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TOWARD A UNIFYING FRAMEWORK FOR EXPLORING FIT AND FLEXIBILITY IN STRATEGIC HUMAN RESOURCE MANAGEMENT

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In this article we present a framework for studying the concepts of fit and flexibility in the field of strategic human resource management (HRM), focusing on HRM practices, employee skills, and employee behaviors, and review past conceptual and empirical work within that framework. We present a model of strategic HRM and use this model to explore the concepts of fit and flexibility as they apply to strategic HRM. After applying the concepts of resource and coordination flexibility to strategic HRM, we discuss the implications of the framework for both the practice of and research on strategic HRM.

Scholars in the field of strategic human resource management (HRM) focus specifically on "the pattern of planned human resource deployments and activities intended to enable the firm to achieve its goals," (Wright & McMahan, 1992: 298). This focus emphasizes two types of congruence or fit. First, vertical fit involves the alignment of HRM practices and the strategic management process of the firm (Schuler & Jackson, 1987). Second, horizontal fit implies a congruence among the various HRM practices (Baird & Meshoulam, 1988). Vertical fit is viewed as directing human resources toward the primary initiatives of the organization, whereas achievement of horizontal fit is viewed as instrumental for efficiently allocating those resources.

In addition to discussions of fit, researchers increasingly have emphasized the concept of flexibility in strategic HRM (Kerr & Jackofsky, 1989; Lengnick-Hall & Lengnick-Hall, 1988; Milliman, Von Glinow, & Nathan, 1991), advocating that organizations faced with a complex and dynamic environment require flexibility to adapt to diverse and changing requirements (Snow & Snell, 1993). From this perspective, strategic HRM is concerned primarily with developing the organizational capability to adapt to changing environmental contingencies (Snell, Youndt, & Wright, 1996).

At first glance, it might appear that the desirability of strategic fit and the need for organizational flexibility conflict. Indeed, the relationship between fit and flexibility in the context of strategic HRM is not well understood, and little agreement exists regarding the definitions and the value of each. Our purpose here is to present a framework that provides a theoretical foundation for understanding the dual roles of both fitting the HR system to the strategic needs of the firm and building this system so as to enable flexible response to a variety of strategic requirements over time.

THE CONSTRUCTS OF FIT AND FLEXIBILITY

Definitions

The concept of fit underlies numerous theories at the individual, group, and organizational levels of analysis (Venkatraman, 1989). Nadler and Tushman define congruence or fit as "the degree to which the needs, demands, goals, objectives and/or structure of one component are consistent with the needs, demands, goals, objectives, and/or structure of another component" (1980: 40). Inherent in most treatments of fit is the premise that organizations are more efficient

and/or effective when they achieve fit relative to when a lack of fit exists (Baird & Meshoulam, 1988; Lengnick-Hall & Lengnick-Hall, 1988; Milliman et al., 1991; Montemayor, 1996; Nadler & Tushman, 1980; Venkatraman, 1989).

In contrast, Sanchez defines flexibility as "a firm's abilities to respond to various demands from dynamic competitive environments" (1995: 138). Flexibility provides organizations with the ability to modify current practices in response to nontransient changes in the environment. Weick (1979) argues that flexibility requires firms to detect changes in the environment and to retain a sufficient pool of novel actions so that these changes can be accommodated. Teece, Pisano, and Shuen describe the need for firms in dynamic environments to "reconfigure the firm's asset structure, and to accomplish the necessary internal and external transformations" (1997: 520). They refer to high-flexibility firms as those with a capability to "scan the environment, evaluate markets and competitors, and to quickly accomplish reconfiguration and transformation ahead of competition" (1997: 520).

Fit Versus Flexibility or Fit and Flexibility

Milliman et al. (1991) propose that two relationships between fit and flexibility have been set forth in the strategic HRM literature. Those holding one view—the "orthogonal" perspective—argue that fit and flexibility are opposite ends of the same continuum. For example, Lengnick-Hall and Lengnick-Hall state, "Research has shown that achieving fit is not always desirable. Further, a focus on maximizing fit can be counterproductive if organization change is needed or if the firm has adopted conflicting competitive goals to correspond to a complex competitive environment" (1988: 460). Thus, although not specifically proposing a negative relationship between fit and flexibility, these authors imply that the two cannot exist simultaneously. Those holding the second view of the fit/flexibility relationship propose that these variables are independent of one another—Milliman et al. (1991) refer to this as the "complementary" perspective—and argue that both concepts are essential for organizational effectiveness since the strategic management challenge is to cope with change (requiring flexibility) by continually adapting to achieve a fit

between the firm and its external environment (Chakravarthy, 1982; Miles & Snow, 1984).

Milliman et al. (1991) note that the differences between these two perspectives might stem from differences regarding the time frame and from differences regarding the goals of the research. In terms of the time frame, researchers advocating the orthogonal view are concerned with firms at one point in time and argue that both fit and flexibility cannot exist simultaneously, whereas advocates of the complementary view look at fit over a longer time horizon and explore adaptation processes. Regarding the goals of research, advocates of the orthogonal view often are concerned with description (what firms actually do), whereas advocates of the complementary view often seek to provide prescription (what firms ought to do).

Consistent with Milliman et al. (1991), we propose that fit and flexibility are complementary, particularly because they focus on different aspects of organizations. One can view fit as a state that exists at some point in time and, because of its focus on an interface between two variables, that has both internal (HR aspects) and external (strategy) components. Because fit deals with relationships among some set of dynamic contingent constructs, it can only be assessed as a snapshot: fit at time 1 in no way guarantees fit at time 2. This is why researchers interested in fit focus on a particular point in time (Milliman et al., 1991).

Flexibility, however, is not a temporary state but an actual characteristic (e.g., a trait) of an organization. Note that most definitions of flexibility refer to an "ability" to meet a variety of needs in a dynamic environment (e.g., Sanchez, 1995). In contrast to fit's focus on an interface of two variables—one internal and one external—flexibility is purely internal, made possible via such firm characteristics as broad, heterogeneous skills and competencies of the workforce, organic administrative systems, and so on that enable a firm to adapt to some change in the environment (Chakravarthy, 1982). In essence, treatments of flexibility have focused on variety, malleability, or both.

