

HRM-Firm Performance Linkage: Unpacking the Black-Box

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Abstract

The objective of the study is to bring out the linkages between HRM practices and organizational performance that continue to enthuse the researchers and practitioners as there are mediating and interacting variables in this relationship of distal nature. The black-box model approach was adopted to keep the options open for the researchers to unpack the box with intervening variables. In evaluating the extant literature, the methodology of the study, and intervening variables that link the relationship are derived from the organizational behavioural processes of individual, group, managerial and organizational structures and functions. The structural and functional integration suggested bridging the gap between HRM practices and performance.

Keywords: HRM-performance, HRM practices, OB processes, Strategic HRM, Black-Box Model

Introduction

HRM practices are generally underlined by the patterns of employee utilization in achieving the strategic goals of the organization. In this strategic perspective, HRM can be conceptualized as bundles of practices, HR configurations or contingency-based HRM (Delery & Doty, 1996). However, the interaction between HRM and firm performance remains elusive as the interrelationships are confounded. Researchers have attempted to delineate the confounding variables of interrelationships that link HRM practices with firm performance (Messersmith et al., 2011; Savaneviciene & Stankeviciute, 2010). The clarity required evades the researcher as HRM practices are sometimes distal or proximate in their effects. The inability to decode the inter-relationships between HRM and firm performance has led researchers to label it the black box (Becker & Gerhart, 1993). This paper attempts to delineate the relationship using a conceptual approach based on the extant literature.

Literature Review

The causal link between HRM practices and organizational performance has not been comprehensively explained by researchers as most of the studies use certain individual level or group-level variables or different approaches (Guest, 1997).

Even when researchers can provide evidence, more specifically correlational ones “there is almost no evidence to document that the causal relationship is of the form, HR-business performance rather than some other causal form” (Gerhart, 2005, p. 177). These unknown and/or unexplained processes or mechanisms in the HRM-performance link are labelled in the literature as the HRM “black box” (Becker & Gerhart, 1993, p. 793). This is the critical missing link in the explanation of HR practices leading to organizational performance (Harney & Jordan, 2008; Purcell & Hutchinson, 2007). In other words, in the absence of a direct relationship between HRM practices and organizational performance, or when “the specific causal model remains unclear” researchers are to search for the mediating and the moderating variables that influence the HRM-performance link (Becker & Gerhart, 1993, p. 793).

What can be called the clouded effect, the relationship between HRM and performance is due to several factors and processes, the nature of which is clouded. The black box is first of all because of the confusion surrounding the interpretation of HRM outcomes and performance wherein the former is equated with individual and group-based processes and the latter denotes company indicators (Guest, 1997). Secondly, it is argued that the invisible hand of HR gestalt is responsible for the linear and the non-linear relationship where the whole is different from the parts (Paauwe, 2004). The third issue concerns whether the HRM practices are additive in the nature of more practices producing more outcomes or multiplicative in the nature of non-linear combinations of cause and effect (Wall & Wood, 2005).

The fourth issue of relating HRM with performance is that of the lack of agreement on identifying the correct “fit” among which the three fits are internal, organizational and strategic fits (Wall & Wood, 2005, p. 431). The fifth issue surrounds the relation of HRM to outcomes/performance. There is no consensus as to what constitutes HRM in the organizational settings and the multiple interpretations are more so when it comes to the measurement of independent and dependent variables of HRM-performance linkages which make it “multidisciplinary” in nature (Boselie et al., 2005, p. 72) with a “collection of multiple, *discrete* practices with no explicit or discernible link between them, or the more strategically-minded *system* approach (that) views HRM as an integrated and coherent “bundle” of mutually reinforcing practices (Boselie et al., 2005, p. 73). The sixth issue relates to the “opportunity for multidisciplinary as well as multilevel research” (Guest, 2017, p. 6).

The seventh issue that requires consideration is the less importance attached to the influence of the context which can be business strategy, employee attributes, institutional setting, and related environmental influences, in influencing HR-performance linkages (Gerhart, 2005). The eighth issue concerns the lack of consensus on the contents of the “black box” in the HRM-performance linkages including the number of known and unknown boxes that supposedly explain the linkage (Savaneviciene & Stankeviciute, 2010). In the ninth issue, Wright and Nishi (2004) bring out the contradictions found in theory versus practice in that there are always differences between intended HRM, actual or implemented HRM and perceived HRM and when it comes to the measurement process of performance aspects, there is every possibility of contaminated data being analysed.

