STRATEGIC HR CONFIGURATIONS AND ORGANIZATIONAL PERFORMANCE

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Over time organizations form stable operating configurations that influence their actions in the marketplace. These configurations are shaped by interactions among variables in four areas: operating environment, business strategy, HRM practices, and senior managers' values and behaviors regarding employees. More often than not they emerge in a piecemeal rather than planned fashion. However, once established, the configurations or patterns guide employee behavior, are resistant to change, and are associated with different levels of organization effectiveness. HR managers may use these configurations to diagnose their organizations' present state and orchestrate changes to increase competitive advantage. © 2000 John Wiley & Sons, Inc.

Introduction

Human resource management (HRM) issues have often been missing from the strategic management process in many organizations (Tichy, Fombrun, & DeVanna, 1982). In place of strategy, the procedures of personnel administration have often dictated how organizations deal with their people resources. This emphasis on operationally oriented tools and procedures has slowed the development of human resource management as a contributor to strategic business planning and fostered a mindset among many human resource professionals that the latest practice or concept to capture senior management attention is the practice of choice in any given situation. In effect, administration or fashion rather than strategy is often the engine that drives HRM practices in organizations.

On the other hand, the strategy concept, as it articulates an organization's strengths/weaknesses and threats/opportunities being faced, has been well described in business planning (Andrews, 1987). In this context, strategy deals with choices regarding how an organization's marketplace activities are configured to gain competitive advantage. Mintzberg (1989) described strategy as encompassing both overt plans for future actions and patterns that implicitly evolve from past practices. *Realized strategies* are those patterns that have actually emerged from past practices. *Intended strategies*, conversely, are formal plans and pronouncements for future actions designed to produce competitive advantage.

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The concept of strategy has recently received increased attention in HRM as well (Delery & Doty, 1996). If it could be articulated, an organization's HRM strategy would often be described as a patchwork quilt (i.e., derived from sundry and sometimes random inputs). Schuler and Jackson (1989) noted that "researchers are now beginning to ask how

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organizational characteristics shape HRM priorities and practices" (p. 89). Inputs other than senior management prescriptions and current fads therefore are increasingly being utilized to determine optimum HRM strategy and practice.

In this regard, a host of variables has been identified as influencing organizations' HRM practices: upstream versus downstream business mission (Galbraith, 1983); business strategy (Hambrick & Snow, 1987); product life cycle (Kochan & Chalykoff, 1985); technology, union activities, internal labor markets (Kochan, McKersie, & Cappelli, 1984); social, demographic, and competitive trends (Schuler, 1992); and management's preferred ways of managing people (Kochan & Chalykoff, 1985).

For example, Blackburn and Rosen (1993) reported that Baldrige Award-winning firms showed "portfolios" of HRM practices that formed integrated constellations to complement their total quality management thrust.

Regardless of the inputs, however, numerous authors (Delery & Doty, 1996; Miles & Snow, 1994) have noted the importance of alignment or configuration among elements in fostering organization success. A configuration in strategic management refers to "any multidimensional constellation of conceptually distinct characteristics that commonly occur together" (Meyer, Tsui, & Hinings, 1993, p. 1175). In other words, organizations function as complex systems comprised of interdependent external and internal subcomponents that are best understood when viewed holistically. At the same time, however, these subcomponents must be linked to the organization through some sort of incentive process that retains them within the bounded organizational system.

Ackoff (1981) noted that complex systems satisfy three conditions: (1) the behavior of each component affects the behavior of the entire system, (2) no single component has an independent impact on the system as a whole, and (3) the connectedness among system elements is such that independent subgroups cannot be formed. Complex systems have emergent properties that cannot be attributed to any of the component parts alone. In other words, "The essential properties of a system taken as a whole derive from the interactions of its parts, not their actions taken separately. Therefore, when a system is taken apart it loses its essential properties" (Akoff, 1981, p. 16).

