THE STRATEGIC INTEGRATION OF HUMAN RESOURCE MANAGEMENT

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Chapter 1

Synopsis

1.1 Focus of Dissertation

The strategic integration of human resource management (HRM) in managerial decision-making is a prevalent scientific topic (e.g., Bennett, Ketchen, & Schultz, 1998; Vernon & Brewster, 2013). The attractiveness of the strategic integration of HRM relates to leveraging organizational outcomes by means of managing human resources (Guest, 1990; Vernon & Brewster, 2013). Extant research reported that the strategic integration of HRM has a positive influence on organizational outcomes like firm performance (Lawler & Mohrman, 2003) or HRM effectiveness (Bennett et al., 1998). Other favorable aspects are a positive influence on organizational performance due to more effective coordination (Stavrou & Brewster, 2005) and better financial performance (Guest, Michie, Conway, & Sheehan, 2003). Yet, some scholars were unable to support benefits of strategic integration of HRM. Martell and Carroll (1995) found no influence on performance indicators and Wright, McMahan, McCormick, and Sherman (1998) even observed a negative effect on HRM effectiveness. Furthermore, Francis and Keegan (2006) assumed a lack of a strategic mindset among HR specialists that impacts firm performance negatively, and Caldwell (2003) presumed a harmful HRM role conflict that is driven by the different interests of relevant stakeholders such as employees and executive management.

Various scholars covered a broad range of HRM roles that illustrate the practical implementation of the strategic integration of HRM (e.g., Schuler, 1990; Storey, 1992).
However, probably the most prevalent HRM role concept among practitioners, the HR business partner model (HRBPM), derives from Ulrich (Gerpott, 2015; Ulrich, 1997). The HRBPM is designed to overcome a traditional primarily administrative-oriented HR function as it shall contribute to competitive advantages and change (Beer, 1997), instead of merely reacting to intraorganizational demands (Cooke, 2006; Storey, 1992). Based on findings from HRM competencies research of Fortune 500 companies (D. Ulrich, Younger, Brockbank, & Ulrich, 2013), Ulrich developed a multiple-role concept incorporating two strategic and two operational roles that enable HRM to engage actively in managerial decisions and to focus effectively on internal customers (Ulrich, 1997). This approach aims at the cooperation between relevant stakeholders and at the integration of HRM in managerial decision-making (Bennett et al., 1998; Wehner, Kabst, Meifert, & Cunz, 2012). A relevant specification of the HRBPM is that all HRM roles are equally important, as different roles serve different corporate demands (Ulrich, 1997). If one role was not properly fulfilled, the HRM experiences negative effects (Ulrich, 1997). Despite numerous model revisions and continuous extensions since its inception in 1987 (D. Ulrich et al., 2013), the original model comprising the four HRM roles remains the most cited and prevailing model of HRM roles (Kuipers & Giurge, 2017; Ulrich, Allen, Brockbank, Younger, & Nyman, 2009).

Research overall supports that Ulrich’s model is successful, impacts HR effectiveness (Buyens & De Vos, 2001; De Bruyn & Roodt, 2009), competitive advantages (Wang & Shyu, 2008) and organizational performance (Katou & Budhwar, 2010). However, related criticism refers to intra-personal conflicts of HR employees who try to serve both employees and management (Francis & Keegan, 2006; Hope-Hailey, Farndale, & Truss, 2005). Other critics tackle the mismatch of a target-performance comparison in terms of HRM competencies, as previously administrative-oriented HR managers potentially struggle to act strategically (e.g., Hesketh, 2006).
Besides studies on strategic integration of HRM and the HRBPM as its practical implementation, there is another HR-related research stream that refers to the international perspective (international HRM) and that contributes to discern respective implications (Boxall, Purcell, & Wright, 2007). International HRM scholars underline the necessity to assess the surrounding conditions to understand and shape HR practices, such as the strategic integration of HRM. Organizations have to consider national factors (T. Edwards, Edwards, Ferner, Marginson, & Tregaskis, 2010), particularly, as institutional differences affect HR practices (Mesner-Andolšek & Štebe, 2005). Scholars underscore that the assessment of national differences is relevant to understand distinctions of HRM and to adapt HR practices accordingly (Vaiman & Brewster, 2015). Academics explain internationally different HR practices and outcomes either with institutional influences that derive from local regulations (Björkman, Fey, & Park, 2007; Powell & DiMaggio, 1991) or informal influences like culture, language, religion and history (Gooderham, Morley, Parry, & Stavrou, 2015; Gupta & Hanges, 2004). Both aspects, the informal and the institutional one matter (Brewster, Brookes, & Gollan, 2015; Hall & Soskice, 2001). Hence, the international context is a relevant factor for the implementation of HRM models or HR practices and their respective success.