Although flexibility is a characteristic that one can theoretically assess at any point in time, scholars more frequently assess it only over time. This is because, although certain characteristics of the firm comprising flexibility can be assessed at time 1, confirmatory evi-

dence that flexibility existed at time 1 is best obtained by observing a successful adaptation to an environmental change at time 2. Thus, we define flexibility as a firm's ability to quickly reconfigure resources and activities in response to environmental demands. In contrast to the orthogonal view, this view proposes that fit and flexibility can exist at the same time.

Consequently, we believe the primary role of strategic HRM should be to promote a fit with the demands of the competitive environment. In a stable, predictable environment, organizations might efficiently achieve this by using bureaucratic systems that focus on developing a human capital pool with a narrow range of skills and HR systems that elicit a narrow range of employee behavior. In a dynamic, unpredictable environment, organizations might achieve this by using organic HR systems that promote the development of a human capital pool possessing a broad range of skills and that are able to engage in a wide variety of behavior. In the first case, once fit is achieved, flexibility becomes relatively unimportant because the environment does not change. However, today, most firms face environments characterized by increasing dynamism and competition. In such a case, sustainable fit can be achieved only by developing a flexible organization. Thus, strategic HRM must increasingly promote organizational flexibility in order for the firm to achieve a dynamic fit.

FIT AND STRATEGIC HRM

Conceptualizations of Fit in Strategic HRM

To examine the concept of fit in strategic HRM, we look at what others have argued needs to be "fitted." Strategic HRM researchers have advanced that strategy should fit with three generic conceptual variables: (1) HRM practices, (2) employee skills, and (3) employee behaviors.

Strategy–HRM Practices Fit

Schuler and Jackson (1987) propose that firms have at their disposal a "menu" of HRM practices; different firm strategies require different role behaviors from employees, and, thus, firms choose HRM practices based on their ability to elicit the behaviors required to implement a chosen strategy. Similarly, Miles and Snow

(1984) discuss the differences in HRM practices that would be observed between defender, prospector, and analyzer strategic types. Wright and Snell (1991) note that both the firm's strategic type and the directional strategy (retrenchment, growth, and so on) would influence the choice of sets of HRM practices.

In addition, those undertaking empirical work have explored the strategy–HRM practices fit. For instance, Jackson, Schuler, and Rivero (1989); Huselid (1995); Delery and Doty (1996); and Youndt, Snell, Dean, and Lepak (1996) all have examined fit between HRM practices and business strategies.

Strategy–Employee Skills Fit

Scholars also have advocated fit between a firm's strategy and skills or characteristics of various employees. For example, many prescriptions regarding the match between chief executive officers and general managers have been proposed (e.g., Gerstein & Reisman, 1983; Gupta, 1984; Hambrick & Mason, 1984; Kerr, 1982; Olian & Rynes, 1984), based on the assumption that "different strategies require different types of people . . . for effective performance" (Olian & Rynes, 1984: 171).

In addition, in much of the empirical work on fit, researchers have examined the strategy-skill linkage. Gupta and Govindarajan (1984), Bantel and Jackson (1989), Hitt and Tyler (1992), Michel and Hambrick (1992), and Wiersma and Bantel (1992), for instance, have empirically demonstrated the association between managerial characteristics and various types of strategies. Lengnick-Hall and Lengnick-Hall (1988) and Wright, Smart, and McMahan (1995) have explored this linkage at the level of the entire human capital pool (as opposed to simply top managers).

Strategy–Employee Behavior Fit

Finally, some researchers in strategic HRM have called for a fit between a firm's strategy and the types of behaviors exhibited by employees. In particular, Schuler and Jackson's (1987) basic premise behind the "behavioral perspective" is that different strategies call for different role behaviors.

Thus, as we have demonstrated, strategic HRM scholars have relied extensively on the

concept of fit, and these fit relationships seem to involve three generic classes of HR variables: HRM practices, employee skills, and employee behaviors. The consistent themes regarding the variables and processes form the foundation for our model of strategic HRM.

A MODEL OF STRATEGIC HRM

In Figure 1 we present a model of strategic HRM that accounts for both the fit and flexibility goals. The top half of the model depicts the fit component to the model—that is, the means through which the firm seeks to fit HRM practices, employee skills, and employee behaviors to the immediate competitive needs of the firm as dictated by the strategy. The lower half of the model illustrates the flexibility component, which focuses on developing the organizational capability to respond to a variety of competitive needs other than those dictated by the current strategy.

Strategic HRM and Fit

Numerous authors have presented models of strategic HRM. The model we present in Figure 1 relies heavily on the work of Schuler and Jackson (1987), Cappelli and Singh (1992), Wright and McMahan (1992), and Truss and Gratton (1994).

In the top half of Figure 1, we depict how strategic HRM promotes organizational fit. At the front end of the model, we propose— consistent with Ansoff (1984)—that the strategy formulation process consists of a definition of the mission and goals of the firm, followed by an examination of the internal resources (strengths and weaknesses) and external developments (opportunities and threats). These make up the basic components that lead to the choice of a given strategy. This process contains input from the HRM function regarding strengths, weaknesses, opportunities, and threats related to the firm's human resources, although the extent to which this input exists in most organizations varies substantially (Buller, 1988; Golden & Ramanujam, 1985; Martell & Carroll, 1995).

In the model the major role of HRM is strategy implementation. The model depicts a process where the firm's strategy dictates the required skills and behaviors as perceived by the top managers or those HR managers who are seeking to implement the strategy (Cappelli & Singh,

1992; Gupta & Govindarajan, 1984; Schuler & Jackson, 1987; Wright, Smart, & McMahan, 1995). Thus, it is this perception of the required skills and behaviors that drives the HRM practices (Schuler & Jackson, 1987). These desired HRM practices, however, are then operationalized into actual HRM practices, and the exact resemblance of the latter to the former is never perfectly assured (Truss & Gratton, 1994). The actual HRM practices developed influence the actual skills and behaviors of the human resources, thus impacting organizational performance (Wright & McMahan, 1992). Finally, organizational performance is fed back into the strategy formulation process to affect any future strategies.