Configural organizational approaches focus on the realized *pattern* of multiple variables, how the variables interact over time, and how the pattern is related to various organization outcomes. Typically the factors of interest have included: (1) the nature of an organization's operating environment, (2) its strategies for dealing with its constituents and environment, (3) various structural and system features within the organization, and (4) senior management values and behaviors. Miller (1987) referred to these driving forces as imperatives because they tend to both shape and restrict the varieties of configurations over time by organizing their elements into an enduring system, are resistant to change, and typically act as lead variables during organization transformations. They provide long-term integrity, stability, and evolutionary momentum to a configuration. As a result, only a small percentage of the theoretically possible configurations actually occur in practice (Miller & Friesen, 1984).

Strategic Human Resource Management

The configuration notion is playing an increasingly important role in strategic HRM. Studies have shown that relationships often exist between the demands of an uncertain competitive environment and business strategy and between business strategy and elements of firm structure, industrial relations practice, operating style, high asset specific know-how, and leadership patterns (Arthur, 1994; Delery & Doty, 1996; Reve, 1990).

For example, Blackburn and Rosen (1993) reported that Baldrige Award-winning firms showed "portfolios" of HRM practices that formed integrated constellations to complement their total quality management thrust. Wright and Snell (1991) noted that strategic HRM requires coordinated practices across the various HR subfunctions. Delery and Doty (1996) and Youndt, Snell, Dean, and Lepak (1996) showed that business strategy/HRM practice interaction was an important factor in organization effectiveness. Finally, in other studies, bundles of HRM practices used with appropriate business strategies were related to reduced employee turnover (Arthur, 1994), higher productivity (Arthur, 1994; MacDuffie, 1995; Wright, McCormick, Sherman, & McMahan, 1996), and greater financial performance (Huselid, 1995).

In other words, organizations deal with two major alignment issues: the use of internal resources (i.e., strategy) to match the characteristics of the external environment and the relationship of strategy to internal operating processes (Dyer & Holder, 1988). The "internal fit" (Wright & McMahan, 1992) notion of HRM practice configurations (i.e., that complementarities across HRM activities both occur in practice and positively impact organizations) appears well established. The broader view of configurations incorporating business strategy and structural variables such as HRM practices and the process engineering of configurations to reduce low value-added activities has received less support (Hammer & Champy, 1993).

The purpose of this article is to present a conceptual framework of organization configurations (see Figure 1). We discuss realized configurations observed in practice rather than "pure" configurations derived from organization theory. We start by describing the configuration factors (i.e., environment, business strategy, HRM practices, leadership values and behaviors, and organization effectiveness); we then identify several frequently occurring realized configurations and discuss how they relate to organization effectiveness. Finally we discuss how the configuration approach may be applied by HR practitioners to increase organizational effectiveness and build a stronger partnership with senior management. The underlying premise is that synergy among a firm's environment, business strategy, HRM practices, and leadership behaviors results in a complex system that serves to organize and unify these factors into realized and stable patterns that influence operating effectiveness. Table I presents the basic alignment principles underlying our view of organization configurations.

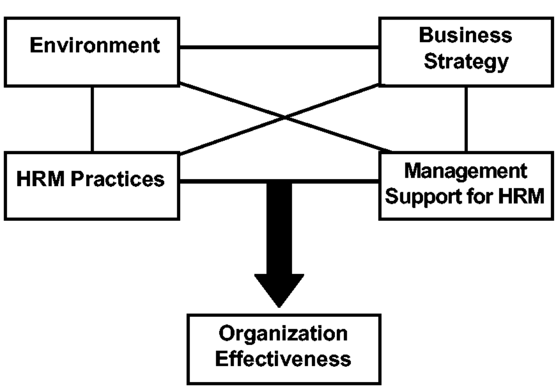

FIGURE 1. The configuration model.

Configuration Factors

Environment

A significant feature of an organization's operating environment is its degree of volatility (Miller, 1987; Miller, 1988). We define volatility as comprised of three elements: uncertainty, heterogeneity, and hostility. In combination, these factors lead to higher transaction costs for an organization interacting with its environment. Uncertainty deals with the amount and unpredictability of change in customer tastes, production or service technologies, and the modes of competition in the organization's principal industry. Heterogeneity deals with differences in product/service lines, channels of distribution, and competitive tactics across an organization's respective markets. Hostility deals with price, technological and distribution competition, regulatory restrictions, shortages of labor or raw materials, and decreasing markets.