**1.2 Research Gaps and Research Questions**

Extant research on strategic integration and the HRBPM led to numerous, but heterogeneous findings (e.g., Hope-Hailey et al., 2005; Kuipers & Giurge, 2017). However, there is still limited knowledge in terms of the practical implementation of strategic integration in general, and in terms of the HRBPM in particular. Most of the aforementioned research address an organizational level of investigation. Yet, there are also calls to examine several individual perspectives within organizations regarding the strategic integration of HRM, particularly in terms of the collaboration between the HRM and other managing functions (Chen, Hsu, & Yip, 2011). Extant studies demonstrate that the success of strategic integration of HRM is strongly dependent on the attitudes and the behavior of HR managers.
Moreover, the strategic integration of HRM is positively influenced by the attitudes of top managers and their relationship with HR managers (Kelly & Gennard, 1996). Thus, there is the need to assess the alignment of attitudes and behaviors between relevant corporate stakeholders towards the strategic integration of HRM. In defiance of the plethora of research on strategic integration, there is still limited knowledge in terms of an individual level of investigation.

The HRBPM is a practical implementation of the strategic integration of HRM and shall contribute to organizational success (Ulrich, 1997). The HRBPM’s underlying reasoning is that if stakeholders, such as HR managers, were involved from the outset of managerial decision-making, they could anticipate problems, raise relevant issues, avoid errors and consequently contribute to business goals (Barney & Wright, 1998; Ulrich, 1997). Moreover, the operationally oriented HRM roles contribute to leverage process efficiencies (Truss, 2008). Thus, the organization profits from both strategic and operational roles to create competitive advantages (Ulrich, 1997). However, notwithstanding these mostly theoretical explanations, there is limited empirical knowledge of the strategic integration, the HRBPM, relevant underlying mechanisms and respective implications. This notion leads to the first overarching research question.

Research question 1: What are the performance implications and mediating mechanisms of strategic integration of HRM and HR business partnering?

Another relevant dimension of HR-related research refers to the international context (Boxall et al., 2007) and the necessity to assess cultural and institutional conditions to understand and adapt HR practices (Vaiman & Brewster, 2015). According to extant international HRM research, the impact of the strategic integration of HRM differs on a
country level (Björkman et al., 2007; Brewster et al., 2015), particularly between coordinated market economies and liberal market economies (Gooderham et al., 2015; Vaiman & Brewster, 2015). The distinction between coordinated market economies (CMEs) (e.g., Germany) and liberal market economies (LMEs) (e.g., USA) traces back to the varieties of capitalism (Dore, 2000; Hall & Soskice, 2001). LMEs follow a liberal orientation of the economy, favor company owners and shareholders and avoid governmental interference, whereas CMEs coordinate and intervene in the economy and provide employees and unions with comprehensive rights (Brewster et al., 2015; Hall & Soskice, 2001). The institutional differences are associated with different levels of stakeholder involvement in managerial decisions (Hall & Soskice, 2001) and influence the implementation of strategic integration of HRM on a country level. Scholars support this rationale as institutional settings and political structures affect organizations (T. Edwards et al., 2010), HR practices (Goergen, Brewster, & Wood, 2013), and HRM responsibilities (Mesner-Andolšek & Štebe, 2005).

