

S Y M P O S I U M

REVISITING THE CONCEPTS OF VERTICAL AND HORIZONTAL FIT IN HRM: WHAT WE KNOW, WHAT WE DON'T KNOW, AND WHERE WE MIGHT GO

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The theoretical soundness and practical relevance of strategic human resource management (SHRM) scholarship has recently come under scrutiny. The goal of this symposium is to offer a starting point for SHRM scholars to rethink our approach to understanding the achievement of competitive advantage through HR, guided by a reconsideration of what it means to achieve horizontal fit and vertical fit in HRM. Collectively, the three papers in this symposium contribute to this effort through a reconsideration of the content of the HR systems we study, an expansion of the strategic bases against which we consider the vertical fit of HR systems, and a more explicit incorporation of complexity and change into our understanding of both the horizontal and vertical fit of the HR “ecosystems” in organizations. In this paper, I introduce the key issues and questions with which the papers in the symposium interface and highlight potential avenues that future SHRM scholarship could pursue to address them.

In Wright and McMahan’s (1992: 298) seminal article, they defined strategic human resource management (SHRM) as “the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals.” Relatively soon thereafter, SHRM scholarship converged on a “best practice” or universalistic paradigm that presumed the superiority of a single HR system—namely, the “high-performance work system” (HPWS)¹—in supporting competitive advantage across all organizations, setting the stage for more than two decades of

research yielding broad empirical support for a positive relationship between the HPWS and firms’ financial performance (see Combs, Liu, Hall, & Ketchen, 2006). Yet, scholars have recently raised concerns that a singular focus on a “best practice” system may undermine the theoretical soundness and practical relevance of SHRM research (Jackson, Schuler, & Jiang, 2014). Theoretically, it is not clear how the *same* HR system can support the *varied* strategic goals pursued across organizations. From a practical standpoint, organizations are complex and dynamic entities. Strategic plans change, and different units may pursue distinct goals that vary in their reliance on different employee groups. Thus, it is not clear that a single HR system—“best practice” or otherwise—can support the many requirements of even *one* organization.

To address these limitations, SHRM scholars must revisit the assumptions underlying our research questions, theoretical models, and study designs. In this endeavor, a reflection on two foundational concepts in the SHRM literature—horizontal fit and vertical fit—can shed light on where the SHRM literature in its present state has fallen short in advancing our understanding of how systems of HR practices

I, and the other contributors to this symposium, would like to acknowledge and remember David Lepak, who was with us at the beginning of our submission process. Dave played an important and unforgettable role in the academic, professional, and personal lives of many of us, and we dedicate this symposium to him.

¹ The HPWS has been broadly defined as an HR system designed to support employee performance through significant investments in employees’ abilities, motivation, and opportunities to contribute to the firm; within this system, SHRM scholars have typically included HR practices such as rigorous selection processes, extensive training, merit-based pay and promotions, and formal participation programs.

work together and reinforce one another (i.e., “horizontal fit”) in aligning workforce characteristics and outcomes with the broader strategic needs and external contingencies of the organization (i.e., “vertical fit”)—and offer direction in overcoming these challenges. The purpose of this symposium is to provide a foundation—centered on these two concepts—on which scholars can build to bring SHRM research into better alignment with the contexts of research, practice, and the changing world of work in which it is embedded. Collectively, the three papers in this symposium contribute to this effort through a re-consideration of the content of the HR systems we study (Snell & Morris, 2021; Wright & Essman, 2021), an expansion of the bases against which we consider the vertical fit of HR systems (Chadwick & Flinchbaugh, 2021), and a more explicit incorporation of complexity and change into our understanding of both the horizontal and vertical fit of organizations’ HR “ecosystems” (Snell & Morris, 2021). In the present paper, I outline a series of questions through the lens of horizontal and vertical fit from which SHRM scholarship may progress, highlighting the unique contributions and recommendations advanced by the authors of the papers in this symposium along the way.

REVISITING OUR CONSIDERATIONS ABOUT HORIZONTAL FIT AND VERTICAL FIT

Revisiting Horizontal Fit: Questions on Alignment *within* the HR system

What is (are) the appropriate target(s) of our evaluations of horizontal fit? Elaborations on the idea of internal congruence in defining horizontal fit have emphasized the importance of complementarities among HR practices, whereby the functions of multiple practices within a single HR system reinforce one another in supporting desired employee outcomes (Delery, 1998). For example, the value of rigorous selection tests in building a quality workforce may be enhanced by investments in recruiting activities that improve the quality of an organization’s applicant pool. In this vein, scholars have most often pointed to the intuitive commonalities and synergies between multiple HR practices to theoretically justify their inclusion and effectiveness in a single system (e.g., Collins & Clark, 2003; Sun, Aryee, & Law, 2007).