Business Strategy

A useful framework for describing organizations' marketplace strategies was developed by Treacy and Wiersema (1995). According to the authors, successful organizations focus on three different disciplines for providing value to customers. Operational excellence firms provide middle-of-the-market products and services to customers at the best price and with the least inconvenience. These organizations tend to have strong central authority structures, clear standard operating procedures, and promote a "one size fits all" culture among employees. Product leaders concentrate on providing the best possible products and services to customers on a long-term regular basis. These firms nurture creative ideas and translate them into market leading products/services, reward creativity, organize themselves in an ad-hoc organic fashion, and encourage "out of the box" thinking. Finally, organizations focusing on customer intimacy are dedicated to providing unique solutions and

TABLE I Basic Alignment Principles.

1. An organization's long-term effectiveness requires at least minimal alignment among four components:
   - environment (i.e., market context),
   - marketplace strategy,
   - HRM practices,
   - management support for people.
2. The relationships among the components are unstable with some interests in competition with each other at various times.
3. Over time in successful organizations the components align to form an enduring theme or pattern that informs employee behavior.
4. Constant vigilance and resolution of trade-offs among the components are required to create alignment in an ever-changing context.
5. Greater degrees of alignment result in more effective organization goal attainment.
6. A finite number of workable alignment patterns exist for any given organization at any particular point in time.
7. It is possible to determine an appropriate alignment pattern for an organization and to move toward that state.

Organizations focusing on customer intimacy are dedicated to providing unique solutions and services to fit customers' needs.

services to fit customers' needs. These firms cultivate deep knowledge and relationships with their customers in an effort to provide high-value customized offerings. They tend to promote employee empowerment to achieve better customer contact, develop measures around customer commitment and loyalty, and cultivate a "have it your way" culture. The value chain becomes reversed in these organizations in that the systemic nature associated with customer intimacy drives the internal business design.

The authors noted that successful organizations do not simply focus on one discipline and abandon the other two. Rather they choose one of the value dimensions and build their organization and marketplace reputation around it over the long term.

HRM Practices

Various authors have identified a range of strategic HRM practices. Delery and Doty (1996) noted that strategic HRM practices are "those that are theoretically or empirically related to overall organization performance" (p. 805). They identified seven practices as fitting this definition: internal career opportunities, formal training systems, appraisal measures, profit sharing, employment security, employee voice mechanisms, and job design. Youndt et al. (1996) focused on the dual themes of enhancing employee skills via staffing/development and employee empowerment through voice mechanisms/job design while Delaney and Huselid (1996) classified HRM practices according to their impact on employee skills, motivation, and work design features, as strategic HRM categories. Other authors have also included employee ownership, general information sharing, symbolic egalitarianism/status differentiation (MacDuffie, 1995; Pfeffer, 1994), the use of dispute resolution processes (Arthur, 1992; Huselid, 1995), attitude assessment, and labor/management participation (Delaney, Lewin, & Ichniowski, 1989) as strategic HRM practices.

We focused on a broad array of HRM practices grouped into four strategic HRM dimensions: (1) employee skills and work policies, (2) supportive environment, (3) performance measurement and reinforcement, and (4) market organization (see Table II). These dimensions generally reflect the HRM practices defined respectively by Ulrich and Lake (1990) as generating, sustaining, and reinforcing competencies, and also reflect aspects of the Delery and Doty (1996) market-type employment system.

Management Support for HRM

We defined the leadership variable as senior management support for HRM activities and the ability to fit HRM strategies into the overall purpose of the firm. Specifically, we included such senior management behaviors as stating a clear philosophy regarding the importance of human resources to the organization's purpose, continually investing resources to improve HRM practices, and including HR executives in planning and decision making. Results from a Society for Human Resource Management/ Commerce Clearing House study showed that this variable influenced the relationship between organizational strategy and the outcomes of organizational productivity and market/book value (CCH Inc., 1995).

Perceived Organization Effectiveness

We defined organization effectiveness using the model presented by Quinn and Rohrbaugh (1983), which focuses on resource acquisition, operational efficiency, product/service quality, change capability, coordination, and development of human resources.

TABLE II Strategic HRM Dimensions.

