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## “Dealing With it.” Creating External Fit in HRM Through Learning and Collaborating

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### ABSTRACT

**Aim** – The aim of the article was to begin with it explicitly adopts a best fit approach to external fit in HRM, by examining HRM innovation as the dependent variable. Then the article theorizes how HRM innovation relates to external developments that organizations experience. And finally, a theoretical framework is developed to understand how organizations to adapt to these developments.

**Methodology** – The present study relies on a quantitative method and a deductive approach. Cross-sectional data were collected including several cases at one point in time. The responses from these cases provide the information for testing the hypotheses that state relationships among specific variables. To investigate whether it was possible to reduce information and to create reliable measure of multiple items, a scale analyses were performed.

**Findings** – The main findings of this study are twofold. First, the more developments organizations face, the more innovate they are with regard to how they manage their human resources. Secondly, these innovations take place because organizations have organizational learning practices and cooperate more often on HR related issues with other organizations.

**Practical implications** – Findings are basically in line with alignment approaches, while adding more detail to the underlying mechanisms through which alignment is achieved according to the dynamic capabilities approach and the relational view. According to these approaches, organizations seek internal and external fit and those possessing dynamic capabilities and external ties are better in achieving such fit. Since facing several trends means that misfits occur between the environment and the organization, organizations respond by innovating their HRM through learning and collaborating.

**Originality/Value** – This study tests the hypotheses that organizations achieve external fit via (1) the development of organizational learning practices; and (2) by collaboration with other organizations. Quantitative data gathered with a survey among 711 private organizations from the Netherlands are used to test these hypotheses.

### KEY WORDS

External environment, best fit approach, innovative HRM, dynamic capabilities approach, relational view

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## 1 INTRODUCTION

Alignment approaches of human resource management provide important explanations for the use of human resource practices by organizations (Wright & McMahan, 1992; Burke & Ng, 2006; Lambooij, Sanders, Koster & Zwiers, 2006; Subramony, 2006; Budhwar & Debrah, 2010; Han, Kang, Oh, Kehoe & Lepak, 2019; Stewart & Brown, 2019; Dhar, 2020). These approaches state that the performance of organizations relies on their ability to create internal and external fit regarding their HRM policies and practices. Whereas internal fit means that organizations need to ensure that these policies and practices are aligned with each other, the creation of external fit requires that these policies and practices align with the external environment (Baird & Meshoulam, 1988; Iqbal, 2018). This idea of internal and external fit has inspired a wealth of HRM studies, of which the stream examining high performance work systems (HPWS) is one of the most advanced (Appelbaum, Bailey, Berg & Kalleberg, 2000; Murphrey & Soutley, 2003; Jewell, Jewell & Kaufman, 2022). According to the HPWS literature, organizations adopting internally consistent bundles of HRM practices, which are aligned with the external environment have the highest performance (Shin & Konrad, 2017).

Despite that it is often argued that external fit is essential to organizational performance, there are three issues concerning the external fit approach that have not been addressed to date. The first issue concerns how HRM policies and practices are conceptualized in prior studies. Here, two ways in which HRM policies and practices are theorized can be distinguished, namely those identifying “best practices” and those investigating how organizations achieve the “best fit” (Purcell, 1999; Malik, 2022). Most of the research has been focused on finding best practices and far less on whether these practices fit the external environment. Therefore, it is argued that it is unclear whether the practices are also the best option for every organization (Kaufman & Miller, 2011). While a focus on external fit means relating external factors of organizations to their HRM practices and investigate how they achieve external fit in HRM, HRM research mainly aims at connecting the practices to outcomes rather than trying to explain the policies and practices that organizations apply (Huselid, 1995; Rasheed, Shahzad, Conroy, Nadeem & Siddique, 2017). Therefore, most of the empirical research focuses on the outcomes of these policies and practices instead of on the characteristics of the organizational environment explaining the use of these policies and practices. A final issue than concerns the theoretical and empirical link between the external environment and the use of HRM policies and practices. While it is often assumed that there is such a link, the underlying mechanisms are often not empirically studied.

This leads to the following research questions that are addressed in this article. To begin with it explicitly adopts a best fit approach to external fit in HRM, by examining HRM innovation as the dependent variable. Then the article theorizes how HRM innovation relates to external developments that organizations experience. And finally, a theoretical framework is developed to understand how organizations to adapt to these developments. This theoretical framework incorporates two distinct ways through which organizations achieve external fit, namely via internal adoption processes based on the dynamic capabilities approach (Teece, 2014) and via external learning mechanisms, which are central to the relational view (Dyer & Singh, 1998). The resulting theoretical model hence focuses on external factors creating opportunities and pressures for organizations to adapt their human resource policies and practices to achieve fit and investigates to potential theoretical mechanisms explaining how external fit in HRM is achieved. This model is based on the following two hypotheses:

Hypothesis 1: The relationship between external developments and innovative HRM is mediated by organizational learning practices.