Note that this model makes some important assumptions. First, it assumes that decision makers are able to identify all of the skills and behaviors required of a given strategy and that only these skills and behaviors (as opposed to other skills and behaviors) are related to firm performance. Second, it assumes that the decision makers can specify and control all HRM practices within the system. Finally, it assumes that the environment is relatively stable or predictable so that the HR strategy decision makers can work in a way timely enough to ensure that they will achieve a fit with the environment as it exists at the implementation, rather than at the formulation, of the strategy.

These assumptions form a tightly coupled model of strategic HRM that is fairly acceptable in a stable and predictable environment. At the extreme, the firm's evolution may result in the alignment of existing HRM practices, skills, and behaviors. This alignment may endure because it supports the competitive needs of the firm. Thus, fit may exist without any need for flexibility being built into the system.

However, in dynamic environments these assumptions are harder to accept. If change is continuous and predictable (i.e., cyclical), the assumptions of a fit model may still apply. But as change becomes discontinuous and unpredictable, it may be much more difficult for managers to obtain the information they need and to align the HR systems with the strategic initiatives in a timely way. In such environments, achieving fit over time may be dependent upon the extent to which flexibility exists in the system, thus requiring a flexible HR system. The ways in which flexibility can be built into the HR system of the firm is the topic

FIGURE 1
A Fit/Flexibility Model of Strategic HRM
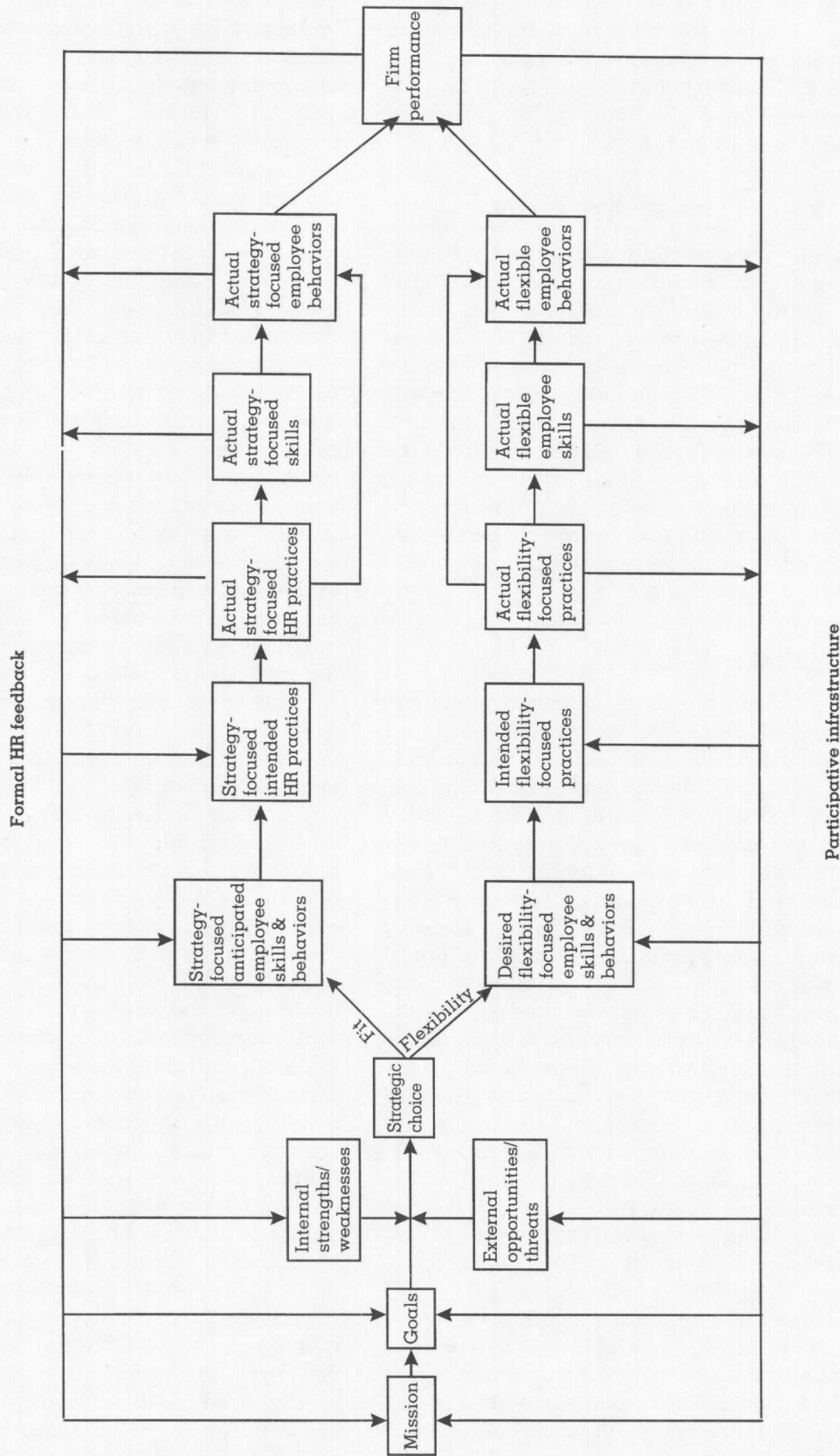
of the remainder of this article. We briefly present the flexibility component of the model below, and we then elaborate upon the implications of this section of the model in the following section.

Flexibility in Strategic HRM

In the strategic HRM literature scholars increasingly recognize the need to build flexibility into the firm (MacDuffie, 1995; Milliman et al., 1991; Snow & Snell, 1993). We propose a framework that focuses on three points for flexibility: (1) developing HR systems that can be adapted quickly, (2) developing a human capital pool with a broad array of skills, and (3) promoting behavioral flexibility among employees.