1. Employee Skills and Work Policies/Practices
   Purpose: Identify and develop superior performing employees
   - Staffing
   - Training
   - Work design
   - Employee relations practices
2. Supportive Environment Practices
   Purpose: Foster sustained employee motivation
   - Employee empowerment
   - Employee assistance
   - Diversity
   - Flexible benefits
3. Performance Measurement and Reinforcement Practices
   Purpose: Focus employees' energies on specific productive behaviors
   - Performance appraisal
   - Compensation
4. Market Organization Practices
   Purpose: Create a linkage between employees and the organization
   - Alternative work design
   - Compensation
   - Market Leading Compensation

Strategic HRM Configurations

Our observations of firms from various industries suggest that several configurations regularly occur in the organizational landscape (see Tables III and IV for patterns and example organizations). The initial two configurations are associated with mediocre organizational effectiveness and financial outcomes while the final three tend to result in above average sustained performance.

Combination

This configuration is comprised of organizations competing in a moderately dynamic environment (i.e., customer bases, modes of competition, prices, and/or technology within a market that tend to shift on a yearly or biennial basis) using a combination of operational excellence and product leadership competitive strategies. The attempted combination of these two value disciplines often results in employee ambiguity regarding strategic priorities. This competitive strategy ambiguity is typically associated with a tepid emphasis on HRM practices. In particular, these organizations tend to place little emphasis on finding and developing exceptional talent while utilizing employee outsourcing through temporary agencies for high-volume job families such as assemblers, technicians, and clerks. At the same time, they engage in employee involvement, diversity, appraisal, and rewards-for-performance programs that often exist for several years and are then either canceled or revised and then re-promoted. The lukewarm emphasis on sustained HRM initiatives relates to a lack of support by senior management for people as a competitive advantage and to the complexity of simultaneously supporting both operational excellence and product leadership market strategies.

We defined the leadership variable as senior management support for HRM activities and the ability to fit HRM strategies into the overall purpose of the firm.

Our experiences suggest these organizations are found in both the manufacturing and service industries and in small, intermediate, and large firms (in terms of employees). Typically their performance in

TABLE III **Observed Configurations.**

	Combination	Classic Operations	Emerging Operations	Classic Product Leader	Classic Customer
Environment	Moderately	Stable Dynamic	Stable	Dynamic	Very Dynamic
Competitive Strategy	Operational Excellence/ Product Leader	Operational Excellence	Operational Excellence	Product Leader	Customer Intimacy
HRM Practices					
Find & Develop	Low	Very Low	Very High	High	Very High
Supportive Environment	Moderate	Very Low	Very High	Very High	High
Reinforce	Moderate	Very Low	High	Very High	High
Market Focus	Moderate	Very Low	Moderate	High	Moderate
Management Support for HRM	Low	Very Low	Very High	High	High
Effectiveness	Moderate	Low	High	High	High
Industry	Manufacturing/ Service	Service	Manufacturing	Manufacturing	Service
Size (employees)	Small to Large	Small	Intermediate (< 500)	Intermediate (500–5,000)	Small to Large (500–5,000)

Our experiences support the notion that many manufacturing firms have initiated leadership, work design, organization structure, and HRM interventions to compete in the next century while many service firms lag behind regarding these changes.

the areas of resource acquisition, operational efficiency, product/service quality, change, coordination, and development of human resources is mediocre as is their financial performance compared to other organizations in their industries.

Classic Operations

These organizations are characterized by a very stable environment (i.e., on a year-to-year basis almost unchanging customer bases, modes of competition, prices, and use of technology within a market), strong use of the operational excellence strategy, very little emphasis on the four HRM practices, and very little support from senior management for HRM issues. Managers in these organizations often view their firms as struggling to compete and are sometimes confused regarding the strategic changes needed to turn the organization around. Daily operations in these firms are driven by clear standard operating practices that provide a substitute for motivation via leadership or enriched work designs, by clear organizational purpose, and by honest trade-offs among configuration components. While some of the firms we studied in this configuration are in the manufacturing sector, most are service-related organizations.