Hypothesis 2: The relationship between external developments and innovative HRM is mediated by HRM collaboration.

The theoretical model and its underlying hypotheses are tested with data from 711 private organizations from the Netherlands.

## 2 THEORETICAL BACKGROUND

### 2.1 EXTERNAL DEVELOPMENTS

Contingency theory states that the need to innovate depends on environmental demands. As early contingency theorists already noted: organizational structures depend on the stability of the environment (Burns & Stalker, 1961; Mintzberg, 1980). This general notion also applies to the HR function of organizations (Subramony, 2006; Foster & Frey, 2013; Wu, Bacon & Hoque, 2014). The organizational environment is conceptualized in different ways. General approaches capture the organizational environment by focusing on issues such as complexity, dynamics, and so forth. Transaction cost economics (Williamson, 1981) provides a clear example of this as it puts characteristics of transactions in terms of complexity, repetitiveness, and the number of actors involved in the center of its theoretical explanation for organizational governance. Such an approach differs markedly from those investigating the impact of the organizational environment on the structuring and functioning of organizations by relating it to a specific phenomenon, such as technological change or the ageing of employees (Stone & Deadrick, 2015). Somewhere in the middle of these two approaches are those asking whether organizations face developments (instead of how much complexity or dynamism this generates), while including multiple developments (instead of one). The basic premise here is that apart from their complexity, these developments are likely to demand changes from organizations. And, hence, the more developments an organization faces, the stronger the pressure will be to adapt to them. Ulrich and Dulebohn (2015) list a number of these factors, which include social, technological, economic, political, environmental, and demographic trends. To capture the organizational environment, the present study investigates a number of these trends, as they are known or believed to have an impact on organizations in general and the HR function.

**Digitalization and robotization.** While the impact of technological developments on organizations is a classical theme (Harvey, 1968), recent discussions have centered around two major developments taking place, namely digitalization of the workplace and the rise of the robots (Frey & Osborne, 2013; Brynjolfsson & McAfee, 2014). Whereas they are both driven by technological change, these two trends differ from each other. Digitalization mainly involves how communication structures and the flow of information between individuals and organizational units changes and robotization changes work processes by introducing intelligent machines. Digitalization therefore relates to questions regarding organizational boundaries, the use of remote working, and the rise of platform work (Ashford, George & Blatt, 2007; Kenney & Zysman, 2016). Discussions regarding robotization concern the replacement of workers and the skills demanded by organizations (Brynjolfsson & McAfee, 2014). Despite these differences, they may have a similar impact on organizations at a more general level as they both may lead organizations to adjustments in the HR domain.

**Internationalization.** Internationalization refers to the processes through which individuals, organizations and nations become increasingly interdependent and intertwined (De Beer & Koster, 2009). To a large extent these processes are driven by international trade and can hence mainly be regarded as one of the economic trends that organizations face. These processes have an impact on the environment of organizations, most importantly through heightened international competition among organizations (Stone & Deadrick, 2015). Operating in a highly competitive environment in turn affects the human resource practices and policies of organizations (Jackson & Schuler, 1995).

**Ageing.** Population ageing is a societal trend (Lutz, Sanderson & Scherbov, 2008), which impacts labor markets and organizations. It is both a demographic and a social trend as it not only involves that people get older but may also affect values such as attitudes towards work and co-workers

(Parry & Urwin, 2011). In principle, workforce ageing affects organizations in two ways. The first is a direct influence, in the sense that employees work until a larger age as a result of government policies to sustain pension systems. As a result, organization may develop employability-enhancing practices for older workers (Fleischmann, Koster & Schippers, 2017). The second influence is more indirect, as it works through workforce diversity. Having a more age-diverse workforce may lead to policies and practices geared towards cooperation among age groups as well as intergenerational transfer of knowledge (Stone & Deadrick, 2015).

**Flexibilization.** Many countries have witnessed a shift towards flexibilization of the labor market. From the 1980s on, there has been a steady development towards all kinds of temporary work and more recently the number of self-employed workers increased (Pfeffer & Baron, 1988; Hatfield, 2015). While this trend can be labeled economic, it also clearly has a political component as flexibilization of labor relates to the policies regarding the employment protection of workers. Hence, governments have, to a certain degree means to affect the use of temporary, on-call and self-employed workers, or can even stimulate organizations by using such contracts. The use of these contracts can on the one hand be regarded as human resource practices, but they also have consequences in terms of employee-organization relationships (e.g. Tsui & Wang, 2002). In general, organizations may need to change their human resource policies and practices as labor market and organizations become more flexible.

