Human Resources models help to explain the role of HR in the business. In this article, we will go over the 5 most practical HR models. These models enable us to explain what HR’s role is, how HR adds value to the business, and how the business influences HR.

1. The Standard Causal Model of HRM

The best-known HR model is the Standard Causal Model of HRM. The model is derived from many similar models published throughout the 90’s and early 2000’s. The model shows a causal chain that starts with the business strategy and ends, through the HR processes, with (improved) financial performance.
The model thus shows how HR activities that are aligned with organizational strategy lead to business performance. According to this model, HR will only be effective if its strategy is aligned with business strategy (in line with the best-fit theory). HR strategy is thus derived from the overall strategy.

The HR practices follow the HR strategy. Examples include hiring, training, appraisal, and compensation. These HR practices lead to certain outcomes. Examples include commitment, quality output, and engagement.

These HRM outcomes lead in turn to improved internal performance. Examples include productivity, innovation, and quality. These outcomes lead to financial performance (e.g., profits, financial turnover, better margins, and ROI).

Two interesting relationships are the unmediated HRM effect, which shows that some HR practices can directly lead to improved internal performance. For example, a good training can directly result in better performance, without necessarily influencing HR outcomes.

The reversed causality in the model shows that sometimes a stronger financial performance leads to more investments in HR practices and better HR outcomes. When performance is strong, employees are often more engaged (an HR outcome).

This shows that the relationships in the model are not always unidirectional. In general, however, this Human Resources model shows how HR strategy is formulated and what the impact is of HR on internal processes and financial outcomes of the business.

2. The 8-box model by Paul Boselie

A different HR model that’s often used to model what we do in HR, is the 8-box model by Paul Boselie. The 8-box model shows different external and internal factors that influence the effectiveness of what we do in HR.

First of all, you see the external general market context, the external population market context, the external general institutional context, and the external population institutional context. These are external forces that influence how we do HR.
For example, if there is a shortage of certain skills in the market, this influences how we do our sourcing, recruiting, and hiring, compared to when there’s an abundance of qualified workers. The institutional context also changes: legislation impacts the way we work in HR (e.g. the day-to-day impact of HR) while trade unions and work councils limit what we can do.

The core process in the middle starts with the configuration. The company’s history, culture and the technology used are all factors that influence how we communicate in HR, what we want to achieve, and how effective we are in our HR policies. All these factors influence our HR strategy.

The HR strategy consists of six parts:

- **Intended HR practices:**
  The intention we have with our recruitment, training, and other practices matters but this model shows it’s only a starting point.

- **Actual HR practices:**
  We can have great intentions but the execution of HR practices is a cooperation between HR and the manager. When the manager decides to do things differently, the intention can be nice but the actual practices can be very different.

- **Perceived HR practices:**
  This is how the employee perceives what’s going on in the organization. HR and the manager can do their absolute best but if their activities are perceived in a different way than they were intended and actually done, the perception will not mirror the actual HR practices.
3. The HR value chain

The HR value chain is one of the best-known models in HR. It is based on the work of Paauwe and Richardson (1997) and creates a nuance on the models above in regards to how HR operates.

According to the HR value chain, everything we do (and measure) in HR can be divided into two categories: HRM activities and HRM outcomes.

- HRM activities are day-to-day activities, including recruitment, compensation, training, and succession planning. These activities are often measured using HR metrics. These are so-called efficiency metrics. The cheaper we hire and the faster we train, the better.
- HRM outcomes are the goals we try to achieve with the HRM activities. We recruit, we train, and we compensate to achieve certain goals/outcomes. These outcomes include employee satisfaction, motivation, retention, and presence.

If we just focus on measuring HRM activities, we will automatically focus on reducing costs (i.e. maximizing efficiency). However, we should instead focus on HRM outcomes as this helps to align our processes with our goals.
For example, we would rather spend a few days longer on hiring a new employee (time to hire, an efficiency metric) if this person will be a better fit in the company (quality of hire, an outcome metric). The goal should be to get the best person in the right position, not to cut corners and hire someone as cheaply and quickly as we can. This shows why we should focus on measuring outcomes instead of activities.

When HRM activities and HRM outcomes hit their marks, they should lead to better performance. This means that when we recruit the right people, send people to the right training programs, and retain our key players, the company’s performance increases.

Literature also shows a different effect: when company performance is higher, HRM activities increase as well. This is because more profitable companies usually invest more in HR programs, including HR software and learning & development opportunities for their people.

4. The HR Value Chain Advanced

We’ve researched a lot of the literature but we can’t find an original source for this model. This model is very similar to the HR value chain but with two key differences.

First, the organizational performance is defined in the balanced scorecard. The balanced scorecard contains the key performance indicators from a financial perspective, a customer perspective, and a process perspective. These are integrated into the HR value chain. This document helps to align and show the added value of HR to the business.
Second, the model starts with a number of HR enablers. These enablers are key for what HR is doing in the business. This includes HR systems, budget, capable professionals, and other key elements. The thinking is that these enablers need to be present in order for the value chain to operate effectively.

If HR lacks well-trained professionals, if the budget is low, or if the systems are outdated and hamper innovation, HR will be less efficient in reaching its HR outcomes and business outcomes.

5. The Harvard Framework for HRM

The Harvard framework for HRM is an HR model comprised of six components.

- The model starts, on the left, with stakeholder interest. These stakeholders include shareholders, management, employee groups, government, and more. These interests define the HRM policies.
- At the same time, situational factors influence these interests. Situational factors include workforce characteristics, unions, and all the other factors that were also listed in the 8-box model.
- Situational factors and stakeholder interest influence HRM policies. These include the core HR activities, like recruitment, training, and reward systems.
• When done well, HRM policies lead to positive HRM outcomes. These include the previously mentioned retention, cost-effectiveness, commitment, and competence.
• These positive HRM outcomes lead to long-term consequences. These can be individual, organizational, and societal.

The Harvard framework is an HR model that takes a more holistic approach to HR, including different levels of outcome.

A final note on Human Resources models

This article lists the 5 Human Resources models you should know. I want to end with a note of caution. Brilliant academics have created different models that sometimes are similar, and sometimes quite different. However, models are never complete.

A model is by definition a simplification of reality and this holds true for all the HR models we discussed above. This is also positive: a model can help us show what we need to do to get the desired outcome.

I hope you enjoyed this overview of 5 HR models and if you want to stay up-to-date with the newest in HR, subscribe to our newsletter!

All these models – and more! – are explained in the Academy to Innovate HR, specifically the Strategic HR Metrics course.