Our experiences support the notion that many manufacturing firms have initiated leadership, work design, organization structure, and HRM interventions to compete in the next century while many service firms lag behind regarding these changes. The bulk of the Classic Operations firms also tend to be small (i.e., less than 500 employees), and many are strug-

TABLE IV **Example Organizations.**

Combination

This organization is a large (> 5,000 employees) operating division of a *Fortune* 100 firm engaged in the design and production of components for the aerospace industry. It initiated aggressive quality and cost containment programs in the production, staff, and sales departments while focusing on both cash cow and new product developments within engineering. This resulted in an operating stalemate among the various departments that was not resolved by management. Due to its prestige, the firm historically had no trouble attracting employees. Therefore, its staffing and development capabilities were minimal for an organization this size. In addition, local HRM initiatives dealing with teaming, diversity, appraisal, and pay-for-performance had vague objectives owing to the divergent strategic objectives throughout the facility. These practices were also tentative and muted due to constant squabbles with the corporate headquarters HR staff and a local management team focused on cost containment as the core profit engine.

Classic Operations

This "classic operations" firm is a nationwide nonprofit organization with operations in major U.S. cities. The individual operations are very cost focused while attempting to provide at least moderate quality service to its clientele. HRM practices are practically nonexistent as local management attempts to recruit, hire, motivate, reward, and develop employees based only on guidelines from the national office and in a context of dwindling budgets. Discussions with these managers reveal an interest in building at least minimal HRM practices, but little time and expertise to accomplish the task.

Emerging Operations

An excellent example of an "emerging operations" organization is a moderate sized (about 500 employees) manufacturing firm producing metal and plastic components for several *Fortune* 100 businesses. The distinguishing feature of this company is its use of a highly efficient cost-oriented production process embedded in a culture of strong spirituality and respect for individual employees. The firm has created selection, orientation, development, diversity, and reward practices with the Judeo-Christian philosophy emphasizing love and respect for one's work, co-workers, customers, suppliers, and company. Finally, the senior management team takes the lead in fostering both the operating culture and HR practices that support the spirituality within the firm.

Classic Product Leader

This example organization is an 800 person operating division of an international firm. It designs and produces various components and devices for the medical industry. It is a world leader in several product areas developed at this facility. The firm is operated by an enlightened local management team enjoying minimal interference from corporate headquarters. The operations, engineering, and marketing departments are integrated into product and customer oriented teams that are supported by extensive technical, social, and financial training and a pay-for-performance system measuring product quality and customer satisfaction and consisting of merit pay pegged above local market conditions and a bonus system reaching to the operator level. Staffing efforts are nationwide, even for technical positions, and are conducted by individual teams with support from the HR Department. In addition, the firm has formed provider relationships with several agencies to ensure access to temporary employees with appropriate skills.

Classic Customer

This organization is a moderately sized (600 employees) medical center specializing in the treatment of heart and lung aliments. The firm revolves around a core group of physicians, nurses, and technicians, who provide world-class treatment in their specialty areas. Nonmedical personnel are selected on the basis of their social and project management capabilities. Teams of medical and nonmedical personnel are organized around client groups and treatments. They provide a wide range of services designed to relieve clients of pre- and post-treatment concerns dealing with insurance, long-term aftercare, return to work/life, etc. While the team members are paid based on their professional designations, liberal nonfinancial rewards are used by administrators to signal superior client service and bonuses are distributed based on patient feedback.

gling financially. As a result, they are beginning to seek alliances and other strategic initiatives to reposition themselves for the future. Morale often tends to be low, however, and employees openly question management's vision for the future.

Emerging Operations

This configuration is comprised of organizations competing in a fairly stable environment (i.e., slowing changing customer bases, modes of competition, prices, and technology within a market) using an operational excellence competitive strategy. What is different about these organizations, however, as compared to Classic Operations firms is their strong reliance on the HRM practices of staffing, development, involvement, and rewards. These firms tend to have rigorous staffing practices led by line personnel and focused as much on cultural factors as on job skills. Staffing activities are designed to educate applicants regarding the firm's culture and to make it difficult to enter the organization. Employees are organized into product/customer teams and supported by technical, social, and leadership training. An appreciation of diversity, *within the core features of the organization culture and for the purpose of competitive advantage*, is an operating norm. Reward practices in these firms tend to focus on the use of liberal nonfinancial incentives, at or above market base pay, and bonus systems driven down to operating personnel. Finally, these organizations make sparing use of temporary personnel and only for the lower level job families. All these practices are fully supported by a management team that spends as much time dealing with human resources as with plant, equipment, and financial issues.