The bottom half of Figure 1 depicts the flexibility-based components of our model of strategic HRM. Note that this component to the model expands upon the fit component in four ways. First, it recognizes that some of the HRM practices within the firm are focused on more than just fit. As we discuss later, HRM practices influence the flexibility of employee skills and employee behaviors. Second, this part of the model recognizes a broader range of skills than those needed to implement the current strategy. Third, it illustrates that the employees possess a broader repertoire of behaviors than simply those relevant to the current strategy. These skills and behavioral repertoires represent the capability of employees to implement a variety of different strategies and to respond to a variety of different competitive demands, in addition to the strategy and demands immediately relevant to the firm. Finally, it highlights the role of the participative infrastructure in developing, identifying, and exploiting emergent strategies. We focus on these issues for the remainder of the article.

FLEXIBILITY AND STRATEGIC HRM

Sanchez (1995) notes that there are two basic types of flexibility: (1) resource flexibility and (2) coordination flexibility. Resource flexibility refers to the extent to which a resource can be applied to a larger range of alternative uses, the costs and difficulty of switching the use of a resource from one alternative use to another, and the time required to switch from one use to another. Coordination flexibility consists of the

extent to which the firm can resynthesize the strategy, reconfigure the chain of resources, and redeploy the resources. These types of flexibility are particularly applicable for exploring the concept of flexibility in strategic HRM.

Whereas the discussions of fit in strategic HRM are quite precise in determining the variables that constitute fit, this is not the case regarding flexibility. Milliman et al. focus on HRM practices, defining human resource flexibility as "the capacity of HRM to facilitate the organization's ability to adapt effectively and in a timely manner to changing or diverse demands from either its environment or from within the firm itself" (1991: 325). Snow and Snell (1993) emphasize creating flexibility through hiring people based on their potential for creating value, and MacDuffie (1995) emphasizes flexibility stemming from broad employee skills. These researchers argue more for flexibility as a product of the skills of employees. In addition, virtually no one has addressed the idea of behavior flexibility, in spite of the fact that behaviors may be much more malleable than either skills or HRM practices. Thus, while the concept of fit in strategic HRM has been well articulated, the concept of flexibility has not.

Within our model, we apply Sanchez's (1995) concepts of resource and coordination flexibility to HRM practices, employee skills, and employee behaviors. In essence, we can broadly conceive of flexibility in strategic HRM as the extent to which the firm's human resources possess skills and behavioral repertoires that can give a firm options for pursuing strategic alternatives in the firm's competitive environment, as well as the extent to which the necessary HRM practices can be identified, developed, and implemented quickly to maximize the flexibilities inherent in those human resources. Note that, in our model, HRM practices can vary in terms of their own flexibility and can play an influential role in determining the flexibility or inflexibility of the skills and behaviors of employees. We next examine the concepts of resource and coordination flexibility with regard to HRM practices, employee skills, and employee behavioral repertoires.

Flexibility and HRM Practices

Flexibility of HRM practices can refer to differences across locations or business units, the

extent to which the basic practices lend themselves to application across different jobs or different sites, or the speed with which practices can be changed. Thus, we can describe HRM practices in terms of both resource and coordination flexibility.

HRM practices and resource flexibility. The resource flexibility of HRM practices refers to the extent to which they can be adapted and applied across a variety of situations. Two aspects of this flexibility are important. The first deals with the general applicability of an HRM practice across jobs and situations in terms of the extent to which the practice must be entirely redesigned or redeveloped in order to apply it to a different situation. HRM practices differ in how easily they can be tailored to different jobs and/or different individuals within a job.

For example, a behavioral observation scale (Latham & Wexley, 1981) used to assess performance is quite rigid in its applicability—limited to evaluating employees in one job or job family and assuming that all employees are required to exhibit the same set of behaviors. Management by objectives, however, is an appraisal technique that better resembles a flexible process. Although some requirements are standardized (e.g., the need for objective criteria), the application of the technique allows for its use across a larger number of jobs and for tailoring a set of evaluation criteria for each individual within a given job or job family (Carroll & Rose, 1973). Similarly, researchers have shown that cognitive ability tests are applicable across all jobs (Hunter & Hunter, 1984). In contrast, whereas work sample tests could be developed for a large variety of jobs, a work sample created for a machinist's job would not be applicable to a clerical position.

The second aspect of resource flexibility of HRM practices refers to the extent to which they are rigidly applied across varying situations and sites. Achieving fit between strategy and HRM practices may require that each of the links within the model be known perfectly a priori. To match HRM practices to a chosen strategy, the HRM strategist must have complete knowledge of the skills and behaviors required to implement that strategy, as well as the specific HRM practices that will develop those skills and elicit those behaviors (Cappelli & Singh, 1992). In fact, Snell notes that common views of strategic HRM embrace

the rational assumption that managers must have clear knowledge of their organizational contexts, of required behaviors, and of which practices will elicit those behaviors and achieve the firm's strategic goals. Although it may be clear that managers should match preferred human resource management practices to strategy, there is no compelling evidence to suggest that they will, or can, do so (1992: 293).

Even in a single business functioning in a dynamic and uncertain environment, it is highly unlikely that decision makers have anywhere close to perfect knowledge regarding the necessary links posited in the model. Researchers consistently have demonstrated that individuals are poor processers of information, for they misjudge true probabilities, apply inappropriate heuristics, base decisions on biased estimates, and generally fail to understand the true causal set of relationships among variables they encounter (Kahneman, Slovic, & Tversky, 1982). In particular, with regard to HRM decision makers, Huselid, Jackson, and Schuler (1997) found that HR executives were weak in their ability to take their firms' strategic and operational goals and translate them into HR goals and activities.

This problem becomes more apparent with larger, diversified, and geographically disperse organizations. Within firms that possess multiple sites, and possibly even multiple diversified businesses, it is important to note that each unit may have unique competitive circumstances requiring a unique system of HRM practices. If a centralized HRM function attempts to develop a standard set of HRM practices to be rigidly applied across all sites, it is likely that many sites will have practices that do not fit well with their unique competitive situation. Consistent with this logic, Teece et al. (1997) argue that decentralization and local autonomy increase flexibility by assisting in the processes of evaluating markets and competitors and reconfiguring and transforming capabilities ahead of competition.