Finally, Jackson and Schuler (1995) confirm that theories as divergent as general systems theory, theory of role behaviour, institutional theory, theory of resource dependence, human capital theory, transaction cost economics, and agency theory besides other perspectives put forward strong to weak relationships between HRM practices and performance. It is in the background of these inadequacies, contradictions and incompatible views that a black-box model is proposed as filling the gap between HRM and firm performance.

Conceptual Framework of the Study

The extant literature “can be generally categorized as optimistic concerning the potential for progressive HRM practices to enhance the performance of employees and organizations” (Deleaney & Huselid, 1996, p. 950). However, the general view is that HRM practices per se cannot bring about the employee/organizational performance as there are always organizational and behavioural processes involved in the *real practice* of HR practices themselves (Boselie et al., 2005; Messersmith et al., 2011). “...Conceptually organizational performance does not stem from the HR practices themselves but rather from the human efforts that result from using HR practices” (Messersmith et al., 2011, p. 1107).

The interaction between HRM and firm performance is mediated by a host of organizational, managerial and behavioural variables (Guest, 1997; Boselie et al., 2005). HR practices are to be aimed at “building the human capital pool” and “stimulating the kinds of human behaviour that constitute an advantage” or effecting the same in the organizational activities (Boxall & Steeneveld, 1999, p. 445; Boselie et al., 2005). The key issue here is that of identifying the processes, the mechanisms and the context in which the same is affected. The major

implication of unpacking the black box is that of identifying the mediating and the moderating variables given the set or the bundles of best/progressive HR practices and the targeted performance.

The HRM-performance linkages and the mechanisms that are involved in these relationships are approached from the three different theoretical perspectives, true to the nature of a scientific inquiry that is still progressing (Paauwe, 2004; Guest, 1997). Delery and Doty (as cited by Paauwe, 2004) refer to the three ways of theorizing to explain the HRM-performance linkages: the universalistic, the contingent and the configuration mode. The universalistic perspective focuses on the application of best practices and the creation of high-performance work systems to show the relationship. The assumptions that guide this perspective include the linear relationship between HRM and organizational performance, the success of best practices across a wide variety of situations and the performance is equated with financial indicators. Otherwise labelled the normative view, these theories prescribe the best practices without adapting them to the necessary conditions.

In the contingent relations complex interactions between HRM variables, contingency variables like company size and age, the management style practised, the technology used, the extent of trade union activities, the nature of the industry, the strength of the capital, the ownership culture, and the location and performance variables are supposed that sums up the entire relationship between the three groups of variables (Paauwe, 2004). More similar to the contingency perspective, strategic theories of HRM-performance linkages are “concerned with the relationship between a range of possible external (as well as internal) contingencies and HRM policy and practice” (Guest, 1997, p. 264). These are the contingencies that take on strategic dimensions in aligning corporate strategy with HRM strategy.

In the configurational pattern, it is the internally consistent bundle or system of HRM practices that affect the performance which again depends upon the way it is configured with other organizational processes (Paauwe, 2004). This group of theories according to Guest (1997) is called descriptive as these generally describe the input-output relations in the broad domain of HRM activities in their configurational patterns.

These differing conceptualizations including that of Jackson and Schuler (1995) can be collapsed into the triadic model of ability, motivation and the opportunities in the explanation of HRM- performance linkages (Deleaney & Huselid, 1996). In Jackson and Schuler's (1995) interpretation of the internal context of HRM that subsumes the linkages, it can be further drawn that it is attuned to the triadic model, wherein human capital resources, organizational structure, work structure, strategies, employer-employee relations and the related HRM practices hold the key. This is the so-called "AMO" theory put forward by Appelbaum et al., (as cited in Boselie et al., 2005) wherein "Performance = f (employees' Ability, Motivation, and Opportunity to participate)" (Boselie et al., 2005, p. 5). The problem with the equation is that of not delineating the creation/development of abilities, motivational processes and the opportunities that facilitate the organizational performance. Given that the selected employees are capable, the next question is what the mechanisms that facilitate further development of employee skills before the employees become under-skilled in the organization are. The HRM practice of training and development in itself does not tell the whole story of employee development (Deleaney & Huselid, 1996). The nature of opportunities or the context capital that acts as the catalyst for performance is also not specified in this explanatory equation.