While the extent to which organizations are affected by these trends differs, and some trends will be more visible in one organization than another, it is hard to tell them apart completely. As was already suggested in the discussion of trends, they all relate to the broader (economic, technological, social, political, and demographic) trends that organizations may be confronted with. Furthermore, they are interconnected: for example, the rise of self-employed workers is made possible by digitalization of the workforce, policy choices, as well as global competition (Rubery, 2015). Hence, instead of viewing these trends as isolated event, it makes more sense to put them under the same rubric, namely trends or developments that organization may face soon.

## 2.2 HRM INNOVATIVENESS

To understand the link between external development and fit of HR practices, this article focuses on HRM innovativeness. HRM innovation applies the idea of organizational innovation to the HR domain (Koster & Benda, 2020), which mostly focuses on the development and renewal of product and services (Neely, 2004; Crossan & Apaydin, 2010). The term HRM innovation requires some clarification as it has different meanings (Koster, 2019). On the one hand, there are studies of innovative HRM relating the policies and practices of organizations to their level of innovativeness. Thus, the question addressed in these studies is what kind of HRM conditions can be created that lead to innovative organizations (Laursen & Foss, 2003; Tzafrir, 2005; Shipton, West, Dawson, Birdi & Patterson, 2006; Jimenez-Jimenez & Sanz-Valle, 2008; Jiang, Wang & Zhao, 2012; Shipton, Sparrow, Budhwar & Brown, 2017). In these studies, the policies and practices of organizations are treated as the independent variable and their relationship with an employee or organizational outcome is then estimated (for example: Agarwala, 2003; Som, 2007; 2012). However, in other studies, innovative HRM is treated as the dependent variable. Those kinds of studies focus on explaining under which conditions and how the policies and practices of organizations change and are renewed. Whether these innovations themselves lead to improvements in the output of organizations is not necessarily addressed. Albeit it may be assumed that organizations will try to adapt their human resource functions to external circumstances in such a way that it contributes to organizational performance, it is usually not the aim of these studies per se. Instead, the interest lies in the innovative ways in which personnel is managed and how to explain it. Since these two approaches to innovative HRM differ regarding the research questions that are addressed as well as to how it conceptualizes innovative

HRM, they need to be distinguished. The present study follows the second approach as the innovation of human resource practices and policies is to be explained.

As Ulrich and Dulebohn (2015) argue, the future of human resource management will consist of offering "...aligned, integrated, and innovative HR practices around people, performance, information, and work." (p. 191). In their view, this need for alignment and fit lies in the ever increasing importance of the organizational environment, in which HR managers move from an "inside/out" approach to an "outside/in" approach, which also implies that these managers have to actively engage in the issues surrounding their organization, rather than passively responding to them. Hence, this may lead to a stronger emphasis on external fit.

### **2.3 THE LINK BETWEEN EXTERNAL DEVELOPMENTS AND INNOVATIVE HRM**

As may be expected from earlier research and theoretical considerations, the trends taking place in the external environment provide demands and opportunities to which organizations will respond. As a part of that, organizations try to align their human resource function to the trends in the organizational environment (Subramony, 2006; Ulrich & Dulebohn, 2015). The next question is how organizations do that. As mentioned in the introduction, there are basically two ways in which organizations may achieve this. This first explanation is offered by the dynamic capabilities approach, which states that having dynamic capabilities allows organizations to change, adapt and innovate by sensing opportunities and threats, seize opportunities, and reconfigure resources (Teece, 2007). This reflects the internal learning potential of an organization. The second explanation relies on the relational view (Dyer & Singh, 1998), stating that external ties can for example contribute to the functioning of organizations through knowledge sharing. Whether these two theoretical mechanisms explain how organizations create external fit is further addressed by focusing on two concrete applications, namely (1) by adopting the workforce by enhancing their human capital through organizational learning practices; and (2) by collaborating with other organizations on HR related issues.

