneficial for a firm, such as task performance and organizational citizenship behaviors (OCB) (Podsakoff, MacKenzie, Paine, & Bachrach, 2000; Sun, Aryee, & Law, 2007) as well as those that have potentially negative effects for a firm and should be minimized, such as counterproductive work behaviors (CWB) (Spector et al., 2006) and turnover intentions (Nyberg, 2010). Unit- and firm-level outcomes can include unit-level performance (Evans & Dion, 1991; Jung & Sosik, 2002) and firm financial performance (Fulmer & Ployhart, 2014).

for a synergistic effect to emerge between the implementation of a merit pay practice and employees' perceptions of that practice (i.e., HRM processes).

Proposition 2a. The interaction of a merit pay practice and employee perceptions of this practice (i.e., an HRM process) is related to employee motivation and performance; (a) the use of merit pay practices is positively related to employee motivation and performance when employees perceive that the received merit raises reflect their inputs relative to others, (b) but the relations are weaker when employees do not perceive that the raises reflect their inputs.

The reviewed literature and this example of within-HRM system vertical fit may be used to characterize the extent to which HRM activities in general can align vertically within a HRM system. We thus suggest the following general proposition:

Proposition 2b. Positive (negative) synergistic effects due to within-HRM system vertical fit can have beneficial (harmful) effects on phenomena within the “black box” as well as individual-, unit-, and firm-level outcomes.

3.2.2. Inter-HRM activity area fit

Inter-HRM activity area fit describes the consistency between distinct HRM activity areas; it is thus concerned with the need for alignment between HRM activities across distinct activity areas. Shaw, Gupta, and Delery (2002), for instance, found that dispersed pay structures are positively related to workforce productivity when workforce interdependence was low. Conversely, compressed pay structures were more effective in increasing workforce productivity when interdependence was high. As a result, positive synergistic effects are possible when there is alignment and consistency across distinct HRM activities (e.g., alignment between compensation and job design activities). Similarly, Kruse et al. (2004) considered the importance of inter-HRM activity area fit. Their results indicated that employee ownership plans are more effective when they are coupled with employee involvement policies in predicting workforce productivity and firm performance. Currently, the vast majority of research studies have focused on outcomes at the unit- or firm-level. Thus, research that focuses on individual-level outcomes is needed. However, based on past research and the discussion thus far, one may expect to find results at the individual-level that are similar to the ones observed at the unit- and firm-levels.

As a specific example, inter-HRM activity area fit can occur between HRM activity areas related to training (Arthur, Bennett, Edens, & Bells, 2003) and job design (Oldham & Hackman, 2010). Individually, both training and jobs designed for participative decisionmaking (PDM) tend to positively affect phenomena in the “black box,” such as employee psychological empowerment (Seibert et al., 2011; Wagner & Gooding, 1987). Yet, when examining the two activities in combination, powerful connections and deadly combinations could emerge. First, employees may be expected to participate in their work environment by taking on more responsibility and tasks but do not undergo extensive training activities to provide them with the necessary KSAOs to do so effectively. Consequently, employees may not feel prepared to contribute and participate in their work environment as effectively as they could (Karasek, 1979). We thus suggest that their psychological empowerment is likely to be very low as employees are given increased responsibility and more complex work tasks but are not necessarily provided with the needed KSAOs through training (Maynard et al., 2012; Seibert et al., 2011). Employees are expected to participate and make important decisions in this condition. Yet, without training, their lack of competence should become apparent and, as a result, a deadly combination is likely to emerge. Hence, employees could feel frustration and a diminished level of psychological empowerment, in the form of competence and self-determination, as they do not have the KSAOs to accomplish their complex work tasks.

Second, if employees undergo extensive training, but are not given the opportunity to participate in their work environment, they may not transfer perceptions of competence to the workplace (Burke & Baldwin, 1999; Tharenou, Saks, & Moore, 2007). A medium level of psychological empowerment, in the form of competence and self-determination, is a likely result when firms use training practices but do not let their employees use what they have learned through PDM (Seibert et al., 2011). Therefore, with extensive use of training (some trained capabilities) but no use of PDM (no learned capabilities are applied on the job), psychological empowerment should be only at a medium level.