In the AMO framework, the motivation and the workplace structure and the processes which are instrumental in finally determining the firm performance, the mechanisms of which are still in the nascent stage (Deleaney & Huselid, 1996). The discretionary behaviours that become the employee behaviours in the AMO framework must be an outcome of Behaviour = f (Person, Environment) wherein the focus now shifts to deciphering the organizational, managerial and individual-based processes of firm performance (Guest, 2017; Paauwe & Boselie, 2005; Boselie et al., 2005). It is in this context that the use of macro HRM and micro HRM by Wright and Boswell (2002) becomes significant as this leads to a better understanding of HRM that is now internally contextualized. Macro HRM can stand for the broader and the strategically determined HRM practices and the micro HRM can represent the individual and the group-level variables and processes (Wright & Boswell, 2002; Guest, 2017). In other words, the individual level and the group processes are the content processes and the organizational and the managerial processes are the contextual processes of HRM (Mathews et al., 2020).

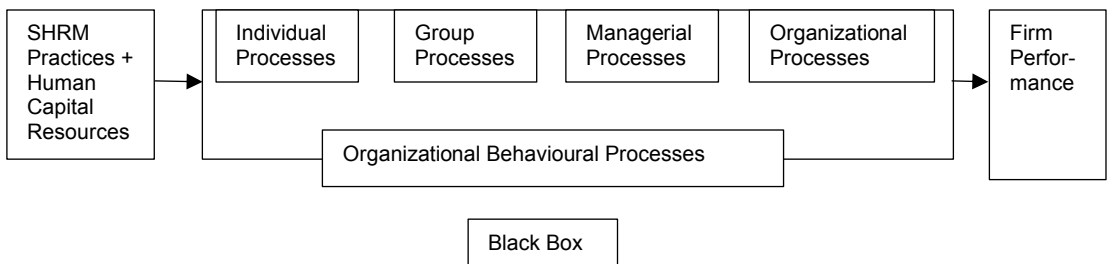
The conceptual framework of the study thus “integrates features of the macro strategic perspective with the more micro-level perspective typically adopted by psychologists” in its attempt to unpack the black box of the HRM-performance link (Guest, 2017, p. 4). In the changing interdisciplinary influences, HRM is now integrated with the work/organizational psychology or organizational behaviour thereby HRM practices have shed the old way of treating HRM as an administrative function and it has taken on the new dimensions of behavioural management of employees signalling the change that HRM practices and its interaction with other systems of the organization are to be analysed in the organizational, managerial and behavioural framework (Guest, 2017; Boselie et.al., 2005; Purcell & Hutchinson, 2007). The mechanisms/linkages mediating the relationships are endowed with the individual-managerial-organizational processes as HRM practices are active not in a “decontextualized vacuum” but a contextualized integrative-interaction frame between the variables and the processes of human capital resources and the contextual variables. The individual-managerial-organizational processes (Boselie et al., 2005, p. 6) result in the emergence of a “synergistic whole” of performance (Boselie et al., 2005, p. 7) and an HR “gestalt” (Guest, 2017, p. 4).

General Black-Box Model of HRM-Performance Linkage

The several empirical and conceptual studies reported in the literature (for e.g., Subramony, 2009; Guest, 1997) attempt to unpack the black box, highlighting the interacting behavioural processes of employees and managers and the situational processes that influence the firm performance. The suggested general black-box model of HRM-performance linkage, Fig. 1, depicts the boxes that mediate or link HRM practices with firm performance.

Figure 1

The General Black-Box Model



Strategic HRM Practices

“The strategy literature... provides a theoretical context for examining the implications of HR for firm performance” (Becker & Huselid, 2006, p. 900). A key feature of SHRM practices is the bundling of practices that are mutually reinforcing, complementary and interconnected and which evolve into synergic sets of enhanced firm performance (Dyer & Reeves, 1995). Following Delery and Doty (1996) the seven practices considered strategic are: internal career opportunities, formal training systems, appraisal measures, profit sharing, employment security, voice mechanisms, and job definition. Even when there can be differences of opinions about these practices along the lines of adding more and/or revising the existing ones (e.g. Akhtar et al., 2008), the fundamental assumption is that HR practices that are out of alignment with the strategy, are doomed to lower the firm performance as long as *the strategy* guides the entire organization.