### **2.4 ORGANIZATIONAL LEARNING PRACTICES**

The development of human resources is one of the core aspects of high-performance work organizations (Arthur, 1994; Huselid, 1995). Having a highly qualified workforce is assumed to enable organizations to adapt to changing circumstances. Theories concerning human resource development rely for a large extent on human capital considerations (Becker, 1964; Lepak & Snell, 1999). However, while human capital theory mainly focuses on the formal means through which organizations enhance organizational human capital (training and education), human resource development spans a wider range of policies and practices. Hence, to get a good assessment of human capital development, one should not only look at formal means, but also include informal ones (Bishop, 1996). These informal ways in which human resources are developed are for example learning on the job, monitoring of development needs, and the skills required to perform. These aspects of organizations also focus on the value that organizations attach to human resource development reflect its devotion to learning practices (Garwin, 1993). Organizational learning practices are the concrete translation of more abstract learning mechanisms of organizations (Rebelo & Gomes, 2011; Polo, Cervai & Kantola, 2018), consisting of means to assess the need to learn, as well as concrete practices to enhance skill levels through training, and providing the necessary means to achieve skill enhancement. These learning practices are found among organizations that have a stronger need and ability for learning (Eisenhardt & Martin, 2000; Zollo & Winter, 2002; Sorensen, 2003; Makani & Marche, 2012). By embracing and managing learning, both formally and informally, organizations are able to adapt to changing circumstances (Carmeli & Shaeffer, 2008).

Hypothesis 1: The relationship between external developments and innovative HRM is mediated by organizational learning practices.

## 2.5 HRM COLLABORATION

Besides enhancing the internal learning capacity of human resources, organizations may opt for a different strategy in the face of external developments; they may partner with other organizations by creating so-called HR-alliances (Gardner, 2005). There are two sides to inter-organizational co-operation (Pouwels & Koster, 2017). One the positive side, organizations can learn from each other, share risks, and combine resources. However, there are also risks associated with cooperating with other organizations, due to opportunistic behavior or difficulties with regard to coordination and cooperation. Organizations overcoming these obstacles may reap the benefits of cooperating with others in terms of innovation (Pittaway, Robertson, Munir, Denyer & Neely, 2004). Inter-organizational HR alliances span different human resource domains, such as recruitment, training, appraisal and compensation, and job design (Hong, Zhao & Snell, 2019). The goals of these alliances can differ. In some instances, the goal may be to solve human resource issues which multiple organizations face, such as fluctuations in demand or finding skilled workers (Gardner, 2005; Koster & Koppejan, 2019). Other organizations choose to cooperate to achieve goals outside of the human resource realm, such as (open) innovation (Hong, Zhao & Snell, 2019; Koster, 2022). In that case, the human resource practices are specifically aimed at generating network, communication, and collaboration skills and establishing trust-based ties with other organizations. Since this study focuses on whether organizations cooperate to solve HR-related issues, the focus lies on the first goal.

Hypothesis 2: The relationship between external developments and innovative HRM is mediated by HRM collaboration.

## 3 RESEARCH METHODOLOGY

### 3.1 METHODS

The present study relies on a quantitative method and a deductive approach. Cross-sectional data were collected including several cases at one point in time. The responses from these cases provide the information for testing the hypotheses that state relationships among specific variables (Bell, Bryman & Harley, 2022; Adams & McGuire, 2022). To investigate whether it was possible to reduce information and to create reliable measure of multiple items, a scale analyses were performed. This procedure consists of two steps, namely a factor analysis to see whether the items measure identifiable dimension and a reliability analysis to assess how well the items belonging to one dimension fit together (Netemeyer, Bearden & Sharma, 2003). The research model is based on theoretical notions expecting that the relationship between external developments may be mediated by two HRM capabilities (organizational learning practices and HRM collaboration). To test this model, the PROCESS procedure (Hayes, 2017) is applied. Four models are estimated. Model 1 shows the relationship between external developments and innovative HRM, together with the control variables. In model 2 and 3, the relationship between external developments and learning culture and HRM collaboration are investigated. And, in model 4 all variables are included. The outcomes are also presented in a graphic form to visualize the results.

### 3.2 MATERIALS

Data from the Innovative HRM Survey (see: Koster, Korte, Van de Goorbergh & Bloem, 2017) are analyzed. This dataset consists of responses from informants from a random sample of Dutch firms. The questionnaire was developed to measure several characteristics of organizations, including expected developments and HRM policies and practices. Besides that, questions are asked about the composition of the workforce and a number of core characteristics of the organizations. Kantar Public collected the data using their panel with private organizations (NIPObase Business). The panel

consists of 15,000 representatives from Dutch firms. From this panel, a random selection of 3,000 organizations was drawn. The response rate was 25 percent (752 responding organizations). Some variables are not available for all organizations. For 41 organizations not all variables included in this study were missing, meaning that the analyses could be conducted on a sample of 711 organizations. These organizations operate in different economic sectors and differ in size. Altogether, these organizations provide a cross section of the Dutch economy.

### **3.3 MEASURING INSTRUMENTS**

#### **Innovative HRM**

This study relies on the measure of innovative HRM developed by Koster and Benda (2020). This measure is based on four questions about whether the organization renewed their human resource function. The exact wording is: "Has your organizations innovated in the area of...." followed by four statements about the human resource functions, namely "hiring personnel", "outplacement of personnel", "internal mobility of personnel", and "workforce composition". Respondents were asked to indicate how much this applied to their organization on a 5-point scale (running from 1 = does not apply at all to 5 = does apply completely).