Wright, McMahan, Snell, and Gerhart (1997) found that strategic business unit general managers felt the corporate HRM function was out of touch with the needs of their business but that their division's HR generalist was much more attuned to the people issues their business faced. Thus, flexibility with regard to HRM practices partially may require some decentralization of authority for the development HRM practices in order to allow each operating unit to

develop an appropriate system of practices for its unique competitive situation.

HRM practices and coordination flexibility. The concept of coordination flexibility as applied to HRM practices addresses the issue of how quickly the practices can be resynthesized, reconfigured, and redeployed. In much of the literature on achieving fit between strategy and HRM practices, scholars assume that the HR department quickly, efficiently, and effectively develops and implements new practices consistent with a firm's strategic needs in an environment free of obstacles (Wright & Sherman, in press).

However, theorists have noted that, once in place, administrative systems are notoriously intractable (Gerhart & Milkovich, 1990; Snell & Dean, 1994). These systems are held in place by numerous forces, such as written records, organizational traditions, corporate regulations, and employee expectations. Thus, any model of flexibility of HRM practices must consider the theoretical domain of structural inertia (Astley & Van de Ven, 1983) and must explore the impact of bureaucracy, institutionalization, and political processes on the inertia of HRM practices (Wright & McMahan, 1992).

First, as organizations grow and age, they tend to become increasingly bureaucratized, which Peterson (1981) terms the "iron law of ossification" (Butler, Ferris, & Napier, 1991). One can observe this ossification as job descriptions become more rigid and narrow in terms of their activities, objectives, task focus, and responsibility. Narrow and rigid job descriptions make it easier to develop selection, appraisal, training, and compensation systems that become tightly coupled together, which substantially reduces the ability to change any one of the HRM practices.

Second, institutional theorists posit that organizational practices, such as HRM practices, develop and attain legitimacy through the social construction of reality (Oliver, 1997). According to Meyer and Rowan, "Institutionalism involves the processes by which social processes, obligations, or actualities come to take on a rulelike status in social thought and actions" (1977: 341). Scott (1987) states that this process culminates in a situation where individuals come to accept shared definitions of reality. To the extent that these shared definitions of what comprises legitimate HRM practices exist within a firm, the likelihood of significant changes in those practices is reduced.

Third, political processes often work to inhibit unobstructed change in HRM practices (Oliver, 1997). HRM practices often come about not from functional or technological requirements, but from such organizational processes as power and influence, conflict, and contests for control (Cohen & Pfeffer, 1986; Johns, 1993). Thus, changes in HRM practices require battling the internal power structure. Consequently, these limit the coordination flexibility inherent in the firm (Oliver, 1997).

An important determinant of a firm's coordination flexibility in HRM practices is speed with which feedback about the efficacy of an implemented HR system can be obtained. In most treatments of strategic HRM, researchers assume that the entire process takes place almost simultaneously, or at least with such a short temporal lag that feedback about the efficacy of new HR systems can be obtained quickly. For a number of reasons, we find this assumption suspicious.

For example, consider the situation where a new strategy entails a major change in direction and, consequently, a major overhaul in the skills and behaviors required (with a corresponding change in HRM practices). First, a time lag will exist between the communication of the new strategy and the implementation of the corresponding HRM practices. A time lag then will exist between the implementation of the HRM practices and the observed impact on employee skills. Boudreau and Rynes (1985) discuss the concept of employee flows, recognizing that the utility of a selection system is dependent upon the number of individuals selected under the new system. This is determined by the rate of the flow into the firm of employees selected under the new system and the flow out of the firm of old employees with the obsolete. Because of the flow, the effects of some of these systems may take an additional 2 to 3 years before they provide the anticipated impact.

This process is complicated further by the feedback loop. If only 10 percent of the workforce has been impacted (i.e., selected or trained to possess the new skills), then feedback at this point might have nothing to do with whether or not the right system of HRM practices was implemented. In fact, it is entirely possible that it could be 4 to 5 years before enough of the work-

force possesses the new skills to observe the impact on firm performance. By that time, however, the entire system environment (external environment as well as firm strategy) may have changed. Thus, one goal for developing flexibility in HRM practices is to develop feedback systems that provide accurate and timely information regarding the efficacy of a particular practice or system of practices.

Summary. This discussion illustrates the importance of creating flexibility of HRM practices. Although, at first glance, the description of the factors that impede change in HRM practices might lead one to believe that achieving fit is impossible, this is not the case. Variance exists regarding knowledge of causal links and controllability across a variety of HRM practices. For instance, firms seeking total quality can envision and implement incentive systems that tie individual and group rewards to total quality outcomes, as well as training programs necessary to provide individuals and groups with the skills necessary to achieve those outcomes. However, HRM practices, as well as employee skills and behavior necessary for implementing more generic strategies, such as innovation or differentiation, might be less clear.

Similarly, just as certain strategy–HRM practice links are clearer than others, certain HRM practices are more amenable to timely changes than others. For example, whereas the move from a purely fixed pay system (e.g., salary) to a more heavily variable pay-oriented system (e.g., bonuses, gain sharing, or profit sharing) may require significant study and negotiation, changes in the actual pay performance ties (e.g., changing bonuses from being tied to growth to being tied to profitability) may be achieved more easily. Also, certain HRM practices (e.g., compensation) will have a more immediate impact on employee behavior than others (e.g., selection).

In addition, the system feedback speed varies. Some changes in HRM practices can be implemented quickly and with almost immediate feedback. For example, the impact of the implementation of a bonus/incentive system might be apparent almost immediately (Wright, 1994), but the impact of a selection or training program might take longer (Carnazza, 1982).

Thus, HRM practices can vary in terms of their ability to be applied effectively across a variety of different situations, the variability in the

practices allowed across locations, the ease/quickness of implementing appropriate practices, and the speed with which feedback is obtained regarding the utility of the system of practices. To the extent that the HRM practices are flexible (in terms of both resource and coordination flexibility), the firm's overall flexibility is increased.

Flexibility and Employee Skills

As we discussed previously, most researchers who have explored the role of human resources in promoting firm flexibility have focused on the ranges and types of employee skills resulting from the application of HRM practices. Similar to the analysis of HRM practices, both the concepts of resource and coordination flexibility are relevant to workforce skills.