However, in face of the research stream on international comparative human resource matters (e.g., Brewster, 2007; Brewster, Mayrhofer, & Reichel, 2011), scholars have hardly liaised the practical implementation of strategic integration of HRM, like the HRBPM with international comparative aspects. This research gap in terms of differences in cross-national settings leads to the following overarching research question.

Research question 2: What are the differences and similarities of strategic integration of HRM and HR business partnering among different institutional and cultural settings?

1.3 Outline of Dissertation

The outline of the overarching research questions are addressed in chapters 2 to 5. Figure 1 provides an overview of the main topics per chapter and displays the overarching research questions.
Chapter 2 builds on research on strategic HR business partnership that advocates for a linear positive association between a strategic integration of HRM and organizational outcomes. Based on person-supervisor (P-S) fit and the strategic integration of HRM, this research suggests that congruence between both line managers and HR managers regarding strategic integration is associated with beneficial organizational outcomes. Two separate studies were conducted with two different dyadic samples in medium-sized and large organizations. Study 1 comprises the attitudes of 62 line managers and 62 corresponding HR managers. Study 2 covers the actual behavior of 102 line managers and 102 corresponding HR managers. The most relevant finding is that there are positive organizational outcomes that result from a congruence in stakeholder behavior.
Chapter 3 focuses on the strategic involvement of HRM and its practical implementation, namely the HRBPM. This study is one of the first that includes an empirical appraisal of the original four HRM roles and a detailed assessment of their relation to internal efficiency and organizational performance. Besides this study extends international HRM research as it covers HR business partnering in face of a cross-country comparison (UK vs. Germany). The findings overall support the existence of the four business partner roles and their joint impact on organizational performance. Furthermore, there is support that internal efficiency mediates the relationship between HR business partner roles and organizational performance. Surprisingly, the relations between the HRBPM and organizational performance are comparable in Germany and the UK and do not diverge as assumed.

Chapter 4 contributes to international HRM research and assesses the strategic integration of HRM within the Germanic Europe cluster and in opposition to the Anglo-Saxon cluster. The result is that the Germanic Europe cluster is split with respect to the strategic integration of HRM; the Netherlands and Switzerland rather conform to the progressive benchmark cases of the USA and the UK, whereas Germany and Austria are lagging behind their more progressive equivalents. More than 20 years after the dissemination of the HRBPM across organizations, a learning effect can be ruled out. Hence, differences in institutional contexts may impede the strategic integration of HRM in German and Austrian organizations.

Chapter 5 covers the relationship between the strategic integration of HRM in managerial decision-making and organizational outcomes. The respective focus of the strategic integration of HRM is measured by the degree of partnership between HRM and line management. This approach extends literature on international context and institutional aspects and covers the UK, the People’s Republic of China and South Africa. By drawing on data from the Cranfield Network on International Strategic Human Resource Management survey 2015/16, findings support that there is a positive relationship between HRM
partnership and organizational performance in the UK. However, this link is neither supported for China nor South Africa.

A detailed overview of the chapters’ content and their contribution is provided in Table 1.