#### **External developments**

The independent variables of this study are measured as follows. The variable developments expected is a composition of several items asking respondents to indicate whether they expect that the organization will experience the following issues in the near future: employee ageing, flexibilization, internationalization, robotization, and digitalization. The items are measured on a 5-point scale.

#### **Organizational learning practices**

The variables organization learning practices was measured by asking whether "the organization has a yearly budget for development of personnel"; "the organization uses training"; "employees are trained on the job"; "whether a training period is required for new workers"; and "skill needs are regularly assessed". The items are measured on a 5-point scale.

#### **HRM collaboration**

HRM collaboration was measured by asking respondents to rate on a 5-point scale whether the organization cooperates with other organizations with regard to "...hiring and selection", "...training", "...internal mobility", "...reward structure" and "...outflow of personnel".

#### **Control variables**

A number of control variables, which are expected to be correlated with innovative HRM, are added to the analyses. A variable was included indicating the level of leeway of the organization to make choices regarding its HRM policies and practices. This variable is termed subsidiary site and has the value of 1 if the organization is owned by another organization and 0 if the organization is independent. As the age of the organization may be related to the innovativeness of HRM, the variable year established was included. The variable highly educated was measured with a 5-point scale indicating to what extent the organization consists of highly educated employees. The variable permanent employees was measured by asking respondents to indicate to what extent the organization consists of employees with a permanent contract (measured on a 5-point scale). Organization size is measured by asking respondents to indicate the number of employees that the organization has. The variable economic sector indicates the sector in which the organization operates.

## **4 RESULTS**

To ensure that the three measures of the HRM policies and practices of organizations and the external trends are distinct from each other, a principal component analysis was conducted. The results are presented in table 1. On the one hand, it holds that the individual items load on the

dimension to which they were assigned beforehand. Furthermore, the resulting scales are considered internally consistent with Cronbach's alphas of 0.93 (innovative HRM), 0.80 (organizational learning practices), 0.93 (HRM collaboration), and 0.75 (developments expected). Furthermore, the individual items do not load on other dimensions. Hence, the four scales are independent measures of the HRM policies and practices of organizations, and the trends which they face. Based on these outcomes, four scales are constructed. For each of the scales, the scores of the individual items are added up and divided by the number of items of the scale.

Table 1. Principal component analysis

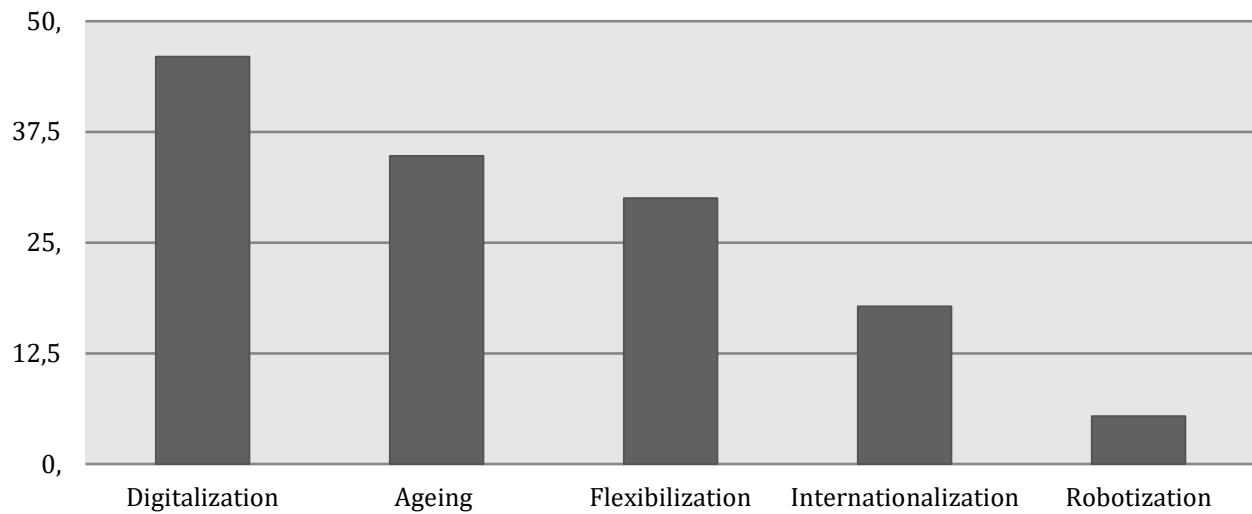
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Renewal of...</b>				
...hiring personnel	<b>0.86</b>	0.20	0.21	0.13
...outflow of personnel	<b>0.85</b>	0.13	0.25	0.10
...workforce composition	<b>0.84</b>	0.24	0.22	0.16
...internal mobility of personnel	<b>0.83</b>	0.20	0.28	0.15
<b>Organizational learning practices</b>				
Regular assessments of skill needs	0.14	<b>0.78</b>	0.19	0.20
Uses training	-0.02	<b>0.76</b>	0.18	0.20
Yearly budget for development of personnel	0.26	<b>0.69</b>	0.24	0.17
New personnel needs training time	0.31	<b>0.62</b>	0.17	0.19
On-the-job training	0.17	<b>0.56</b>	0.00	0.13
<b>Collaborating with other organizations....</b>				
...internal mobility	0.17	0.17	<b>0.87</b>	0.12
...hiring	0.22	0.17	<b>0.86</b>	0.13
...reward structure	0.21	0.12	<b>0.85</b>	0.14
...training	0.14	0.26	<b>0.82</b>	0.12
...outflow of personnel	0.30	0.07	<b>0.81</b>	0.18
<b>Developments expected</b>				
Digitalization	0.01	0.31	0.07	<b>0.73</b>
Internationalization	0.10	0.06	0.13	<b>0.70</b>
Flexibilization	0.11	0.33	0.16	<b>0.68</b>
Robotization	0.19	0.08	0.14	<b>0.67</b>
Ageing	0.07	0.12	0.06	<b>0.51</b>
Eigenvalue	3.35	2.88	4.00	2.52
Proportion of variance explained	17.62	15.16	21.08	13.24
Cronbach's alpha	0.93	0.80	0.93	0.75

