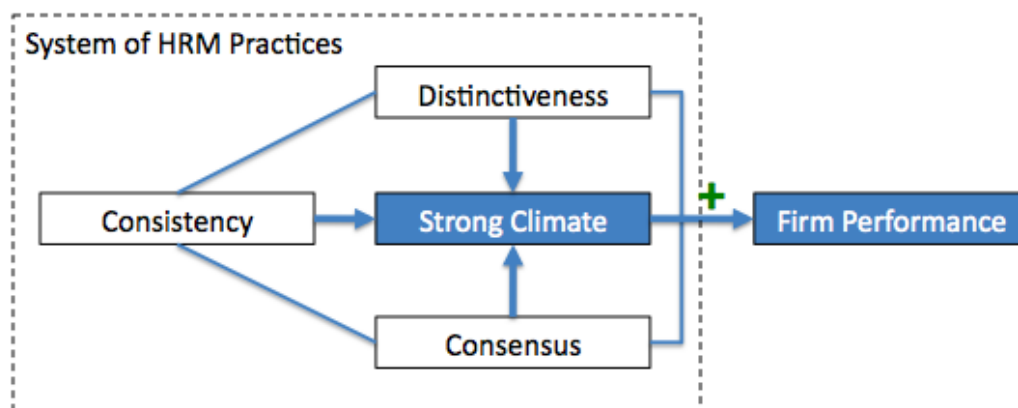


## HRM systems affect individual and firm performance

It is a well-known result of empirical research that human resource management (HRM) can have a significant impact on firm performance. *But the important question is: How?* This article provides a theoretical framework of how precisely HRM practices can impact firm performance. Taking into account enormous amounts of literature about psychology, social influence and social cognition theory, the authors explain how HRM practices leads employee's to adopt desired attitudes (= strong climate, shared cognitive maps), which accordingly helps the organization to better achieve its strategic goals.



Even though this is a theoretical article, it can help corporate managers to abstract why their HR work actually accomplishes its goals and how HRM measures need to be designed in order to help the organization succeed. The authors identify three key areas:

### (a) Distinctiveness

HRM practices need to reveal large (1) visibility throughout the employee's daily work routines and activities. They should put great focus on (2) understandability, refraining from any kind of ambiguity. HRM practices should also have the (3) legitimacy of authority, rendering it beneficial if the HRM function is perceived as highly credible and competent, equipped with the necessary top management support. (4) Relevance, the alignment of the employee's with the organization's goals, is another key factor that boosts distinctiveness.

### (b) Consistency

HRM practices should further have high (5) instrumentality, clearly displaying a perceivable cause-effect-relationship. This is largely influenced by appropriate and consistent reinforcement. Additionally, (6) validity is important, underlining that there should not be a gap between purported goals and implementation, which is strengthened by the necessity to have a (7) consistent HR message.

### (c) Consensus

(8) Perceivable and visible agreement among the HRM message senders as well as (9) fairness of HRM measures does also positively contribute to a strong climate.

## → How do your HRM practices perform based on the proposed checklist?

Summary of: Bowen, D. and Ostroff, C. (2004). Understanding HRM-firm performance linkages: The role of the "strength" of the HRM system. *Academy of Management Review*, 29: 203–221