Notably, this approach equates internal consistency to conceptual or practical parallels in the functioning of HR practices—implying that horizontal fit may be achieved only among HR practices that align with a single underlying logic. How, then, should we

understand horizontal fit within and among HR systems that do not fit this mold? Wright and Essman (2021), for instance, have highlighted (in this issue) research demonstrating that organizations often purposefully combine commitment- and control-based HR practices (Su, Wright, & Ulrich, 2018) to maintain some oversight of employees’ work behaviors while still fostering an employment relationship characterized by mutual trust and commitment. The authors point to the positive interactive effects of these two systems on firm performance (Su et al., 2018) as reflecting evidence that, despite their apparent contradictions, the combination of these two HR approaches does indeed result in positive synergies—and horizontal fit—in the empirical sense (Delery, 1998).

This question is also relevant in light of research focusing on HR systems that are tailored to support organizations’ specific strategic or operational goals, including occupational safety (Zacharatos, Barling, & Iverson, 2005), customer service (Liao, Toya, Lepak, & Hong, 2009), knowledge acquisition and knowledge sharing (Chuang, Jackson, & Jiang, 2016). It is likely that, in many cases, tailored HR systems or practices will not entirely replace more generic (or broader) HR systems that guide ongoing employment processes within an organization. Rather, such systems may combine to act as complements, with the broader HR system forming the basis for the underlying employment relationship and a more targeted HR system helping to sharpen employees’ abilities and motivation toward a more specific strategic objective (Kehoe & Collins, 2017).

Thus, this research begs the question of how we can best understand horizontal fit in organizations relying on a combination of HR systems or logics to manage employees. While the simplest solution may be to evaluate horizontal fit *within* each of the multiple HR approaches in use, this fragmented approach would seem to undermine the fundamental focus of the SHRM literature on the broader HR strategy—or the “*pattern* [emphasis added] of planned human resource deployments” (Wright & McMahan, 1992: 298) made by an organization. An important consideration for future SHRM scholarship, then, is what is the appropriate target of our evaluations of horizontal fit? For horizontal fit to be achieved, must the entire collection of HR practices implemented as part of an organization’s broader HR strategy reflect internal consistency with a single, intuitively congruent underlying logic? Or, is horizontal fit more appropriately evaluated as the extent to which an organization’s HR practices collectively support a consistent set of desired

employee outcomes, independent of the apparent consistency in the specific means or underlying logics through which individual practices—or subsets of practices—contribute to these ends?

How does intraorganizational variation in HRM affect horizontal fit? Bowen and Ostroff (2004) highlighted an important distinction between HRM content and process. Whereas “HRM content” refers to the specific practices or activities included in an HR system (e.g., the use of a particular selection test or training program), “HRM process” relates to the design and administration of the HR system as it is carried out (e.g., patterns in how HR practices are communicated or presented to employees).

The majority of empirical SHRM research measures HRM at the firm level, implicitly assuming that HR systems are implemented consistently throughout the organization, and thus that variance due to HRM process does not occur (Becker & Huselid, 2006). However, it is clear from research examining HR practices at the job group (e.g., Gardner, Wright, & Moynihan, 2011) and unit levels (e.g., Kehoe & Collins, 2017), as well as from studies explicitly focusing on variance across line managers in HR practice implementation (e.g., Sikora, Ferris, & Van Iddekinge, 2015), that HRM process can indeed be the source of significant variance in the experience of HR practices throughout an organization. And this is not necessarily a bad thing. Indeed, as Snell and Morris (2021) have noted in this issue, middle managers’ adaptations of HR practices often represent important steps in enabling organizations to accommodate changes in their environments (i.e., to improve vertical fit). Alternatively, as these authors note, some organizations have opted to adopt HR practices that are themselves inherently more adaptable to changing conditions. In either case, Snell and Morris (2021) have proposed an overhaul of the outdated view that HR systems are designed and orchestrated in a strictly top-down manner—a point that is consistent with more established literatures on autonomous strategic behavior (Mirabeau & Maguire, 2014) and emergent strategy (Burgelman, 1983), which provide evidence of the prevalence and adaptiveness of local managers’ deviations from organizations’ espoused plans and practices.