Third, if employees receive training and are given the opportunity to participate in their work environment, they are likely to minimize transfer of training problems, which should increase their perceptions of competence and self-determination in the workplace (Burke & Baldwin, 1999; Tharenou et al., 2007). Consequently, psychological empowerment should be very high. In other words, employees are likely to have enhanced beliefs in their ability to successfully perform their work if the positive effects of training are supported by PDM activities. Finally, if employees receive neither skill-enhancing training nor increased decision making, employee psychological empowerment may be moderately low. This is because employees are not developing important aspects of psychological empowerment, such as competence and self-determination, through training or perceptions that they can impact their work environment through an increased decision making role. We thus put forth the following proposition:

Proposition 3a. The interaction of training and PDM is related to employee psychological empowerment; (a) extensive training practices are positively related to employee psychological empowerment when PDM is used, but (b) the positive relation is weaker and potentially negative when PDM is not used.

The discussed empirical work as well as this example of inter-HRM activity area fit may be used to characterize the extent to which it is possible to align HRM activities across distinct HRM activity areas. Therefore, we propose the following general proposition:

Proposition 3b. Positive (negative) synergistic effects due to inter-HRM activity area fit can have beneficial (harmful) effects on phenomena within the “black box” as well as individual-, unit- and firm-level outcomes.

3.2.3. Intra-HRM activity area fit

Intra-HRM activity area fit refers to the alignment between HRM activities within a specific HRM activity area, such as between distinct HRM practices (Fig. 1, Box 2) or processes (Fig. 1, Box 3) within the area of compensation (Kepes & Delery, 2007). In what might have been one of the first macro-level studies to assess the presence of intra-HRM activity area fit, Shaw et al. (1998) examined the combined effects of HRM activities in the area of selection. Somewhat surprisingly, the authors found that the use of valid selection practices was not significantly related to discharge rates (i.e., involuntary turnover). However, the use of valid selection practices was found to greatly reduce discharge rates when a firm's selection ratio was low. Conversely, the use of valid selection practices led to high discharge rates when the selection ratio was high. In the area of compensation, using a sample of more than 2000 public school teachers, Trevor and Wazeter (2006) also found support for the notion of positive synergistic effects due to intra-HRM activity area fit. The authors reported that dispersed pay structures were negatively related to pay equity perceptions of employees. In addition, they found a strong negative relation between pay dispersion and pay equity only among teachers with a low pay standing (i.e., teachers low in the pay distribution). Conversely, pay equity perceptions tended to be high for those with a high pay standing.

More recently, in the context of the trucking industry, Kepes et al. (2009) explored the influence of pay range variation and their effects on unit- and firm-level outcomes (e.g., workforce productivity and firm performance). Their results indicated that the effects of the pay spread among employees on unit- and firm-level outcomes was dependent upon the basis for the spread (e.g., the degree to which differential pay raises and thus the spread of pay among employees was due to performance or politics). Not surprisingly, a positive effect emerged when the spread in pay was due to truck–driver performance. Conversely, a negative effect of the compensation activities on organizational effectiveness was found when the spread in pay between employees was due to political behaviors. Finally, with a narrow pay spread, organizational effectiveness was often similar regardless of whether the reason for the spread was performance or politics. Other studies have also provided empirical support for the notion that inter-HRM activity area fit can result in synergistic effects that influence phenomena and outcomes across levels of analysis (e.g., Brown, Sturman, & Simmering, 2003; Pfeffer & Davis-Blake, 1992; Pfeffer & Langton, 1993; Shaw & Gupta, 2007).

As an example of the effects of intra-HRM activity area fit on phenomena within the “black box,” we focus on the HRM area of selection. General mental ability (GMA) tests have been shown to be very strong predictors of important work outcomes, including job performance (Schmidt & Hunter, 1998). Realistic job previews (RJPs) have also been lauded as a critical component of any selection process (Premack & Wanous, 1985). We propose that the relations between GMA testing and phenomena within the “black box” (e.g., human capital resources) as well as those outside the “black box” (e.g., job performance) may be contingent upon the use of RJPs. First, when organizations use GMA tests, the hired individuals are likely to be competent and capable of impacting the work environment (Schmidt & Hunter, 1998) and, as such, tend to have at least a medium level of employee empowerment because psychological empowerment emerges through cognitive resources and mechanisms (Seibert et al., 2011). That is, individuals with higher GMA tend to achieve psychological empowerment more easily through their high levels of cognitive resources. However, once individuals join an organization, they may experience slightly lower levels of psychological empowerment, especially on the dimension of impact, because they are likely to feel that they were not given a realistic preview of the work environment and tasks (Wanous, 1973). Hence, while these employees have high levels of GMA, they may feel a lack of support and clarification of their work roles necessary to feel fully empowered and capable of making an impact (Maynard et al., 2012). Hence, they experience medium levels of empowerment.

