

## **Chapter 4: High Performance Work Systems-International evidence of the impact on firms and employees**

**Ms Margaret Heffernan<sup>1</sup>, Professor Patrick Flood<sup>1</sup>, Dr Wenchuan  
Liu<sup>2</sup>**

**1: Dublin City University Business School**

**2: Capital University of Economics and Business, Beijing**

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## **Learning objectives**

After reading this chapter you will be able to:

- Understand the role of high performance work systems (HPWS) and identify its components
- Assess different theoretical frameworks within the HPWS literature
- Identify the international evidence empirically linking HRM to firm performance
- Review the international evidence linking HRM to employee outcomes
- Critically evaluate the HPWS-firm performance research through an understanding of recent critical debates
- Articulate the role of the line manager in HPWS-performance research.

## **Summary**

This chapter reviews the burgeoning literature on high performance work systems (HPWS) which has emerged over the past decade. It gives a detailed overview of international empirically based research on HPWS and assesses the impact on both organisational and employee outcomes. In evaluating these studies, a number of HPWS debates are examined.

## **1. Introduction**

This chapter aims to evaluate the international evidence on the HRM-performance link from a multiple stakeholder perspective and to identify a number of tensions that exist in previous research. We commence with a definition of HPWS and a discussion of its origins in the SHRM literature. The HPWS-performance linkage is analysed incorporating the universalist, configurational and contingency arguments promulgated in the literature. Section 3 reviews the link between HPWS and firm level performance. Both financial and operational outcomes are examined along with an overview of international empirical studies. Section 4 critically evaluates these studies and discusses a number of criticisms that have been directed at previous HPWS-performance research. These include the methodological problems, theoretical weaknesses and questions of causality that are raised in the ‘HR black box’ debates. Section 4 highlights the need to explore the employees’ perspective on HPWS and critically examines research studies published on HPWS and employee outcomes. The chapter concludes with an examination of line manager action in ensuring consistency in HPWS and suggestions for future research.

## **2. Evolution of High Performance Work Systems**

There was much debate on the “transformed workplace” in the 1980’s which focused on the need for a greater commitment on the part of workers, to be achieved by expanding their jobs and involving them in problem solving methods (e.g. Kochan, Katz, and McKersie 1989). These debates traversed a wide range of management subjects including scientific management, human relations, quality of work life and labour process theories that explored issues pertaining to work reform, control and employee participation. This new research on the organisation of work encompassed

organisational functioning, worker motivation, work systems, control, autonomy and managerial styles and involved different ways of understanding and “transforming” the organisation (Appelbaum and Batt, 1994). Human resource management (HRM) was one of the concepts arising from the ‘transformation’ literature, which received support and criticism as an approach for managing employees. HRM is concerned with overall work organisation and seeks to incorporate work relations, employment relations and industrial relations. It has been said to require an understanding of how HRM practices affect organisation-wide outcomes (Combs et al, 2006; MacMillan and Schuler, 1985).

Belanger et al (2002) argue that the emergence of HPWS reflects the crisis in Fordist production and the need to develop new approaches to production. Changes in the economic environment and the emergence of new technologies have been seen as key drivers for workplace change (Appelbaum and Batt, 1994; Piore and Sabel, 1984). It was suggested that organisations can achieve competitive advantage through harnessing hitherto under-exploited financial, physical, human and organisational resources. When managed effectively, it was argued, human resources are more capable of increasing organisational effectiveness (Beaumont, 1993). This shift in attitude on management broadened the focus of HRM research from micro analytic studies which had previously dominated the field to more macro and strategic perspectives.

The desire to demonstrate the importance of HRM practices for organisational performance (Delery and Doty, 1996) contributed to the development of more strategic perspectives on HRM. Seminal writings on SHRM (e.g. Miles and Snow, 1984; Schuler and Jackson, 1987) have argued that HR policies consistent with strategy will be more effective and contribute to the viability of the firm including its productivity, flexibility and legitimacy (Boxall and Purcell, 2003). Human resource practices proposed by SHRM theorists as performance enhancing are known as **high-performance work**

**practices** (Huselid, 1995). The application of this term has evolved to cover a multitude of attempts by employers to improve the effectiveness of their organisations and its response to a range of pressures emanating from product, external market, internal labour market and financial markets (Whitfield and Poole, 1997).