In another vein, research on workforce differentiation focuses on organizations’ systematic (i.e., top-down) differentiation in workforce management strategies or HR systems across different employee groups (Becker & Huselid, 2006; Lepak & Snell, 1999). This research suggests that organizations may benefit from deliberately varying the HRM content

delivered to different employee groups based on the strategic value and uniqueness of employees’ human capital (Lepak & Snell, 1999) or based on the nature of their jobs (e.g., strategic vs. nonstrategic) (Becker & Huselid, 2006)—reflecting intraorganizational variance in HRM content by design.

Whether variance in HR practice delivery throughout an organization is rooted in variations in HRM process or HRM content, an open question is how this variance influences horizontal fit. What form and level of alignment between the HR systems used to manage different employee groups are ideal?

Are there other components or elements of an organization’s approach to managing and coordinating people that are relevant to horizontal fit? Following an overarching assessment that today’s organizations are marked by increasing complexity and change, Snell and Morris (2021) concluded that, to fully address issues of fit and alignment, scholars must seek to understand what these authors refer to as a complex “HR ecosystem.” Within this ecosystem, they include three interacting “spheres,” encompassing (1) “composition,” which refers to different workforce segments and employment modes; (2) “capabilities,” or knowledge, skills, abilities, and learning processes; and (3) “culture,” which reflects the values, attitudes, and beliefs within an organization. The authors suggest that organizations use HR practices (e.g., job design, compensation, training) to manage the HR ecosystem. Thus, an important consideration is whether our evaluation of horizontal fit should focus not only on fit among HR practices themselves, but also (or alternatively) on the extent to which an organization’s HR practices foster complementarities—or, at least, compatibilities—across the three spheres of the HR ecosystem—or with other characteristics of the culture and formal and informal contexts that influence employees’ attitudes, behaviors, and interactions.

Revisiting Vertical Fit: Questions on Alignment between the HR System and Other Attributes of the Organizational Environment

How can we best understand “strategy” as the target of alignment for an HR system? The most common target of SHRM scholars’ assessments of vertical fit of HR systems is organizational strategy. Dating back to Miles and Snow’s (1984) focus on “prospectors” versus “analyzers” versus “defenders,” SHRM scholarship focusing on vertical fit has tended to adopt a monolithic perspective on strategy, classifying an organization’s strategy into one of a few potential types,

such as cost leadership, innovation, and quality-enhancement (Schuler & Jackson, 1987), or exploration and exploitation (Collins & Kehoe, 2017).

The benefit of this approach lies in its simplicity—it allows scholars to develop straightforward theoretical arguments, which they can assess with intuitive empirical tests of the extent to which one or more HR systems supports the requirements of a particular strategy. The downside of this approach, of course, also lies in its simplicity. As Snell and Morris (2021) have noted in this issue, at any given time, an organization is pursuing multiple strategic goals, which may span various business units, geographical regions, and networks. As a result, it may be unlikely that a singular strategic classification will adequately characterize the true nature of an organization's strategic pursuits. This raises a question: How can we best understand the role of an organization's strategy or strategies in determining the vertical fit of HR systems? As one response, Snell and Morris (2021) have advanced the notion of expanding our focus to consider a broader "HR ecosystem" (introduced briefly above) in part to account for the multiple dimensions along which vertical fit may be achieved by an organization's multifaceted and multiple HR investments—which may vary across groups of employees. However, it is clear that the full theoretical and empirical implications of this challenge will require further consideration and elaboration.

What roles should complexity and change play in our understanding of vertical fit in HRM? SHRM scholars have long recognized that organizations operate in dynamic and complex environments, wherein maintaining alignment between internal investments and the external landscape requires adaptation throughout the organization and over time. Snell and Morris (2021) characterized this problem as one of change and complexity, and have suggested that an effective HR solution must involve some alternation between convergence and divergence, whereby the identification and diffusion of HR investments that align with an organization's present context are followed by local deviations in response to changes in the organization's environment. These authors promote the practice of trial and error and local experimentation to allow organizations to find the HR solutions that are the best (temporary) fit for their present (but dynamic) challenges. These ideas again build on principles that are rooted in research on autonomous strategic behavior (Mirabeau & Maguire, 2014) and emergent strategy (Burgelman, 1983) but have yet to receive considerable attention in the SHRM literature.