Employee skills and resource flexibility. Resource flexibility in employee skills refers to the number of potential alternative uses to which employee skills can be applied. One aspect of this involves the ability of each employee to work in different capacities. Employees who possess broad sets of skills enabling them to accomplish a large number of diverse tasks provide operational resource flexibility on a day-to-day basis (MacDuffie, 1995; Snell & Dean, 1992). Thus, skill-based pay plans provide one way of encouraging the development of such broad skill sets (Ledford, 1995).

In addition, management might develop resource flexibility in a longer-term fashion. The speed with which individuals learn to perform new tasks is becoming increasingly important in today's environment of rapid technological change, as well as the new psychological contract that offers "employability" through developmental experiences (Ehrlich, 1994; Guion, 1997). Thus, rather than focusing on the immediate breadth of skills, managers must also develop flexibility by ensuring that employees possess the foundational skills that will enable them to develop broader skills in the future. For example, resource flexibility of skills is reflected in Boudreau and Ramstad's suggestion that "mental abilities, flexible behaviors, and even personality traits associated with adaptability to change" (1997: 352) might better reflect the value of these employees to the firm desiring flexibility.

Employee skills and coordination flexibility. Coordination flexibility with regard to employee skills refers to how individuals with different skills can be redeployed quickly in the value chain. In this vein, firms can seek a wide range of skills through selecting a large number of individuals possessing a very narrow range of skills and then deploying and redeploying them wherever their skills are needed. In other words, a firm operating in different markets might be able to shift an existing employee or group possessing those skills from one market to another market requiring those skills. This is exemplified by AT&T's Resource Link, which provides a database of employee skills. Here, whenever an individual with a certain skill set is required within one division of AT&T, the hiring manager can access the database to identify a potential hire in another division.

Increasingly, firms are achieving coordination flexibility of skills by using contingent workers. Firms are able to hire individuals with a narrow set of skills to complete a specified project. Then, when the project is over or the product replaced, these contingent workers are released and a new set of contingent workers, whose narrow skill sets meet the needs of a new project, is brought in (Kochan, Smith, Wells, & Rebitzer, 1994).

Summary. The breadth of individual skills available to a firm provides an indication of the potential flexibility—consisting of both resource and coordination flexibility—of the firm. This breadth could be achieved by having fewer individuals who possess broad (possibly overlapping) skills or by having more individuals who possess narrow, but different, sets of skills. Although the breadth of the skills available determines the firm's flexibility, it is important to note that, at any point in time, this might only represent the potential, rather than realized, flexibility. In other words, the firm's current strategic needs might specify a narrow range of skills. However, to the extent that the firm possesses a broader range of skills that might not currently be exploited, those skills provide the firm with the potential capability to implement alternative strategies (i.e., functional slack). Therefore, if the workforce possesses a variety of skills (both resource and coordination flexibility), the firm's overall resource flexibility increases.

Flexibility and Employee Behavioral Repertoires

Finally, the flexibility that exists regarding employee behavior also determines the flexibility of a firm. The importance of employee behavior, as well as its distinctiveness from employee skills, is noted by MacDuffie, who states, "Skilled and knowledgeable workers who are not motivated are unlikely to contribute any discretionary effort. Motivated workers who lack skills or knowledge may contribute discretionary effort with little impact on performance" (1995: 199). He notes that motivation to exhibit discretionary effort stems, in large part, from employees believing that their individual interests are aligned with those of the firm. Similarly, Boxall (in press) distinguishes between the "can-do" goal of strategic HRM (developing workforce skills) and the "will-do" goal (eliciting motivation and commitment to align employee behavior to the interests of the firm).

Organizational flexibility comes to life through employees exhibiting appropriate behavioral scripts in given situations. These behavioral scripts consist of sequences of behavioral events expected by an individual (Abelson, 1976) and are similar to what others have called "routines" (Berger & Luckman, 1966). A script is stored as a sequential unit of understanding and is called upon at appropriate moments during human functioning. Individuals possess scripts for situations that they have encountered, and these scripts provide shared meanings and behaviors, which facilitate the coordination of activities within a social system (March & Simon, 1958).

Flexibility of organizations stems from the availability of a vast repertoire of behavioral scripts among employees. Flexibility is necessary so that existing routines can be altered in response to nontransient changes in the environment (Weick, 1979). The firm must possess a sufficient repertoire of novel scripts among organizational members, allowing them to recognize and accommodate these changes.

Behavioral scripts and resource flexibility. Behavioral scripts are extremely relevant to resource flexibility, because a script becomes stronger the more it is used (Schank & Abelson, 1977). Thus, as employees engage in repetitive handling of situations by applying a particular script, they increase the likelihood that they will

select that script to represent a particular situation. In essence, then, the same processes referred to as bureaucratization and institutionalization of HRM practices can take place with regard to individuals' behavioral scripts. The script becomes institutionalized, thus losing its novelty and becoming part of the objective reality of the firm (Zucker, 1987).

HRM practices can strongly influence—positively or negatively—the behavioral resource flexibility that exists in a firm. On the one hand, very specific behavioral appraisal systems, such as behavioral observation scales (Latham & Wexley, 1981), narrow job descriptions, and rigid standard operating procedures, likely will decrease behavioral flexibility. On the other, developmental experiences or assignments are usually aimed at increasing the behavioral repertoires available to managers. By working in departments or businesses unlike their own, managers can face different problems with different solutions, thus increasing their capacity to recognize a greater variety of contingencies and having a greater set of behavioral responses at their disposal (Noe, Wilk, Mullen, & Wanek, 1997).

We can illustrate this by comparing Southwest Airline's way of managing its workforce to other airlines' methods. Most of the major firms in the U.S. airline industry have developed very specific job descriptions and work rules to control employee behavior. Southwest, however, emphasizes the importance of getting planes out on time and doing what is in the best interest of the company and then provides employees with great latitude in deciding how to accomplish those goals (Freiberg & Freiberg, 1997). Says Herb Kelleher, CEO,

> We tell our people that we value inconsistency. By that I mean that we're going to carry 20 million passengers this year and that I can't foresee all of the situations that will arise at the stations across our system. So what we tell our people is, 'Hey, we can't anticipate all of these things, **you** handle them the best way possible. **You** make a judgment and use **your** discretion; we trust you'll do the right thing. If we think you've done something erroneous, we'll let you know—without criticism, without backbiting'" (Quick, 1992; emphasis in original).