In general, these firms are in the manufacturing sector, tend to be fairly large (500 to 2,500 employees), are highly effective in the areas of resource acquisition, operational efficiency, product/service quality, change, coordination, and development of human resources, and produce above industry average financial results.

Classic Product Leader

Organizations in this configuration compete in a dynamic environment (i.e., rapidly changing customer bases, competitive tactics, channels of distribution, prices, and use of technology within a market) and utilize a definite product leader market strategy. Product innovation is supported by strong practices throughout the four HRM dimensions. These organizations tend to have a well-developed staffing philosophy and procedures supplemented by a clearly defined temporary employee strategy. Most of these organizations have developed preferred provider arrangements with local employment agencies and utilize part-time employees within all job families except management. The greatest support for product innovation, however, comes from the use of competency-based development activities and cross-functional teams working in a total quality management culture. These teams are typically buttressed by assistance programs (e.g., counseling, fitness, and work/home initiatives), diversity training, flexible benefit packages, developmentally oriented appraisals, and performance focused rewards such as bonuses and various nonfinancial incentives. In addition, the senior management team firmly believes in people with valuable know-how as a competitive weapon and plays an active role in ensuring the integration of people issues with all marketplace initiatives.

Our experience shows that many of the organizations in this configuration are large manufacturers (i.e., 500 to 5,000 employees) that both are operationally effective and achieve above average financial results.

Classic Customer

These organizations compete in a very dynamic environment (i.e., marked by constant change in customer bases, competitive tactics, channels of distribution, prices, and use of technology within a market) and use a customer intimacy strategy to differentiate themselves from their competitors. The customer strategy is supported by intense staffing and development practices designed to identify highly social and innovative applicants and train them regarding the company's products/services, customers' needs, and client relationships. Staffing and development activities are further reinforced by job designs that include cross-functional product and customer based teams, wide discretion for customer problem solving at the lowest levels of the organization, wage compression to foster teamwork, and bonuses based on customer service. These firms tend to restrict their use of temporary personnel to support positions that do not interact directly with customers. Finally, senior managers strongly believe that the quality of their employees is a key competitive advantage and spend a great deal of time integrating operating and people issues.

This configuration contains fewer organizations than do the other groupings. The bulk of these firms are service-related, vary consistently from small to large in size, and are above average in operating effectiveness and financial results.

Use of the Framework and Implications for HR Managers

Diagnosis

The framework is a diagnostic tool when used in strategic planning to integrate marketplace and people issues into a comprehensive schema. It provides a conceptual roadmap for line and HR managers to describe, understand, and come to agreement regarding the key components that influence the operating culture of the organization. By focusing on each component and describing its relationship to the others, an in-depth picture emerges regarding how human assets are being deployed in support of marketplace initiatives and the role management plays in orchestrating the entire system.

Human resource managers, however, must acquire a knowledge of the concepts and language describing operating environments, financial indices, competitive strategies, leadership, and human resource philosophy, in addition to tactical HRM practices. The systems nature of the configurations demands a sensitivity to the *relationships* and the incentives that sustain them, which exist among the components, and a comfort level with answering questions such as "What does it mean for our pay practices if the industry becomes more chaotic and we need to change operations at a faster and faster pace?" Systems thinking forces a recognition of the harmony that exists among the system components as they interact to produce something emergent, something more than the components themselves, and with the larger competitive world within which the firm operates (Ackoff, 1981). HR managers who are uncomfortable with the multiplicity and complexity that accompanies the configuration framework will not be able to help line managers perceive, understand, and influence the often non-linear interactions occurring among the system components.

Informing Trade-Offs

A critical function of any management team is to make short-term decisions regarding trade-offs among components of the system. As operating environments change or competitive strategy is revised to reposition a firm, decisions must be made regarding leadership actions and HRM practices in support of the repositioned company. The framework provides a mechanism for management to view the component interactions and determine how trade-offs among the components should be made at any point in time. For example, a particular market action may require an infusion of new skills into the organization on a temporary basis. Staffing and reward practices may be altered for a given period of time to attract and retain individuals with specific high leverage competencies. By using the configuration framework, managers may place this action into perspective, determine its long-term effects on the organization, and use that information to communicate the rationale for the action to employees. By placing trade-offs within the context of a larger system, their short-term effects are better understood in terms of their contribution to the firm's mission and long-term strategy. In addition, the trade-offs result in the creation of new outcomes for the firm that strengthen the entire system.