The resource based view (RBV) of the firm advanced originally by economists such as Edith Penrose and later adapted to the world of strategic management by such writers as Jay Barney (1991) attend to the competitive implications of differences in resource endowment. From the resource based perspective, HRM systems are one form of resource endowment which differs between firms that might lead to a competitive advantage. In any firm, idiosyncratic patterns of human resource practices may be created which evolve over time in a path dependent manner and are difficult to imitate by competitors (Barney, 1991; Wright et al, 2001). As long as these resources are heterogeneous and difficult to transfer from one firm to another (resource immobility) they have potential for achieving a sustained competitive advantage. Wright et al (2001) point out that the RBV plays an important role in establishing the relevance of HRM for theory and practice in strategic management.

### ***Defining HPWS***

There is no single agreed upon definition of a HPWS and there are a number of theoretical, empirical and practical dimensions on which they differ. The existing approaches do however share some common ideas on HPWS that include a focus on skill formation, work structuring, performance management, pay satisfaction, job flexibility and minimal status differentials that are assumed to reverse past Taylorist methods (Osterman, 1994; Wood, 1999; Appelbaum et al, 2000).

Appelbaum and Batt (1994) categorise the elements of HPWS along four

dimensions – management methods, work organisation, human resource management practices and industrial relations. ‘Management methods’ include employee involvement in quality improvement; ‘work organisation’ includes autonomous work teams and vertical task work; ‘human resource management practices’ includes cross training, employment security and compensation contingent on performance; and finally ‘industrial relations’ focuses on the unitary perspective that there is no conflict of interest between management and workers.

Most writers on HPWS emphasize the active participation of employees in the work process, combining it with the organisational arrangements for information sharing, employee training and skill development. Pfeffer (1998) for example considered components of ‘high performance work systems’ to include employment security and internal labour markets, selective hiring and sophisticated selection, extensive training, learning and development, employee involvement, teamworking, high compensation contingent on performance and reduction in status differentials. It has been argued that these high commitment practices should form a coherent, integrated ‘bundle’ or system of complementarities whose effect is greater than the sum of its parts (e.g. Appelbaum et al 2000, Guest, 2002).

Recent practice has been to use the terms ‘high commitment management’ and ‘high performance work systems’ synonymously (Legge, 2005). In this chapter, we use the term high performance work system (HPWS) as an umbrella term encompassing all of the following phrases. Walton (1985) and Wood and Albanese (1995) used the term ‘high commitment management’ whereas Appelbaum and Batt (1994) preferred ‘high performance work systems/practices’. Other labels include: high involvement management (Lawler, 1986), flexible work practices (Osterman, 1994) and flexible production systems (MacDuffie, 1995). Other researchers have published research in

the HRM-performance area without specifically using any of the above terms (e.g. Guest, 1997). According to Wood (1999) these are all terms used to describe the organisational form held to be most appropriate for modern competitive conditions.

The central argument made in previous HPWS literature is that there is a positive relationship between integrating a HRM system and performance (see Box 4.1). This suggests that there are synergies among the work organisation and human resource practices that lead to positive interaction effects on performance when they are adopted together (Delery et al, 1996).

#### **Box 4.1**

##### **HPWS research in Ireland and the business performance impact**

This research helps us to understand more fully the nature of the differences between high-performing and average-performing companies. The report reveals that high performing companies in Ireland are concerned with managing a range of issues that include the management of employee involvement and participation, and of diversity and equality systems. The research establishes the quantifiable and positive impact of equality and diversity strategies and of employee involvement and participation on labour productivity, workforce innovation and employee turnover. These findings clearly reinforce the business imperative for managing employee involvement and participation, and implementing diversity and equality strategies, as legitimate concerns for organisational strategy in their own right.

Foreword by L. Fallon-Byrne and N. Crowley in (Flood, Guthrie, Liu, Armstrong, MacCurtain, Mkamwa, and O'Regan 2008)

In trying to understand how this positive interaction effect occurs Boxall and Purcell (2003) adapt the work of Bailey (1993) and put forward the following mathematical notation:

$$P = f(A, M, O)$$

Where P = Performance; A = Ability; M= Motivation and O = Opportunity

Accordingly, people perform well when:

- they are able to do so (they *can do* the job because they possess the necessary knowledge and skills). Policies to guarantee adequate skills include staffing

practices and rigorous selection and recruitment procedures that enable a firm to obtain employees with the appropriate knowledge, skills and abilities; training which focuses on technical, problem solving and team building skills and an emphasis on multi-skilling.