Human Capital Resources

All human work-related resources of static and dynamic nature that add value to the organization can be characterized as human capital resources (Mathews et al., 2020). Dealing with the general patterns of skills of employees, Carmeli and Tishler (2006) group them into generic skills, sector-related skills (or specific skills), specific skills required for each organization and industry-related skills required at the industry level like computing skills for the IT sector all of which becomes functional in the creation of values. Wright and Mc Mahan (2011) refer to the micro-foundational basis of human capital wherein it is implied that the unique combination of individual processes of cognitive and non-cognitive nature, structure the individual human capital. The psychological view of human capital is that it “originates in the cognition, affect, behaviours, or other characteristics of individuals” (Kozlowski & Klein, 2000, p. 55; Wright & Mc Mahan, 2011).

The cognitive and the non-cognitive abilities/traits/processes/interests and even values of individual employees have the nature of capital in their contribution to organizational outcomes (Ployhart & Moliterno, 2011; Mathews et al., 2020). The intangible resources like cognitive abilities, problem-solving skills, analytical ability, reputation, culture and networks are resources in the proper sense of productivity enhancement (Hall, 1992; Ployhart & Moliterno, 2011). Similarly, “proactiveness, striving aspirations, a teamwork approach, dilemma resolution and a learning capability”, risk-orientation and self-motivation, are resources (Connor, 2002, p. 308; Amabile, 1988). In Hansen and Wernerfelt’s model (1989)

behavioural processes “explain about twice as much variance in profit rates as economic factors” (Hansen & Wernerfelt, 1989, p. 406). In the AMO model of organizational performance, the motivational processes occupy a central position as it is the level of motivation that drives the employees to performance and the level is dependent on the organizational and behavioural practices (Guest, 2017).

Organizational Behavioural Processes

All HRM practices are to take shape from the specific human processes since the interventions are to be mediated through them and its success finally rests on the behaviour of employees (Paul & Garg, 2014). Humans are not just resources in the way of material resources, instead, they are dynamic entities wherein employee perceptions, emotions, attitudes, perceptions, motivations and cognition and attributions, to name just a few, are seen as mediators or intrinsic to the very process of HRM practices/interventions (Dries, 2014). The contemporary view is that of psychology taking precedence in the actual implementation and evaluation of the success of HRM practices and thereby administrative and management approaches adopt a secondary role and there is a paradigm shift from *control* HRM to *commitment/entrepreneurial* HRM (Guest, 1994; Shipton et al., 2017). HRM theory and practice draw upon much of the behavioural theories that explain the organizational behavioural dynamics (Böckerman et al., 2012; Pardo & Moreno, 2009).

Individual and Group-level Processes

Messersmith et al. (2011) place the employee attitudes and behaviours in the centre of the black box of the HRM-performance linkages. Attitudes are essentially composed of cognitions, affect and behaviours which then imply that the nature of employee cognitions, affect and behaviours play a significant role in impacting employee performance and organizational performance.

Brymer et al. (2011) refer to the nature of cognition as: “Cognition involves the mental processing that uses, changes, enacts, recalls, stores, sense, and transforms knowledge in a dynamic, recursive manner (p. 159). Cognition is the processing of information and creation of knowledge that makes use of the cognitive structures like schemata, scripts, belief systems, values, memory networks and related processing apparatus (Levy et al., 2007). The employee cognitions in the form of recipes or specific cognitive constructs spur the activity of the members in the desired direction (Uotila, 2015). These performing

cognitions are constructed among employees in the interaction with the work environment.

Employee emotions, the processes that attract or repulse employees to different work settings or individuals determine the way they perform in the organizations. The experience of positive emotions attracts individuals to the corresponding settings or individuals and the experience of negative emotions distances the employees from the same such that their performance impact becomes minimum. Interactive relationships between the leaders and the employees can result in the development of emotional contagion that can promote greater performance and commitment which is attitudinal (Zhou et al., 2014; Mercurio, 2015).

A related theoretical position that has clear implications for performance is the affective events theory which is both attitudinal and behavioural. It is shown that the emotions and moods that employees experience in the organization in response to work events have a clear impact on organizational outcomes (Ashton-James & Ashkanasy, 2008). Emotions with their motivational and behavioural processes impact the employee performance in positive and negative ways and further advances are being made in this direction (Gooty et al., 2009; Lindebaum & Jordan, 2012).

The final component of attitude is the corresponding overt behaviour that takes one to the fact that cognition, affect and behaviour of overt nature interact between themselves that in the activation of cognition and affect, overt behaviour is a sequential process. In other words, employees are having the corresponding attitudes when the three components about objects, persons or practices are in a state of mutual influence.