Behavioral scripts and coordination flexibility. As behavioral scripts become more homogeneous, a firm's diversity of perspectives is reduced, thus reducing the potential for conflict. Because members share the same scripts regarding appropriate responses to similarly perceived situations, these scripts also serve as coordinating mechanisms. However, these positive benefits of increased coordination and reduced conflict might be more than offset by the negative side effects of reduced diversity of points of view.

Ginsberg's (1994) discussion of the need for heterogeneity among top managers illustrates the efficacy of having diverse viewpoints. Individuals with different scripts bring different interpretation choices and enactment choices (Weick, 1979). Yet, diverse viewpoints create coordination and conflict problems. This highlights the need for coordination flexibility, which enables the firm to synthesize and deploy the different perspectives in a way that maximizes decision effectiveness.

Summary. The flexibility of employee behavior provides an indicator of a firm's flexibility. Employees who possess a variety of behavioral scripts and are encouraged to apply them in appropriate situations, rather than always follow standard operating procedures, increase the likelihood of the firm identifying new competitive situations and responding appropriately. Similarly, a firm achieves flexibility by coordinating behavioral scripts across individuals and groups.

It is important to note that distinguishing between skills and behaviors does not require them to be independent. In fact, in most cases skills form the foundation for the array of potential behaviors an individual can display. However, consistent with what MacDuffie (1995) refers to as discretionary behavior, the importance of the distinction lies in recognizing that their foundational skills usually allow employees a plethora of alternative behaviors to exhibit. However, over time, the institutional processes we described earlier may cause certain behavioral scripts to take on a rulelike status, resulting in employees failing to make correct choices with regard to both interpretation and enactment of a given situation. This inflexibility can impede the exhibition of behaviors that might benefit the long-term performance of the firm but run counter to the standard operating procedure. Thus, the key to attaining behavioral flexibility is enlarging and eliciting the range of discretionary behaviors that result in positive organizational outcomes.

Therefore, the repertoire of behavioral scripts comprises an important component of the firm's flexibility. To the extent that employees possess a wide variety of behavioral scripts (resource flexibility) and that systems exist to synthesize these scripts (coordination flexibility), the firm's flexibility is increased.

IMPLICATIONS FOR STRATEGIC HRM PRACTICE

Our analysis highlights another way in which strategic HRM can contribute to a firm's competitive advantage: it can play an integral role in determining the organization's flexibility. Table 1 summarizes these aspects of firm flexibility that are influenced by strategic HRM.

To the extent that bureaucracy and inertia can be minimized, HRM practices can be changed quickly to meet the needs of a changing environment. To the extent that the workforce possesses a variety of skills and behavioral repertoires, the firm's flexibility is increased. Thus, the key role of strategic HRM is to ensure fit among a subset of strategically relevant variables while simultaneously seeking to build generic organizational capabilities that can be applied toward both discovering and implementing a variety of diverse strategic initiatives. In this section we examine the implications of this discussion for strategic HRM practice in terms of the role of HRM practices and the role of human resources in strategy formulation and competitive advantage.

Fit, Flexibility, and HRM Practices

Not surprisingly, we argue that strategic HRM should simultaneously promote both fit and flexibility. The system aspect of HRM is important, because it highlights the fact that multiple HRM practices exist within a firm. Thus, some HRM practices might only promote fit whereas others promote flexibility, and others promote both. Thus, the simultaneous pursuit of both fit and flexibility is achieved via a multifaceted HRM system that blends both fit and flexibility.

We recognize the importance of developing and applying HRM practices aimed at achieving fit. For example, firms that seek to increase levels of customer service can develop selection tests, such as role plays or interviews that assess an individual's skill in providing customer service. Training programs can be developed to increase these skills. Further, firms can aim appraisal and incentive systems at assessing and rewarding customer service behavior.

In addition, HRM practices can simultaneously promote flexibility within a firm. Certain intractable or institutionalized HRM practices might still promote firm flexibility, through development of a wide range of employee skills and behavioral repertoires. Innovative selection systems that seek to identify individuals with the ability to learn and adapt to new situations can provide a firm with competitive advantage (Snow & Snell, 1993). Training programs increase the skills and behavioral repertoires of employees in a way that can impact both efficiency (Cooke, 1994) and adaptability. Developmental experiences, such as job rotation and temporary assignments, focus on broadening both the skills and behavioral repertoires of individuals. Similarly, appraisal and compensation systems can motivate skilled employees to engage in effective discretionary decision making and behavior in response to a variety of environmental contingencies (MacDuffie, 1995).

TABLE 1
Strategic HRM Indicators of Resource and Coordination Flexibility

Strategic HRM Component	Resource Flexibility	Coordination Flexibility
Practices	Applicability of practices across jobs, etc.	Malleability of practices
	Rigidity of application across jobs, etc.	Speed of feedback on practice impact
Employee skills	Individual skill breadth	Variety of skills in the workforce
	Ability to acquire new skills	Ability to acquire diverse skills from contingent workers
Employee behavior	Rigidity of script application	Complementarity/conflict between scripts of different groups

Finally, in recent research scholars indicate that these HRM practices provide maximal effectiveness when bundled with participative work systems that provide employees with the opportunities to contribute their discretionary behavior toward the achievement of organizational goals (MacDuffie, 1995; Wright, McCormick, Sherman, & McMahan, 1995).

Fit, Flexibility, and Strategy Formulation

Rumelt notes that strategy formulation consists of "the constant search for ways in which the firm's unique resources can be redeployed in changing circumstance" (1984: 569). Our discussion of fit and flexibility has implications for a more active role for strategic HRM in strategy formulation.