**Table 1. Content of chapters**

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Objective</th>
<th>Findings/contribution</th>
<th>Theoretical perspective</th>
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<tr>
<td>2</td>
<td>Birds of a Feather Fly Together: The Influence of Dyadic Congruence in Strategic Integration of HRM on HRM Value and Internal Efficiency</td>
<td>When &amp; why congruence in strategic integration regarding attitudes &amp; behavior increases or diminishes internal efficiency; mediation by HRM value</td>
<td>Behavioral congruence of line managers &amp; HR managers regarding strategic integration is associated with positive organizational outcomes; mediation of relationship by HRM value; incongruence detrimental for attitudes &amp; behavior</td>
<td>Concept of fit; resource-based view</td>
<td>Empirical/quantitative; structural equation modeling; polynomial regressions &amp; surface plot analysis</td>
<td>Two studies comprising primary data from Germany; n = 164 dyads</td>
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<td>3</td>
<td>HR Business Partnering in Germany and the UK: Cut From the Same Cloth? The Context of HR Business Partnering and its Mediating Implications</td>
<td>Assessment of four HR business partner roles; relationship between roles &amp; organizational performance; mediation by internal efficiency; comparison UK vs. Germany</td>
<td>HR business partner model relates to organizational performance; HRPBM prevalent in UK; mediation of relationship by internal efficiency; no country difference–similar outcomes in UK &amp; Germany</td>
<td>Resource-based view</td>
<td>Empirical/quantitative; OLS regressions; mediation; moderated mediation</td>
<td>Primary data from UK &amp; Germany; n = 300</td>
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<tr>
<td>4</td>
<td>Human Resource Management in the Germanic Context</td>
<td>Assessment of differences &amp; similarities within Germanic Europe cluster in comparison with Anglo cluster regarding strategic integration of HRM &amp; talent management</td>
<td>Strategic integration of HRM: Germany &amp; Austria lag behind Germanic Europe equivalents; differences in institutional context, co-determination regulations &amp; path-dependence prevent German &amp; Austrian firms from catching up; talent management: organizations aligned &amp; professionalized within cluster</td>
<td>Institutional view/varieties of capitalism</td>
<td>Empirical; descriptive statistics &amp; OLS regressions</td>
<td>Primary/secondary data from Cranet wave 2015/16 Secondary data from World Management Survey 2004-16 n = n/a</td>
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<tr>
<td>Chapter</td>
<td>Title</td>
<td>Objective</td>
<td>Findings/ contribution</td>
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<td>5</td>
<td>One Size Fits All? Differences in HRM Partnership in the UK, China and South Africa</td>
<td>Relationship between partnership of human resource management &amp; line management &amp; organizational performance; comparison UK, China, South Africa</td>
<td>Partnership of HRM &amp; line management on organizational performance only in UK</td>
<td>Resource-based view &amp; varieties of capitalism</td>
<td>Empirical/quantitative; structural equation modeling</td>
<td>Primary/secondary data from Cranet wave 2015/16; UK, China, South Africa n = 524</td>
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Chapter 2

Birds of a Feather Fly Together: The Influence of Dyadic Congruence in Strategic Integration of HRM on HRM

Value and Internal Efficiency
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Chapter 3

HR Business Partnering in Germany and the UK:

Cut From the Same Cloth? The Context of HR Business Partnering and its Mediating Implications
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Chapter 6

Conclusion

6.1 Overall Discussion

The aim of this dissertation is to answer the overarching research questions that refer to the implications of strategic integration of HRM and differences in terms of institutional and cultural settings. The first research question relates to the performance implications and mediating mechanisms of strategic integration of HRM and HR business partnering. The findings of this dissertation support that the strategic integration of HRM and especially the HRBPM provide beneficial organizational outcomes. These insights contribute to the research stream of strategic integration of HRM in general and corroborate HRM scholars’ rationale that strategic integration of HRM yields positive organizational outcomes (e.g., Budhwar & Sparrow, 1997; Martell & Carroll, 1995).