Source: Innovative HRM Survey (N=711)

Rotation: varimax

Figure 1 provides insight into how widespread the different trends are. As the figure shows, there is quite some variation regarding the likelihood that organizations will face these trends. While digitalization is a trend that applies to many organizations, a far smaller share of the organizations expects to use robots in the near future.

Fig 1. Expected developments



*Percentage of organizations reporting that they will face the development “to some/a large extent” in the near future.*

Source: Innovative HRM Survey (N=711)

Table 2 summarizes the descriptive statistics of the variables included in the analyses.

Table 2. Descriptive statistics

	Min/Max	Mean	Standard deviation	Percent-age
Innovative HRM	1/5	1.80	0.91	
Developments expected	1/5	2.45	0.89	
Organizational learning practices	1/5	2.73	0.96	
HRM Collaboration	1/5	1.80	0.89	
Subsidiary site	0/1			3.30
Year established	1730/2017	1995	22.53	
Highly educated	1/5	2.94	1.58	
Permanent employees	1/5	2.99	1.69	
Organization size	1/5	1.17	0.58	
<b>Organization size (categories)</b>				
1-9	0/1			89.50
10-49	0/1			6.50
50-99	0/1			1.70
100-249	0/1			0.90
250 or more	0/1			0.90
<b>Sector</b>				
Industry and production	0/1			4.70
Construction	0/1			6.60
Retail – food	0/1			3.10
Retail – nonfood	0/1			13.20

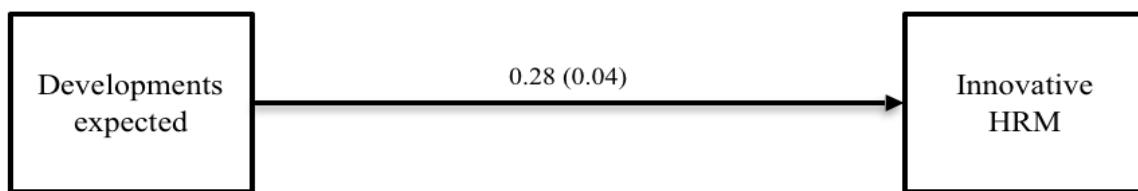
Wholesale	0/1			7.40
Cars and repair	0/1			1.90
Catering	0/1			3.90
Transport and communication	0/1			3.20
Business services	0/1			35.20
Other services	0/1			10.20
Information technology	0/1			8.50
Financial institutions	0/1			2.10

Source: Innovative HRM Survey ( $N = 711$ )

### Hypothesis testing

Table 3 presents the results of the four models investigating whether organizational learning practices and HRM collaboration mediate the relationship between external developments and innovative HRM. There is a significant positive relationship between external developments and innovative HRM in the model without organizational learning practices and HRM collaboration (model 1), meaning that there is a direct relationship between external developments and innovative HRM. This relationship is represented in figure 2.

