

Do human resource systems indeed have “system” effects? The dual internal fit model of a high performance work system

How do human resource practices within and across Ability, Motivation, and Opportunity (AMO) domains interact to create “system” effects that improve workforce productivity and firm profitability?

This study by In-Sue Oh and colleagues, published in the Journal of Applied Psychology, investigates whether human resource (HR) systems produce “**system**” effects by examining how HR practices within and across the Ability, Motivation, and Opportunity (AMO) domains interact to improve workforce productivity and firm profitability. The authors develop a **dual internal fit** model specifying synergistic interactions both within each AMO domain (practice-level fit) and among the three domains (domain-level fit) in a high-performance work system (HPWS).

Analyzing six waves of panel data from 640 Korean firms collected between 2007 and 2017, they find that interactions between staffing and training (Ability domain), performance appraisal and rewards (Motivation domain), and information sharing and empowerment (Opportunity domain) significantly enhance workforce productivity. Further, combined interactions among the AMO domains yield additional productivity gains beyond those within domains. These two-layer interactive effects (at both practice and domain levels) in combination explain a substantial amount of additional variance in productivity above and beyond additive effects that sum individual practice effects, suggesting that the HR system effect is greater than the sum of the effects of its individual HR practices. The study also shows that workforce productivity mediates the effects of these interactions on firm profitability. Robustness checks confirm the findings.

This research advances strategic HR theory by clarifying how specific HR practices reinforce each other within and across AMO domains to produce “system effects,” emphasizing the dual internal fit effects of HPWS.

Practically, the findings suggest that organizations will benefit most by balancing investments in HR practices across and within AMO domains rather than focusing on isolated practices. This comprehensive approach to internal fit provides a stronger foundation for designing effective HR systems that maximize firm productivity and profitability.

MAJOR TAKEAWAYS:

- Synergistic interactions within Ability, Motivation, and Opportunity HR domains boost workforce productivity significantly.
- Combined interactions among AMO domains enhance productivity beyond individual domain effects.
- An HR system effect is greater than the sum of the effects of its individual HR practices

WHO NEEDS TO KNOW:

- HR Professionals
- Business Executives
- Academics

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