- they have the motivation to do so (they *will do* the job because they was to and are adequately incentivised). This introduces incentive pay practices that align the interests of workers with those of the company such as in pay that is contingent on work group or company performance. Policies that provide employees with challenging work and a reasonable expectation of employment security can also help to release employees' discretionary effort (Doty and Delery, 1997).
- their work environment provides the necessary support and opportunities for expression (for example, participatory forms of work organization that allow for greater autonomy and control over decisions that affect their job and the opportunity to be heard when problems occur) (Boxall and Purcell, 2003:20)

Taking the AMO equation into account, Figure 4.1 shows how the components of HPWS impact on firms' performance through the discretionary effort of its employees.

**Figure 4.1 Components of high performance work systems**

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Appelbaum et al (2000) and Boxall and Purcell (2003) see this as a basic theory of performance which offers a structure for identifying the desirable components of HPWS. If practices fostering these variables are enhanced, better use will be made of

employee potential and discretionary judgment. Konrad (2006) suggests that HPWS are employed by many organisations in order to develop positive beliefs and attitudes that are associated with employee engagement and commitment. The practices and the beliefs in turn, generate discretionary behaviours that are necessary in enhancing firm performance. Some have also recently argued that diversity management practices should be included in an expanded definition of HPWS due to the fact that these practices impact on opportunity in the AMO framework.

This section of the chapter has examined the central argument of HPWS research and defined what the components of a HPWS system involve. The AMO performance rubric highlighted the importance of the concept of discretionary effort as a useful explanatory mechanism. However, as previously mentioned, much debate exists over the particular mix of HPWS (see Table 4.1 below for a summary of HR practices used in key HPWS research). Table 4.1 emphasizes that many empirical studies have found significant firm performance effects using different combinations of HR practices (Becker and Gerhart, 1996). Despite this debate, the HPWS literature advocates that the relevant HR practices will work much better when ‘bundled’ together (MacDuffie, 1995) to operate as a “system” (Ichniowski et al, 1996). The justification for bundles (or systems of HRM) is based on the argument that while individual HR practices might be beneficial in their own right, suites of practices that are mutually consistent will deliver performance outcomes greater than the sum of the outcomes of the individual practices used (Purcell, 1999, p. 27).

**Table 4.1**

Summary Results of HPWS studies on Firm Performance

HRM Practice	Results	Researcher (s)	Country
<i>Recruitment &amp; Selection</i>	HRM activities that lead to the right person being in the right place (employee skill and organisational structures) contribute to higher productivity and increased market value of the company. Moreover, they have a slight negative impact on turnover.	<i>Huselid (1995)</i>	USA
	Staffing selectivity is positively related to perceived market performance.	<i>Delaney and Huselid (1996)</i>	USA
	Evaluation and investment in recruitment and selection are positively related to labour productivity.	<i>Koch and McGrath (1996)</i>	USA
	Selective selection is positively related with perceived profit, market share, and investments in the near future.	<i>Verburg (1998)</i>	Netherlands
	Selective selection is negatively related to employee turnover.		
<i>HR planning</i>	Sophisticated human resource planning activities are positively related to labour productivity.	<i>Koch and McGrath (1996)</i>	USA
<i>Rewards</i>	Reward is positively correlated to the different dimensions of the performance of the firm: product quality, product development, profit, market share, customer satisfaction, and growth in sales.	<i>Kalleberg and Moody (1994)</i>	USA
	Higher rewards contribute to a better social climate between management and the other employees.	<i>Koch and McGrath (1996);</i>	USA
	Higher rewards contribute to a decrease in turnover.	<i>Arthur (1994)</i>	USA
	Incentive compensation has a positive impact on perceived organisational performance.	<i>Delaney and Huselid (1996)</i>	USA
	Outcome-based incentives on sales, customer satisfaction, and profit increases with the intensity of competition and the proportion of upscale customers and decreases with the level of supervisory monitoring.	<i>Banker et al. (1996)</i>	USA
	Flexible reward is positively related to profit.	<i>Leget (1997)</i>	Netherlands