Alternatively, organizations may use GMA testing in conjunction with RJPs. Under this condition, the hired applicants should more easily experience empowerment through cognitive mechanisms (Thomas & Velthouse, 1990) and perceive that the tasks are what they expected them to be (Buckley et al., 2002). Employees that were subject to GMA testing and received RJPs have the necessary cognitive ability to perform the tasks and, therefore, experience increased levels of psychological empowerment, especially in the form of competence (Buckley et al., 2002). In addition, these employees should also feel an increased level of psychological empowerment in the form of self-determination and meaning because they understand what is expected of them and how they can impact their work environment (Hom, Griffeth, Palich, & Bracker, 1998; Seibert et al., 2011). Hence, psychological empowerment is very high. In a third condition, if an organization uses RJPs but not GMA testing, employees should understand the work environment, required tasks, and other expectations. However, if no GMA testing was conducted, employees may not have the abilities or competence to perform the required tasks (Schmidt & Hunter, 1998). Employees that do not have the competence to perform their job are likely to experience low empowerment (Spreitzer, 1995). Finally, if an organization does not use GMA testing and RJPs, they are less likely to hire applicants who have high levels of cognitive ability (Schmidt & Hunter, 1998), and these employees may not have the competence necessary to feel empowered. What is more, the hired employees are likely to experience a violation of their psychological contract (Sims, 2006) and have extremely low levels of empowerment as they could not anticipate and prepare for the responsibilities and tasks that they are asked to do (Maynard et al., 2012). Hence, newly hired employees' psychological empowerment may be at its lowest level if an organization uses neither GMA testing nor RJPs (a deadly combination forms).

Proposition 4a. The interaction of GMA testing and realistic job (RJPS) previews is related to psychological empowerment; (a) GMA tests are positively related to psychological empowerment, (b) but the relation is weaker when RJPs are not used.

The reviewed empirical literature as well as this example of intra-HRM activity area fit may be used to characterize the extent to which HRM activities can align within HRM activity areas. We thus suggest the following general proposition:

Proposition 4b. Positive (negative) synergistic effects due to intra-HRM activity area fit can have beneficial (harmful) effects on phenomena within the “black box” as well as individual-, unit-, and firm-level outcomes.

3.2.4. The effects of internally aligned HRM systems

Between-HRM system fit characterizes the alignment and consistency between distinct HRM systems within an organization (Kepes & Delery, 2007). Because cost concerns do not allow organizations to manage all employees with a HPWS (e.g., Capelli & Nemark, 2001), organizations are likely to use different systems of HRM activities to manage distinct workforce groups (e.g., Osterman, 1987; Tsui, Pearce, Porter, & Tripoli, 1997). Lepak and Snell (1999) outlined four distinct HRM systems (e.g., developing human capital, acquiring human capital, contracting human capital, creating human capital alliances¹) that a firm can use for the management of disparate employee groups within an overarching HRM architecture. Each of these systems is comprised of distinct HRM activities that, taken together, need to be distinct, consistent, and create consensus among the employees that they cover to guide their behaviors (Bowen & Ostroff, 2004). This is necessary to create a “shared mindset” among the employees (Ulrich & Lake, 1990) or strong climate, analogous to Mischel's (1973) “strong situation” (Bowen & Ostroff, 2004). However, managing different workforce groups with distinct systems of HRM activities can also bring about negative consequences (e.g., feelings of unfair treatment; Skarlicki & Folger, 1997) that can diminish firm performance (Kepes & Delery, 2006), especially when the different groups work in an interdependent setting. To avoid such negative consequences, Kepes and Delery (2006) proposed that the different workforce groups need to be buffered from each other or the distinct HRM systems need to be aligned.