Figure 2. Relationship between external developments and innovative HRM



$R^2 = 0.36$

Note: control variables included  
Source: Innovative HRM Survey ( $N=711$ )

Table 3. Regression analyses

	Model 1 Innovative HRM			Model 2 Learning culture			Model 3 HRM collabora- tion			Model 4 Innovative HRM		
	est.	s.e.	p	est.	s.e.	p	est.	s.e.	p	est.	s.e.	p
Constant	0.46	0.22	0.04	0.97	0.23	0.00	0.50	0.25	0.04	0.02	0.21	0.94
Organization size	0.34	0.05	0.00	0.18	0.05	0.00	0.21	0.06	0.00	0.33	0.05	0.00
Subsidiary site	0.34	0.17	0.05	0.12	0.18	0.49	0.23	0.19	0.24	0.15	0.16	0.36
Year established	-0.15	0.15	0.32	-0.36	0.15	0.01	0.04	0.16	0.81	-0.03	0.14	0.82
Educational level	0.00	0.02	0.99	0.09	0.02	0.00	0.01	0.02	0.53	-0.02	0.02	0.26
Permanent employees	0.13	0.02	0.00	0.13	0.02	0.00	0.04	0.02	0.09	0.09	0.02	0.00
Firm-specific knowledge	0.00	0.02	0.89	0.09	0.02	0.00	-0.02	0.02	0.38	-0.02	0.02	0.38

Economic sector <sup>(a)</sup>												
Construction	0.15	0.17	0.39	-0.05	0.17	0.78	0.24	0.18	0.19	0.08	0.15	0.61
Retail – food	0.41	0.21	0.05	0.20	0.21	0.34	0.38	0.23	0.10	0.28	0.19	0.16
Retail – nonfood	0.02	0.15	0.87	0.03	0.15	0.85	0.04	0.17	0.81	0.02	0.14	0.88
Wholesale	0.14	0.16	0.39	-0.24	0.16	0.14	0.02	0.18	0.93	0.19	0.15	0.22
Car and repair	0.83	0.24	0.00	0.54	0.23	0.02	0.96	0.26	0.00	0.44	0.22	0.04
Catering	0.68	0.19	0.00	0.19	0.19	0.31	0.08	0.21	0.69	0.59	0.18	0.00
Transport and communication	0.15	0.20	0.46	-0.16	0.20	0.44	0.34	0.22	0.13	0.09	0.19	0.64
Business services	-0.09	0.14	0.50	0.02	0.14	0.88	0.01	0.15	0.93	-0.09	0.13	0.47
Other services	-0.18	0.16	0.25	0.01	0.15	0.94	0.08	0.17	0.63	-0.21	0.14	0.13
Information technology	-0.11	0.16	0.48	-0.18	0.16	0.25	-0.07	0.18	0.67	-0.04	0.15	0.77
Financial institutions	-0.07	0.23	0.78	0.01	0.23	0.98	0.04	0.25	0.87	-0.10	0.21	0.65
Developments	0.28	0.04	0.00	0.39	0.04	0.00	0.35	0.04	0.00	0.09	0.04	0.01
Organizational learning practices										0.18	0.04	0.00
HRM collaboration										0.32	0.03	0.00
R <sup>2</sup>		0.36			0.43			0.21			0.48	

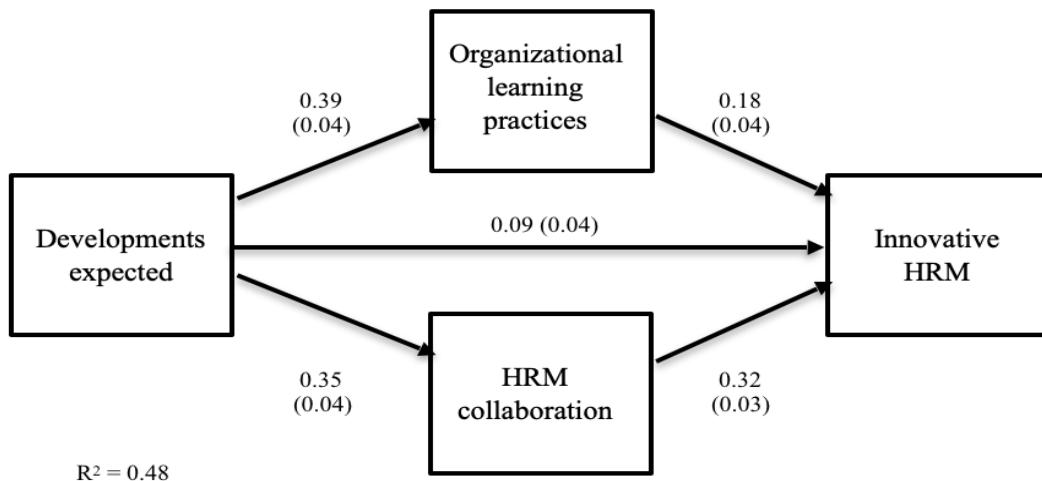
Source: Innovative HRM Survey (N = 711)

(a) Reference category = Industry and production

In model 2 and 3 the relationship between external developments and organizational learning practices (model 2) and HRM collaboration (model 3) are estimated. From the tables can be read that both relations are positive and statistically significant. These results show that external developments are related to organizational learning practices and HRM collaboration; organizations that expect to face external developments have a higher score on these two HRM strategies.