Employee attitudes toward job satisfaction (Lhamo, 2019), commitment, adjustment and empowerment are found to be significant predictors of individual-level and organizational-level performance (Ostroff, 1992; Messersmith et al., 2011). It is through the behaviours of favourable attitudes that the employees bring productive and value-enhancing behaviours to work. Favourable attitudes to work/job can produce behaviours of attachment, performance and citizenship (Ostroff, 1992).

Even though job satisfaction is widely cited in the discussion on firm performance, Wright and Cropanzano (2000) prefer to use the term psychological wellbeing

(PW) since the construct involves certain technical elements of the job that may confound the very state of job satisfaction. The commitment of the employee to the task and the organization arises out of the involvement and the identification that can take behavioural and attitudinal forms (Mercurio, 2015). In the behavioural commitment, the individual gets “locked into” the organization and the behaviours are centred on the organizational processes (Mowday et al., as cited by Mercurio, 2015, p. 394). Psychological empowerment is the “sense of voice in helping to mould and influence organizational activities” (Messersmith et al., 2011, p. 1109). The level and the nature of empowerment influence employee and firm performance (Messersmith et al., 2011).

Another OB process that becomes significant concerning HRM-performance linkage and which is mediated through perception and attitude is employee involvement defined as “visible extra-role or role-expanding opportunities for individuals or groups at a lower level in the organization to have a greater voice in one or more areas of organizational performance” (Phipps et al., 2013, p. 110). Generally considered employee involvement involves higher levels of employee participation and empowerment aimed at improving performance at the individual and organizational levels (Sofijanovaa1 & Zabijakin-Chatleska, 2013).

In the application of behavioural theories to understand the employee behaviours and the organizational dynamics of performance, employee perceptions are analyzed to bring out their importance in employee involvement, satisfaction, commitment and organizational performance (Pardo & Moreno, 2009). Two distinct and also related perceptual processes studied are perceived organizational support and leader-member exchange wherein the former represents the employee’s perception of the organization and the extent to which it is favourably perceived, termed perceived organizational support (POS) and the latter represents employee perception of the supervisor termed leader-member exchange (LMX) (Wayne et al., 1997). POS and LMX are conceptually distinct but empirically related (Wayne et al., 1997). The higher the POS the employees perceive the higher the performance implications. The mutual perception that the leader and the follower initiate and cultivates determines the course of outcomes in the organization. A high-quality relationship facilitates greater performance (Casimir et al., 2014).

Attribution, yet another individual process is the process of perceiving/infering the motives or causes of behaviour patterns of individuals or groups and the same

holds in employees' perception of HR practices (Guest, 2017). Researchers in this area find out the patterns of employee attribution concerning the adoption of HRM practices and how the attribution changes their work processes and outcomes (Guest, 2017; Nishi et al., 2008). "HR attributions refer to employees' causal explanations for HR practices to which they are exposed on an ongoing basis" (Nishi et al., 2008, p. 7) can be performance-focused attributions of the pattern of high managerial expectations that produce job strain and attributions of employee-well-being HR practices that lead to the attitudinal response of high commitment (Van De Voorde & Beijer, 2014).

Another attitudinal and behavioural component of employees that mediates the relation between strategic HRM practices and firm performance is employee engagement (Macey & Schneider, 2008). It becomes attitudinal in the satisfaction, involvement, commitment, passion and enthusiasm of employees and behavioural in working long hours, working hard, focused effort and producing accomplishments (Little & Little, 2006; Macey & Schneider, 2008). Being considered an individual-level and group-level construct, the engagement of employees can be actively engaged, engaged, non-engaged and actively disengaged (Little & Little, 2006; Macey & Schneider, 2008). There is mounting empirical evidence that supports the mediating relation between employee engagement and organizational performance (Tensay & Singh, 2020). Finally, high-performance work systems also labelled bundles of HR practices of different combinations and configurations are distinctive patterns that yield high performance in the organization besides promoting cohesion in the team (Guest, 1997; Shipton et al., 2021).