Buffering the different workforce groups from each other means that social interaction between employees covered under the distinct HRM systems should be minimized. Otherwise, the “shared mindset” (Ulrich & Lake, 1990) created by the distinct HRM systems for the differing workforce groups is not likely to develop, giving rise to the possibility that feelings of inequitable treatment and the associated negative consequences among employees in certain workforce groups emerge. Given that the success of an organization depends on more than just its core employees or A players (e.g., high performing employees, often also core knowledge workers; Huselid, Beatty, & Becker, 2005), typically covered by a system similar to a HPWS, this strategy could prove difficult to implement, especially in today's interdependent and team-oriented work environments (Stajkovic, Lee, & Nyberg, 2009). The alternative is to ensure that although distinct, the HRM systems are aligned and covered by a strong overarching HRM philosophy that creates the necessary unifying “shared mindset” among all workforce groups and employees covered by an organization's HRM systems. Therefore, internal fit could emerge not only within an individual HRM system, but also between distinct HRM systems.

To achieve this type of fit, some HRM activities may have to cover all workforce groups and employees. This approach could increase the possibility that a “shared mindset” among all workforce groups and employees emerges as well as the possibility that feelings of inequitable treatment and dysfunctional behaviors arise. HRM activities that (a) attract applicants and select employees whose values are congruent with the organization's (Chatman, 1991), (b) socialize newcomers (Rousseau, 1998), (c) provide the necessary training (Van Maanen, 1977), and (d) communicate and reinforce the organization's values and the overarching HRM philosophy (Kepes & Delery, 2007) can help in creating the required “shared mindset” among all employees and, therefore, aid in unifying an entire workforce. At the same time, if all employees are subject to these HRM activities, feelings of unfair treatment may be minimized, aiding the effectiveness of the system of HRM activities.

HRM activities that have fixed costs or that exhibit economies of scale, such as numerous HRM activities in the benefits domain (e.g., wellness programs and other healthcare-related benefits) could be also used for all employees, regardless of their workforce group. This communicates that all employees are, to some degree, equally treated and valued. As a result, feelings of inequitable treatment between different workforce groups may be minimized. In addition, internal career ladders send a strong signal that all employees have the opportunity to advance within the organization with the possibility of becoming a member of the workforce category covered by HPWS. As Huselid et al. (2005) noted, “B players” may be groomed and advance to become “A players,” likely to be covered by a HR system that more or less resembles HPWS.

In sum, it seems important that firms with multiple HRM systems ensure that they are aligned as misalignment could lead to feelings of inequitable treatment, dysfunctional behaviors, and thus incongruent efforts by employees to accomplish organizational goals and improve the effectiveness of the organization. Unfortunately, empirical research of this type of internal fit has been neglected in the strategic HRM field (Lengnick-Hall et al., 2009), and space constraints prevent us from developing specific testable propositions. To encourage research on this issue, we submit the following general proposition:

Proposition 5. Positive (negative) synergistic effects due to between-HRM system fit can have a beneficial (harmful) effect on phenomena within the “black box” as well as individual-, unit-, and firm-level outcomes.

3.3. Individual- and unit-level phenomena within the “black box”

Individual-level phenomena (Fig. 1, Box 4), such as human capital resources, motivation, and opportunities can form to create unit-level phenomena (Fig. 1, Box 5). A limitation of extant investigations into the “black box,” for instance, is that the majority have focused on human capital resources and not phenomena related to motivation and opportunity. Furthermore, most research on human capital resources has focused on

¹ Human capital alliances can be characterized by external relationships where multiple organizations supply a resource toward the achievement of a shared outcome, such as a cospecialized asset (Lepak & Snell, 1999). For instance, by creating a human capital alliance, organizations can make use of each other's specialized knowledge without having to make costly efforts for the internal development of such human capital.

one single resource in isolation (Nyberg et al., 2014). Consistent with past research, we suggest that analogous to how internal fit must be considered among HRM activities in order to uncover synergistic effects, it may be necessary to consider how interacting human capital resources as well as phenomena related to motivation and opportunities may create sustainable value that could lead a firm to a competitive advantage (Schmidt & Keil, 2013). Numerous phenomena exist only at the unit-level, such as conflict (Pelled, 1990; Pelled, Eisenhardt, & Xin, 1999), climate (Bowen & Ostroff, 2004), and cohesiveness (Mullen & Cooper, 1994). Unfortunately, evidence indicates there is only limited research on synergistic human capital resources at the unit-level (for reviews see Nyberg et al., 2014; Ployhart et al., 2014) and research on synergistic resources related to motivation and opportunity phenomena at the unit-level is also lacking.