Mintzberg (1994) distinguishes strategic planning as "strategic programming"—which takes a perspective of breaking down a goal into a set of action steps, formalizing those steps for automatic implementation, and articulating the results of these steps—from "strategic thinking"—which entails taking information from numerous sources and integrating that information into a vision of what direction the business should pursue. Strategic programming seems quite consistent with an emphasis on achieving fit, whereas strategic thinking is consistent with an emphasis on building flexibility and the integrative linkage. This distinction highlights the dual roles of human resources in strategic management and the different requirements of each.

Achieving fit requires an important role for the HRM function in strategy formulation. The goal is to achieve fit among strategy and HRM practices, employee skills, and employee behaviors. A simplistic (and popular) view of this is that strategy is considered a given, and the rest of the HR system is assumed to respond to implement the strategy. However, Cappelli and Singh (1992) note that it may be easier to fit the strategy to the skills that the firm possesses than to fit the skills to the strategy desired (Wright, Smart, & McMahan, 1995). If so, HRM's role consists of monitoring the actual HRM skills and behaviors of the firm and influencing the strategy formulation process through negating the choice of strategies incongruent with the HR system (Wright, McMahan, & McWilliams, 1994). In other words, in achieving fit, human re-

sources should play an important role in strategy formulation, but this role is a limiting one.

A focus on flexibility expands the role of human resources in strategy formulation even further. Human resources can promote the development of a workforce with the broad base of skills and behavioral repertoires necessary to respond to a variety of demands—that is, to implement a variety of different strategies. It also entails the development of a participative infrastructure that enables the firm to better monitor and respond to changes in the competitive environment. The participative infrastructure refers to the mechanisms the firm uses to provide maximum amounts of information to employees, to decentralize decision making, and to encourage employees to provide information or input into the firm's decision-making processes (Cooke, 1994; MacDuffie, 1995).

It is this participative infrastructure that enables employees to recognize and respond to such things as customer needs and competitor actions and to communicate those needs and responses throughout the firm. This information forms the foundation for input regarding external opportunities and threats, as well as internal strengths and weaknesses. Information is disseminated and linked with similar information, providing decision makers with the most up-to-date and accurate information regarding changing environmental contingencies. The participative infrastructure increases the ability of managers to find "those fledgling strategies in their organizations or those of competing organizations" (Mintzberg, 1994: 113). In fact, this illustrates a delimiting role, through increasing the probability that alternative strategies will be generated within the firm outside of the formal strategic planning process.

Fit, Flexibility, and Competitive Advantage

In the previous discussion we noted that seeking fit requires (1) knowledge of the skills and behaviors necessary to implement the strategy, (2) knowledge of the HRM practices necessary to elicit those skills and behaviors, and (3) the ability to quickly implement the desired system of HRM practices. These assumptions of the fit model point to the difficulty of achieving fit. However, this difficulty, in fact, leads to one way in which firms can gain competitive advantage.

Barney (1991) notes that sustainable competitive advantage stems from resources or capabilities that are valuable, rare, difficult to imitate, and nonsubstitutable. Because achieving fit is difficult regardless of the dynamism of the environment, firms able to do so possess a resource that meets Barney's criteria for competitive advantage. In addition, particularly in firms facing dynamic competitive environments, developing the ability to flexibly achieve fit with constantly changing strategic needs provides an even greater strategic asset. This kind of capability is at least one component of the dynamic capabilities discussed by Teece et al. (1997).

IMPLICATIONS FOR STRATEGIC HRM RESEARCH

Recognizing the dual roles of strategic HRM in achieving both fit and flexibility expands the types of research questions relating to the role of human resources in firm performance. First, it points to the need for research distinguishing among HRM practices, skills, and behaviors that are tightly coupled with the short-term strategic needs of the firm versus those that are loosely coupled. For example, some firms may emphasize coupling the strategy to skills (via changes in recruiting and selection systems), whereas others may tightly couple strategy and behaviors (via changes in appraisal and reward systems), and some may couple strategy with both and others with neither.

Second, our model also points to the need for research examining how firms achieve simultaneous loose/tight coupling through focusing on fit in some aspects of the HR system, while emphasizing flexibility in other aspects. Clearly, certain strategic needs require tight coupling with only a specific set of HRM practices, skills, and behaviors. For example, a firm that focuses on an increased level of customer service may include some aspect of customer orientation in the selection process but might still seek to assess other skills (intelligence, conscientiousness, and so on) that are more broadly applicable. In addition, this emphasis may require altering aspects of the appraisal and compensation systems to assess and reward customer service behavior, while other aspects of the systems remain the same.

Third, our model provides an impetus for examining the timing of strategic HRM decision making and implementation. Recognizing the lack of information and institutional and political processes we discussed previously points to a need for better data on the time frame involved in the strategic HRM process. How long do most strategic HRM decisions take from problem/issue definition to decision? How much time typically elapses between the decision until the implementation of actual HRM practices, policies, or programs? Once these practices, policies, or programs are implemented, how long does it take until their impact is evident in the skills and/or behaviors of the target workforce? Finally, how long does it take from the manifestation of skills and/or behaviors until their impact on firm performance is observed? Such an exploration can move us beyond overly simplistic models of strategic HRM toward a much richer understanding of the role of strategic HRM in organizations.

CONCLUSION

Given the increasing importance of strategic HRM in creating firm competitive advantage, much more theoretical development is necessary in the field (McMahan, Virick, & Wright, in press; Wright & McMahan, 1992). In this article we have focused on delineating more specifically the treatments of fit and flexibility in the strategic HRM literature. We have demonstrated that these treatments are not necessarily consistent and have provided an overall integrating framework by focusing on HRM practices, HRM skills, and HRM behaviors. In addition, we have used this model to identify some of the factors that influence the flexibility of a firm, which enables it to achieve fit in a dynamic competitive environment. We have noted the fuzzy treatment of the concept of flexibility in strategic HRM research and have attempted to provide a more specific framework for future examinations. Finally, we have explored the implications for our models on both practice and research in strategic HRM.

Absent a unifying framework of the strategic HRM process, theoretical development in the literature will be limited (Wright & McMahan, 1992). It is our hope that the framework and model presented here provides at least a starting point for future explorations of the concepts

of fit and flexibility as they apply to the research and practice of strategic HRM in organizations.

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