Managerial Behavioural Processes

In an explanation of the linkages between HRM and organizational performance, managerial behaviour assumes critical importance as they are the ones who manage and enact HR practices (Purcell & Hutchinson, 2007; Sadler-Smith et al., 2003). Following the view of Purcell and Hutchinson (2007), the wide gap that exists between the espoused and the enacted HR practices point to the fact that management/leaders is/are rather negligent about the implementation of the practices besides attesting to the fact that managers are responsible for steering the organization to goal accomplishment by the strategic use of HRM practices.

Managerial behavioural processes are directly linked to firm performance in that the key managerial functions of leadership, decision-making, communication,

conflict management and motivation are the medium through which HRM practices become implemented and results achieved (Sadler-Smith et al., 2003; Garvin, 1998). The pattern of managerial behavioural processes determines the way the goals are accomplished in the organization which in other words become people management activities that define the nature of the organizational performance (Purcell & Hutchinson, 2007). "Behavioural processes are the sequences of steps used for accomplishing the cognitive and interpersonal aspects of work" (Garvin, 1998, p. 6). In the opinion of Garvin (1998), behavioural processes provide one of the keys to opening the "black box" of the organizational and management process underlying firm performance (p. 1).

The key behavioural processes practised in the organization include leadership (Purcell & Hutchinson, 2007), decision-making process (Kroon et al., 2013) communication (Garvin, 1998), learning processes (Garvin, 1998) and conflict management (Cogburn et al., 2014) besides other intra-personal, interpersonal and group processes. The leadership process of leader-member exchange greatly enhances the effectiveness of HRM practices and the same is mediated by interpersonal relationships and people management practices (Purcell & Hutchinson, 2007). The significance of decision-making in HRM-related practices is underscored by Kroon et al. (2013).

The process of communication is anything but simple (Garvin, 1998). Communication involves "facts, feelings, perceptions, innuendoes, and various other things all in the same 'simple' message" (Garvin, 1998, p. 9). Communication that is open, inclusive, strategic, results-driven, multichannel-based and interactive shows greater organizational performance (Kibe, 2014). The process of organizational learning that involves the acquisition of new knowledge and using the available knowledge most innovatively applies in the formulation and implementation of HRM practices. Learning-oriented HRM promotes greater self-renewal and organizational performance (Jaw & Liu, 2003). The relation between the level of conflict and the management of conflict and organizational performance is well-documented that high levels of conflict produce dysfunctional outcomes and that constructive conflict management facilitates greater employee involvement and performance (Cogburn et al., 2014).

Organizational Processes

HRM practices can never be a practice in a decontextualized way and it has to be integrated with the organizational processes wherein lies its fruition (Pardo &

Moreno, 2009). Organizational processes can generally become equivalent to the O in the AMO model in that these are the opportunities provided to the employees to show forth their performance. Following the conceptualization of Kroon et al. (2013), O specifically can be interpreted concerning the job characteristics of Hackman and Oldham and the empowerment culture that prevails in the organization. The opportunity to perform can be created through work committees, employee involvement measures and making workers autonomous as far as possible (Kroon et al., 2013).

O can also denote organizational culture influences and predict organizational performance and the relationship is so intrinsic that as cultural elements or type varies performance also varies (Prajogo & McDermott, 2011). The research conducted by Prajogo and McDermott (2011) conclusively demonstrates the way different types of cultures predict organizational performance. In the realm of organizational processes, the structural configuration also becomes decisive in the relation between HRM practices and performance (Pardo & Moreno, 2009). Finally, HR climate defined as employees' shared perceptions of the five Ps of HRM do impact organizational performance (Bowen & Ostroff, 2004).