In one example, Crocker and Eckardt (2014) used a multi-level approach to consider how complementary resources might be used to obtain a competitive advantage. Using data from 452 MLB pitchers, the authors found that both individual-level human capital resources of professional pitchers (e.g., number of pitches thrown, velocity of fastball, etc.) and their performance (e.g., earned run average) were affected by unit-level human capital resources (e.g., team-fielding talent). These results illustrate the need for a complementary approach to human capital resources across levels of analysis in which the effectiveness of individual-level human capital resources on individual-level performance is affected by unit-level human capital resources. Additionally, various complementarities and emergent processes can exist that create positive (or negative) synergistic effects among individual- and unit-level phenomena within the “black box” that have beneficial (harmful) effects on individual-, unit-, and organization-level outcomes (e.g., Crocker & Eckardt, 2014). Thus, synergistic human capital resources as well as other synergetic individual- and unit-level phenomena related to motivation and opportunity (e.g., conflict and cohesion) could lead to an organization's sustainable competitive advantage (Fig. 1, Box 9) (Schmidt & Keil, 2013).

As an example of the importance of examining synergistic effects within the “black box,” consider the influence of unit-level efficacy on the relationship between cohesion and unit-level performance. Efficacy pertains to individuals' or units' perception of their ability to perform. Thus, units that are high in efficacy tend to believe that when working together, they are capable of high levels of performance (Stajkovic et al., 2009). Unit cohesion characterizes the extent to which members desire to remain a member of the unit, as well as their loyalty and identification with the unit (Andrews, Kacmar, Blakely, & Bucklew, 2008; Mulvey & Klein, 1998). Unit cohesion has been linked to unit-level performance (Evans & Dion, 1991). As units become more cohesive, they tend to better draw upon their resources, allocate responsibilities, and make more effective decisions, leading to higher performance (Jung & Sosik, 2002). Yet, the degree to which cohesion is linked with unit-level performance may be moderated by unit-level efficacy.

First, if a unit is very cohesive and has a high level of efficacy, the relation between cohesion and performance should be amplified because the positive feelings of unit efficacy provide the members of the unit with a level of confidence that is likely to improve the cohesion–performance relation (Jung & Sosik, 2002). As a result, a powerful connection should emerge and unit-level performance should be very high. Second, if a unit is cohesive, but lacks efficacy, it may only achieve a moderate level of performance. Although cohesiveness has a positive effect on unit performance (Evans & Dion, 1991), a lack of unit-level efficacy can prevent a group from performing at its maximum (Gibson, Randel, & Earley, 2000). Third, units that are low in cohesiveness may experience diminished levels of performance given that they are not committed to working together (Andrews et al., 2008). Thus, even though a unit may perceive that it is capable of performing, a lack of cohesion may lead to a dysfunctional unit that performs very poorly. Without a strong level of cohesiveness, units may struggle living up to their capabilities, particularly when faced with challenges that require task-related conflict resolution (Jung & Sosik, 2002).

Finally, if units have both low levels of efficacy as well as cohesion, their performance is likely to be very low. Due to their low cohesion, such units tend to be less committed to working together (Evans & Dion, 1991) and conflict between members is more likely to emerge, undermining unit-level performance (Jung & Sosik, 2002). In addition, because of their low level of efficacy, such units are less goal driven (Pescosolido, 2003), which should relate negatively to performance as well. Hence, units low in efficacy and cohesion should have very low levels of performance (Jung & Sosik, 2002). In sum, unit efficacy and cohesion are phenomena within the “black box” (Fig. 1, Box 5) that may form synergistic effects that can influence unit-level performance (Fig. 1, Box 7).

Proposition 6a. The interaction of unit cohesion and unit-level efficacy is related to unit performance; Unit-level cohesion and performance are positively related when unit-level efficacy is high, but the relations are weaker when unit-level efficacy is low.