Finally, in model 4 all variables are included to see whether the two HRM capabilities mediate the relationship between expected developments and innovative HRM. The results are as follows. First, the estimate for the direct relation between expected developments and innovative HRM drops (from 0.28 to 0.09). While this relationship is still statistically significant ( $p < 0.05$ ), the estimate is reduced by 69%. Besides that, both organizational learning practices and HRM collaboration are positively related to innovative HRM. Thirdly, the final model explains 48% of the variation in innovative HRM. The results are graphically represented in figure 3. As shown in figure 3, the relationship between expected developments and innovative HRM runs via organizational learning practices and HRM collaboration.

Fig 2. The mediating effect of organizational learning practices and HRM collaborating



*Note: control variables included  
Source: Innovative HRM Survey (N=711)*

## 5 DISCUSSION

It should be taken into account that, while the theoretical line of argument in this article is from external conditions to innovative HRM via learning and collaborating, cross sectional data were used to test the theoretical model. Hence, it is not possible to speak in causal terms about these relationships. There is always the possibility that in reality the causal order (also) runs the other way around: organizations having more innovative HR policies and practices, may also be prepared to operate in environments that are more dynamic. While this may also be interpreted as a matter of external fit, it is not possible with the present data to spell out the direction of these relations. Additional research, based on either longitudinal (to test whether changes in the environment have an impact on the innovativeness of HRM, and/or the other way around) or experimental data (to test whether the choices that managers make with regard to HRM innovation depend on changes in environmental conditions), is needed to assess the direction of this relationship in more detail. This is not to say that it is likely that the relationships investigated here will be completely opposite than suggested in the theoretical framework. It is to say that the relationship is not fully deterministic and can work both ways.

Future research is also needed with regard to the measurement of innovative HRM. The items and the scale that are investigated here apply measures that are used in innovation studies to the field of HRM. As the results show, it is possible to ask managers similar questions about improvements and innovation in the domain of HRM. Nevertheless, so far, this is the only dataset that relies on these measures and hence it is necessary to have data from other contexts and countries, to assess how widely applicable this measure is. An additional question to be addressed here is whether other domains should be included.

Apart from these considerations, this article has a number of theoretical implications. First and foremost, it provides evidence for the alignment assumption of contingency theory and shows two mechanisms through which fit is achieved by organizations. Whereas the notion that environmental conditions require adjustments in the HR domain is not new in itself, what is contributed here is that organizations achieve fit via (internal) learning and (external) collaboration. Hence, fit is not achieved out of nothing, but requires additional organizational action to be achieved. In other words: organizations can develop human resource related capabilities.

Finally, the analyses offer suggestions for managers and other practitioners in organizations. First, the results suggest that it makes sense to scan the organizational environment and think about the question whether adjustments in the HR domain are needed. Secondly, it may be wise to think in the opposite direction: if the organization seems unfit to be innovative in the HR domain, it may try to avoid certain trends. Of course, this only makes sense if these trends are inevitable to a certain degree. Third, developing organizational learning practices, that go beyond a mere emphasis on training, is advised for organizations facing technological, social, economic, political, and demographic trends to be able to adjust the organization. And, fourth, organizations facing these trends may look for external options. Whereas the innovation literature acknowledges that external ties relate to the innovativeness of organizations, this was not yet applied to HRM. As this study shows that organizations that cooperate with others on different HR domains are also more innovative with regard to their HR policies and practices, the use of inter-organizational ties in the field of HRM may be advised to more organizations.

## 6 CONCLUSIONS

The main findings of this study are twofold. First, the more developments organizations face, the more innovate they are with regard to how they manage their human resources. Secondly, these innovations take place because organizations have organizational learning practices and cooperate more often on HR related issues with other organizations. These findings are basically in line with alignment approaches, while adding more detail to the underlying mechanisms through which alignment is achieved according to the dynamic capabilities approach and the relational view. According to these approaches, organizations seek internal and external fit and those possessing dynamic capabilities and external ties are better in achieving such fit. Since facing several trends means that misfits occur between the environment and the organization, organizations respond by innovating their HRM through learning and collaborating. By investigating these two mechanisms, the article contributes to the literature focusing on how organizations achieve external fit (Malik, 2022).

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