The research stream on strategic integration of HRM is diverse and either focuses on the organizational level and respective principles (e.g., Sheehan, 2005) or on the individual level that relates to capabilities and competencies of HR managers (e.g., Caldwell, 2003; Hope-Hailey, Gratton, McGovern, Stiles, & Truss, 1997). Chapter 2 of this dissertation goes beyond the latter stream and liaises the strategic integration of HRM with the individual level of congruence and fit (Kristof-Brown, Zimmerman, & Johnson, 2005; Yang, Yan, Fan, & Luo, 2017). The level of investigation provides insights from multiple corporate stakeholders at a time and displays a mediator via HRM value to internal efficiency. This approach extends the
debate on strategic integration of HRM and complies with calls to examine several perspectives within organizations regarding the collaboration between the HR function and line managers (Chen, Hsu, & Yip, 2011). Respective calls relate to the debate on cross-business-unit collaboration (Martin & Eisenhardt, 2010) as intraorganizational social networks, such as HRM and line management can adapt to challenges and eventually foster interdepartmental and organizational performance. Besides, HRM value as a meaningful mediator concurs to the debate on HR-related intervening mechanisms (e.g., Becker, Huselid, Pickus, & Spratt, 1997; Delery & Shaw, 2001; Huselid, 1995).

A prevalent practical sample of strategic integration of HRM is HR business partnering that is the focal point of the analysis in chapter 3. Respective findings support that HR business partner roles impact the organizational performance positively. The chapter’s outcomes corroborate the positive outcomes of the HRBPM and the interplay of all original HRM roles, as assumed by scholars (e.g., Conner & Ulrich, 1996; Ulrich, 1997). Furthermore, the fact that internal efficiency mediates the relationship of the HRM roles on organizational performance, extends the literature on HR mediators (e.g., Delery & Shaw, 2001; Huselid, 1995).

Another practical case of strategic integration is HRM partnership that measures the degree of collaboration between HRM and line management. The findings of chapter 5 support a positive relation between HRM partnership and organizational performance albeit only in the UK. The findings of the chapters 2, 3 and 5 contribute to the afore-mentioned ongoing debates in two ways. First, this dissertation provides empirical and scientific support for the connection between the HRBPM and beneficial organizational outcomes that has been questioned by scholars (e.g., Caldwell, 2003; Hope-Hailey, Farndale, & Truss, 2005). Second, particularly the approach displayed in chapter 3 opposes criticism that the HRBPM provides an insufficient reflection of organizational reality (Caldwell, 2008).
The second overall research question refers to the differences and similarities of strategic integration of HRM and HR business partnering among divergent institutional and cultural settings. The results of this dissertation show that the strategic integration of HRM is not a universally applied concept. The prevalence and diffusion of the HRBPM differs between Germany and the UK. Surprisingly, despite a difference in terms of prevalence, the organizational outcomes of the HRBPM in both Germany and the UK are very similar. These interesting results contribute to the literature on comparative HRM matters that centers on the context, in which organizations operate (e.g., Björkman, Fey, & Park, 2007; Gooderham, Nordhaug, & Ringdal, 1999). Scholars explain different HR practices and outcomes either with institutional influences that derive from local regulations (Björkman et al., 2007; Powell & DiMaggio, 1991) or informal influences like culture, language, religion, and history (Gooderham, Morley, Parry, & Stavrou, 2015; Gupta & Hanges, 2004). HRM comparative scholars drew on multiple aspects of respective literature, for instance on capitalism and market economies research to explain international differences (Brewster, Brookes, & Gollan, 2015; Farndale, Brewster, Ligthart, & Poutsma, 2017). The capitalism literature distinguishes between LMEs that are characterized by deregulated markets and a strong shareholder-value orientation (e.g., UK), and CMEs (Hall & Soskice, 2001). CMEs center on coordinated and more regulated markets and foster employment protection regulations (e.g., Germany) (Hall & Soskice, 2001).