The empirical evidence from the literature related to human capital resources as well as this short example of internally aligned human capital resources illustrates that some human capital resources as well as other phenomena at the individual- and unit-levels within the “black box” can interact and form synergistic effects. We thus submit the following general proposition:

Proposition 6b. Internally (mis)aligned human capital resources as well as other individual- (e.g., motivation, opportunities) and unit-level phenomena (e.g., unit conflict, unit cohesion) can form to create synergistic effects that positively (negatively) influence individual-, unit- and firm-level outcomes.

3.4. The influence of contextual factors

There are of course contextual factors that are likely to affect the causal chain between HRM activities and performance-related outcomes (Fig. 1, Box 10), and the contingency perspective suggests that such factors can moderate the effectiveness of HRM activities. Miles and Snow (1984) published one of the first papers on this view. The authors argued that a firm must give consideration to how HRM activities corresponded to contextual factors, such as a firm's strategy, labor market conditions, and industry type. Other early research provided empirical evidence that the

influence of HRM activities on organizational outcomes is contingent upon organizational characteristics, such as organizational size, unionization, organizational structure, and industry type (e.g., Terpstra & Rozell, 1993). Therefore, it is important to consider the role of contextual factors in affecting the dynamics between HRM activities and a firm's competitive advantage.

As a recent example of this view, Liu, van Jaarsveld, Batt, and Frost (2014) examined a firms' capital structure as a contextual factor. Capital markets may put pressure on firms to focus on assets that maximize short-term shareholder value, which may harm the ability of firms to develop more intangible assets, including human capital resources. As an asset, human capital resources can be difficult to evaluate and these types of assets cannot be claimed on a standard accounting balance sheet despite their financial value (Fulmer & Ployhart, 2014). Consequently, firms that are encouraged by shareholders to focus on liquidity and short-term earnings may be at a disadvantage when trying to develop human capital resources (Liu et al., 2014). This is because such firms may be under pressure to focus on developing resources that are more tangible and can be created more quickly. By contrast, firms with longer time horizons, in terms of satisfying shareholder expectations, may have a greater capacity and more opportunities to develop human capital resources. Therefore, one should also consider contextual factors that could influence the relationships between synergistic HRM activities, dynamics in the "black box," and individual-, unit-, and firm-level outcomes.

4. Conclusion

Research on the implementation of HRM activities and systems of such activities has been neglected (Becker & Huselid, 2006). This is problematic because the ability to identify, formulate, and implement HRM activities "is, by itself, a resource that can be a source of a competitive advantage" (Barney, 2001, p. 54). In order to comprehensively understand the "black box" of strategic HRM, research is needed that explores the implementation of HRM activities (i.e., HRM processes) and how such processes can influence human capital resources and other individual- and unit-level level phenomena within the "black box" that may affect outcomes across levels of analysis and, ultimately, a firm's competitive advantage.

There are numerous implications for the work described in this paper. First, there has been very limited research at the process level. Theoretical arguments and initial results have illustrated the importance of focusing on this level of analysis (Kehoe & Wright, 2013; Liao et al., 2009). However, much more research is needed to better understand the effects of HRM processes, especially when compared to policies and practices. On a related note, there has been a lack of research on the consequences due to potential disagreements or inconsistencies between HRM policies and practices and employees' perceptions of those policies and practices (i.e., HRM processes). We are only aware of one study that has started to examine this important issue (Liao et al., 2009). There has also been a shortage of research that examines the synergistic effects of HRM activities on phenomena within the "black box." Lastly, virtually no strategic HRM research has addressed the fit of motivation- and opportunity-related phenomena within the "black box." Until now, there appears to be a few examinations as to how HRM activities interact to affect unit-level human capital resources, but research involving the dynamics between HRM activities, motivation and opportunity-related phenomena at that level, and performance-related outcomes seems virtually absent. Undoubtedly, understanding these dynamics would be vital to gain a more complete picture of the mechanisms through which HRM activities can serve as a source for a sustainable competitive advantage. Yet, despite the general theoretical arguments and the evidence for synergistic effects we discussed, evidence has also illustrated that one cannot simply assume that synergistic effects exist and, in several instances, cases for synergistic effects may have been overstated (Chadwick, 2010). Researchers and practitioners should thus not assume that all HRM activities or phenomena within the "black box" have or even can have positive synergistic effects.