As operating environments change or competitive strategy is revised to reposition a firm, decisions must be made regarding leadership actions and HRM practices in support of the repositioned company.

Long-Term Alignment

Configurations tend to emerge over time as decisions are made regarding the individual components and their interactions. Once configurations are in place and employees are aware of them, they become a double-edge sword. On the one hand, they serve to provide a rallying culture for the organization. Employees come to recognize the interrelationships among the system components and the implications for their everyday behaviors. On the other, they create a stability that may pose serious transformation problems when industries migrate to newer aspects of customer value. HR managers may use the configurations as a discussion mechanism with line management to determine which of a limited number of configuration schemes makes sense for the organization at the present and into the future and what challenges are posed by movement from one pattern to another. In this way, the HR function is placed at the center of strategic change initiatives and its personnel may plan, communicate, and execute change actions in an anticipatory rather than reactive manner.

In summary, organizations are complex systems impacted by both external (e.g., industry structure) and internal forces (e.g., senior management values regarding people as a competitive advantage, decisions regarding competitive practices, structure, and HRM practices, etc.

A key constraint, however, of successful long-term alignment concerns the degree of variety or flexibility possible within the system. Ashby's law of requisite variety (Heylighen, 1992) notes that a system can only control something in its environment to the extent it has sufficient internal variety to represent the diversity found in the outside world. As a change agent, the HR manager must straddle the line between complete adherence to a strong corporate culture on the one hand and the ability to recognize and move the system to a new configuration when customer value migration occurs. In other words, by using the systems perspective, the HR manager opens the firm to its environment and ensures that a diversity of perspectives and issues are included when trade-offs are made among system components and that employee adaptability becomes a core competency of the organization (Ackoff, 1981).

The systems nature of the configurations warns the HR manager that changes in policy or practice, either business or HRM oriented, cannot be made in a vacuum. For an organization to experience and capitalize on the emergent properties of a configuration (i.e., that state where the whole is greater than the sum of its parts) a tight alignment among the components is necessary. At a micro level, this means that HRM practices must be developed and implemented with a common vision and a full understanding of all line and HR personnel. Constructing a rewards package or a human diversity initiative, for example, without regard for other HRM endeavors will result in less than optimum performance on the part of the organization. Also, an HRM philosophy and strategy that takes little consideration of environmental dynamics, competitive positioning, and management team values regarding employees will not contribute to a tightly bound configuration with positive emergent properties for competitive advantage.

Summary

Organizations tend to form configurations based on their operating environment, competitive position, HRM practices, and management support for HRM. Furthermore, these patterns appear to be stable and differentially related to organization effectiveness.

Through observation we have identified several high frequency configurations. These systems represent typical ways in which organizations have aligned their marketplace and internal actions to compete in their industries. We also discovered several interesting features of these configurations. They were rarely planned in advance. Rather they emerged over time as senior managers made decisions about posturing their organizations within the competitive environment. As managers' knowledge and experience with a particular configuration grew, so did their awareness of its strengths and weaknesses and their ability to make short-term adjustments to the relationships among the system components. The configurations had an organizing quality in that as they were recognized by firm members, they provided a rallying concept for operating the company. Finally, once they had emerged and been recognized, changing them required a new vision and a large burst of energy resulting in dramatic movement to a new configuration.

In summary, organizations are complex systems impacted by both external (e.g., industry structure; Porter, 1985) and internal forces (e.g., senior management values regarding people as a competitive advantage, decisions regarding competitive practices, structure, and HRM practices, etc.; Miles & Snow, 1994). These forces interact over time resulting in realized configurations that have discernible effects on organization effectiveness. Only by studying these systems holistically and attempting to untangle the interactions among the external and internal variables through time does a true picture emerge regarding organization effectiveness, a picture that will help both the theorist and practitioner advance understanding and action in organizations.

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