Chapter 3 of this dissertation builds on this very typology and displays disparities regarding the model’s prevalence between the UK and Germany. The underlying notion is that LME-based organizations face more pressure to implement changes and are probably more used to change and adaptation. Organizational dispositions for flexibility and openness in LMEs enable HRM to develop new skills. This is basically in line with international HRM research that covers contextual differences in terms of institutional dimensions such as
economy, politics and legal system (e.g., Giardini, Kabst, & Muller-Camen, 2005). However, contrary to capitalism theory the outcomes in both jurisdictions on organizational performance were similar. A potential explanation might be that the isomorphic pressures (Powell & DiMaggio, 1991) in the UK and Germany are alike. Regardless of the jurisdiction, there might be competitive pressures that flatten the cross-country discrepancies. Moreover, a simple differentiation between LMEs and CMEs is probably insufficiently precise to cover and explain reality. This argumentation is supported by Wächter and Muller-Camen (2002) who posit that a high-level comparison between LMEs and for instance Germany as a CME in terms of managerial concepts across countries is flawed. Relevant national regulations such as the strong co-determination in Germany are not necessarily negative. Instead such regulations provide opportunities for HRM to be involved in business strategy formulation and thereby impact the organizational outcomes significantly without an official establishment of a strategic business partner. The findings of chapter 3 and in parts of chapter 5 are in line with this argumentation as the prevalence of HRBPM differs internationally but eventually results in similar outcomes.

Besides these institutional influences, international comparative HR scholars also examined the cultural influences and built on the endemic GLOBE project (Gupta & Hanges, 2004; House, Hanges, Javidan, Dorfman, & Gupta, 2004). The GLOBE project relates to multiple cultural dimensions that cover for instance the emphasis on competitiveness, rewarding performance, planning for the future, uncertainty avoidance, and the assertiveness of relationships. Chapter 4 draws on these cultural classifications as well as institutional dimensions to explain that the Germanic Europe cluster is split between the Netherlands and Switzerland on one side, Germany, and Austria on the other side. The Netherlands and Switzerland conform to the progressive benchmark cases of the USA and the UK, whereas Germany and Austria are lagging behind. It has to be acknowledged that persistent differences
in institutional context such as the co-determination regulations, the prevalence of works councils as well as respective path-dependencies may ultimately prevent German and Austrian firms from making up ground. Hence, despite these heterogeneous findings for Germany in terms of the diffusion of strategic integration of HRM there is the unfettered conclusion that the strategic integration produces beneficial outcomes in both Germany and the UK. For the UK it can be assumed that the underlying reasons relate to the liberal market orientation of the UK and its affiliation to the Anglo-Saxon country cluster.

6.2 Outlook

Despite the new contributions that bolster the relevance of the strategic integration of HRM and its embedment in an international context, several questions remain to be addressed. To complement the findings of the present studies, more in-depth research is required that assesses the actual degree of a strategic integration of HRM. This dissertation primarily covered the strategic integration of HRM and the HRBPM as a practically implemented proxy for respective HRM roles. Despite an appropriate understanding of the underlying HRM roles and the collaboration between HRM and line management, still hardly any research covers the level of influence of HRM within an organization. Future research shall investigate the interplay of HRM roles on an individual level and the actual importance of HRM within an organization. Steps like the introduction of HRM value have been made. Nevertheless, there is more in-depth research required. Appropriate measures would be qualitative methods that would complement the quantitative approach of the present studies. Besides, qualitative methods could also be used to address the scrutiny of mediating effects that eventually contribute to beneficial organizational outcomes.

Another aspect relates to a detailed assessment of the HRBPM. Further research should investigate the actual implementation and design of the HRBPM (i.e., the organizational structure). The focus of this dissertation lies on HRM roles and respective outcomes. Yet, it
would be fruitful to focus on the organizational structure that derives from such an implementation to get a better understanding of the underlying mechanisms.

In terms of Germany’s prevalence of strategic integration of HRM, future research should also explore the time-invariant barriers in more detail. Researchers could, for instance, examine whether structural differences in organizational characteristics or institutional factors better explain the identified inertia of chapter 4.

Besides, future research should follow the path of international comparative matters. Given the global orientation and international dependencies in business today, it is important to understand international differences. Not all HR-related trends and models will work universally, hence, business and situational acumen of HRM is required to undertake appropriate adjustments to facilitate an adequate implementation. Hence, a thorough understanding of such concepts is the basis for HRM to contribute to organizational value creation. Relevant practical research is the key to achieve this goal.
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