Another solution that several scholars have begun to consider involves the adoption of one or more HR systems that inherently promote flexibility. Scholars focusing on this approach have distinguished between "resource flexibility" (which refers to flexibility in the employee resources that an HR system enables an organization to acquire and develop) and "coordination flexibility" (which refers to the flexibility with which an HR system enables an organization to redeploy employee resources to alternative uses) (Wright & Snell, 1998), arguing that an HR system that achieves the combination of both is likely to be most powerful in supporting an organization's capacity to meet strategic demands in uncertain or dynamic competitive environments (Chang, Gong, Way, & Jia, 2013). Within this vein, Chang and colleagues (2013) focused their attention on the effects of a targeted flexibility-oriented HR system, whereas Patel, Messersmith, and Lepak (2013) developed arguments that a more general HPWS has the capacity to support ambidexterity in organizations by simultaneously promoting "discipline" (described as resulting from "clear performance standards and expectations, swift and open feedback systems, and consistency in how employees are managed") and "stretch" (which refers to "an organizational context in which members voluntarily and actively push their own standards and expectations to higher levels"; Patel et al., 2013: 1422). While not focused on the question of fit and flexibility, Wright and Essman's (2021) call, in this issue, for SHRM scholars to consider organizations' simultaneous adoption of multiple HR systems is also relevant in this regard, as one could envision an organization's simultaneous adoption of a more stable HR system that provides for security and trust in the employment relationship and a more targeted, dynamic HR system focused on an organization's need to innovate and adapt.

What are the other elements of the organization's environment that are relevant to vertical fit? While SHRM scholars have most often focused on the vertical fit of an organization's HR system with its strategy, vertical fit may refer to the fit of an HR system with a variety of other characteristics of an organization's environment. And, indeed, some extant research has also considered the fit of organizations' HR systems with industry characteristics, including industry dynamism (Chadwick, Way, Kerr, & Thacker, 2013), capital intensity (Datta, Guthrie, & Wright, 2005), and growth (Chadwick et al., 2013; Datta et al., 2005), as well as other attributes of the general environment, such as labor market conditions (Sun et al., 2007).

An open question is what *other* attributes of an organization's environment HR scholars and practitioners should be considering. Chadwick and Flinchbaugh (2021) have highlighted (in this issue) at least three directions such inquiry might take. First, organizations may benefit from aligning idiosyncratic (or firm-specific) HR investments to take advantage of *imperfections in the relevant labor market*. For instance, targeted internship programs may overcome information asymmetries in hiring and path-dependent investments may contribute to a firm's reputation as a preferred employer, thereby increasing an organization's bargaining power with respect to target applicants. Second, different HR practices within the same HR system may have differing returns depending on the *prevalence of particular practices among a firm's competitors*, pointing to an additional contingency factor associated with the value of specific HR investments. Finally, organizations' *HRM capabilities* may enable them to customize the implementation of more generic HR practices to effectively align with a firm's particular needs (Chadwick & Dabu, 2009). From this standpoint, the vertical fit of an HR system would depend on a firm's corresponding HR capability to make the system fit with the organization's idiosyncratic context.

Progress in neighboring literatures points to additional avenues that are ripe with relevant contingencies associated with returns on HR investments. For example, research on resource orchestration has highlighted that the value of organizations' various HR investments may depend on relative HR investments by rivals (Sirmon & Hitt, 2009) and the deployment flexibility of the focal employee resources (Sirmon, Gove, & Hitt, 2008). Research on star performers has suggested that the payoff associated with firms' investments in stars may depend on a firm's involvement with complementary alliance partners (Hess & Rothaermel, 2011), the quality of other employees in the organization (Groysberg & Lee, 2008), and R&D expenditures (Rothaermel & Hess, 2007). Insights from these and other literatures can offer guidance into identifying other attributes with which an organization's HR investments are ideally aligned.

CONCLUSION

I hope that, at this critical juncture in SHRM scholarship, this symposium offers one foundation for a productive endeavor to move our conversation forward. While a focus on horizontal fit and vertical fit represents just one of many potential starting points from which we might advance the SHRM literature, this approach—specifically, retracing the roots of

our research back to the fundamentals to take stock of what we know, what we don't know, and where we might go—offers a starting point from which SHRM scholars can converge around a shared language, a common understanding, and a consistent set of questions in preparation to once again diverge in our varied pursuits of answers to the most basic question of how organizations can best manage their human resources to achieve competitive advantage.

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