Integrating Strategic HRM Practices and OB Processes

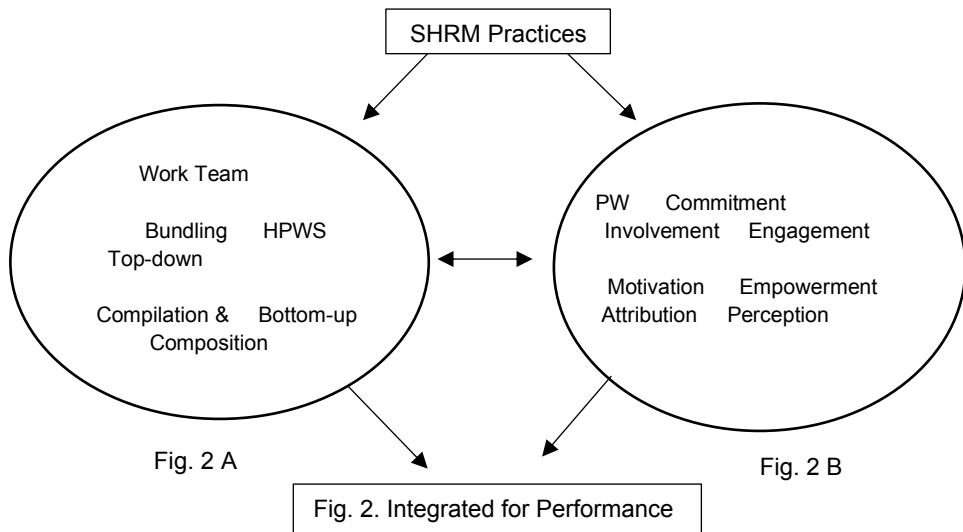
"...Existing theory and research in SHRM have ignored (via assumption) the individual variance and processes that are necessary for HR practices to impact organizational performance" (Wright & Nishi, 2007, p. 20). Organizational behaviour being the field of study that examines the entire individual, group and organizational behaviour at the micro, meso and macro levels, it goes without saying that the behavioural dynamics of HRM practices and the way it impacts the organizational performance requires the consideration of the psychological processes that mediate the individual, group and organizational functions at the same levels, a fact identified by Guest (2017) besides other researchers like Wright and McMahan (2011) and Ployhart and Moliterno (2011). With the Hawthorne effect continuing to challenge the HRM practices, the recent research and practice in HRM promote much of individual-centred and group-centred behaviours leading to a micro-level focus in the formulation and implementation of HRM practices (Guest, 2017). For Wright and McMahan (2011), the transformational performance enhancement is contingent on unique employee behaviour patterns that spring not from HRM practices per se but from employees' own mediated and moderated psychological processes which are also determined by the environment (Jian-Qun et al., 2012). These discretionary behaviours of

productivity stem from a combination of individual propensities and environmental features (Jian-Qun et al., 2012). For Ployhart and Moliterno (2011), it is the “the emergence enabling states” of varying psychological states and traits in the organizational context that define the human capital resources of organizational performance (p. 135).

It is in the integration of the organizational/group/individual processes with the strategic HRM practices that a comprehensive explanation of organizational performance can be derived (Wright & Nishi, 2005; Becker & Huselid, 2006; Pardo & Moreno, 2009). Neither the HRM practices nor the OB processes themselves provide the link between HRM and firm performance. The integration of the HRM practices with the people management practices clinches the deal in terms of improved performance (Bartram et al., 2007). The interaction between organizational behavioural processes and strategic HRM practices generates ensembles of HR practices and OB processes rather than limiting it to sterile HR bundles of practices devoid of behavioural processes, which finally results in the generation of emergents/HR gestalts collapsing one or more processes in an iterative manner which finally lead to impacting organizational performance. Two processes that are critical in the emergence of HR gestalt are “composition (a pattern that facilitates bottom-up emergence....), and compilation (a pattern of bottom-up emergence that reconciles divergent perspectives into a coherent whole)” (Shipton et al., 2017, p. 13). Top-down strategies are effective in “implementing predetermined innovation goals” and bottom-up strategies “unleashing (unleash) the innovative capabilities of its employees” (Zhou et al., 2021, p. 133)

Integration paves the way for “agile” HR systems and adaptive OB processes (Paauwe & Boon, 2009, p. 49). The strategic HRM-behavioural integration thus provides the keys to unpacking the black box of HRM-firm performance link. The integration of SHRM practices with the OB process can be analysed at the structural levels of the organization and behavioural or functional levels of employees (Guest & Peccei, 1994), as given in Fig. 2.

Figure 2
Integration of SHRM Practices



It is through these mechanisms of structural (Fig. 2A) and functional (Fig.2 B) integration (Figs. 2 A & B) that SHRM practices become effective in enhancing firm performance. The variables of structural and functional/behavioural levels identified above thus become the key ones that mediate/moderate the SHRM practices and firm performance. These OB processes are the nucleus of firm performance when SHRM practices are considered.

Conclusion

The proverbial “black box” connotes unknown and hidden things or processes concerning a phenomenon under study. The unpacking of the black box involves challenges in terms of finding new paths or relations so far undiscovered. The identified contents of the black-box of the HRM- performance linkages are largely derived from the OB processes at the levels of individual, group and organizational ones that supposedly and comprehensively establish the behavioural variables that mediate the relation between HRM-performance linkages.

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