	Excellent reward systems are positively related to perceived profit, market share, and investments in the near future.	<i>Verburg (1998)</i>	Netherlands
	Employee share ownership schemes, profit-related pay, and performance related pay are positively related to financial performance.	<i>McNabb and Whitfield (1997)</i>	UK
	Pay for performance is positively related to employee trust and organisational commitment.	<i>Appelbaum et al. (2000)</i>	USA
	Perceived high wages are positively related to trust in decision making and perceived employee job security.	<i>Boselie et al. (2001)</i>	Netherlands
	Perceived excellent secondary work conditions are positively related to employee satisfaction and negatively related to intention to leave the organisation.	<i>Boselie and van der Wiele (2001)</i>	Netherlands
	Perceived high wages are positively related to employee satisfaction and negatively related to intention to leave the organisation.		
<i>Participation</i>	Employee involvement practices aimed at generating commitment have a positive influence on productivity and product quality.	<i>Fernie et al. (1995)</i>	UK
	Employee involvement results in better social climate.		
	Commitment (vs. control-) oriented HR systems have a positive impact on productivity and result in a lower degree of turnover.	<i>Arthur (1994)</i>	USA
	Quality and labour productivity improve over time after the formation of teams.	<i>Banker et al. (1996)</i>	USA
	Employee participation is positively related to trust in decision making and perceived employee job security.	<i>Boselie et al. (2001)</i>	Netherlands
<i>Internally consistent HR bundles</i>	Stimulating personnel management has a positive impact on employee commitment, organisational support, training and education facilities, level of education, and expectations with respect to wage increases.	<i>Leijten (1992)</i>	Netherlands
	Stimulating personnel management has a negative effect on illness.		
	Bundles of internally consistent HRM practices are associated with higher productivity and quality.	<i>MacDuffie (1995)</i>	USA
	High-performance work systems are positively related to productivity.	<i>Appelbaum et al. (2000)</i>	USA

	High-involvement work practices are positively related to employee retention and firm productivity.	<i>Guthrie (2001)</i>	New Zealand
	High-performance work practices are positively related to employee retention, firm productivity and sales growth.	<i>Flood et al. (2005)</i>	Ireland
<i>Decentralization</i>	Decentralization of authority will result in a lower degree of turnover.	<i>Arthur (1994)</i>	USA
<i>Training</i>	Training has a positive impact on the different dimensions of the performance of the firm: product quality, product development, market share, and growth of sales.	<i>Kalleberg and Moody (1994)</i>	USA
	More investment in training results in higher profit.		
	More investment in training results in a lower degree of turnover.	<i>Arthur (1994)</i>	USA
	Training has a positive impact on the relationship between management and the other employees.	<i>Kalleberg and Moody (1994)</i>	USA
	Training has an impact on perceived organisational performance.	<i>Delaney and Huselid (1996)</i>	USA
	Management development is positively related to profit.	<i>Leget (1997)</i>	Netherlands
	Focus on training is positively related to perceived profit, market share, and investment in the near future.	<i>Verburg (1998)</i>	Netherlands
	Formal and informal training are positively related to employee trust and intrinsic motivation.	<i>Appelbaum et al. (2000)</i>	USA
	Training and development are positively related to employee trust in decision making and perceived employee job security.	<i>Boselie et al. (2001)</i>	Netherlands
<i>Opportunities for internal promotion</i>	Internal promotion opportunities are positively related to perceived profit, market share, and investment in the near future.	<i>Verburg (1998)</i>	Netherlands
	Promotion opportunities are positively related to organisational commitment and job satisfaction.	<i>Appelbaum et al. (2000)</i>	USA

<i>More autonomy</i>	Autonomy is positively related to employee trust and intrinsic motivation.	<i>Appelbaum et al. (2000)</i>	USA
<i>Formal procedures</i>	Formal procedures (with respect to downsizing) are positively related to the number of dismissals/lay offs.	<i>Fernie et al. (1995)</i>	UK
<i>Coaching</i>	Coaching is positively related to profit.	<i>Leget (1997)</i>	Netherlands
	Support of direct supervisor is positively related to trust in decision making and perceived employee job security.	<i>Boselie et al. (2001)</i>	Netherlands
	Support of direct supervisor is positively related to employee satisfaction and negatively related to intention to leave the organisation.	<i>Boselie and van de Wiele (2001)</i>	Netherlands
<i>Information sharing</i>	Information sharing is positively related to trust in decision making and perceived employee job security.	<i>Boselie et al. (2001)</i>	Netherlands
	Information sharing is positively related to employee satisfaction and negatively related to intention to leave the organisation.	<i>Boselie and van de Wiele (2001)</i>	Netherlands
<i>Employment security</i>	Employment security is positively related to productivity, employee trust, and organisational commitment.	<i>Appelbaum et al. (2000)</i>	USA
Abridged and updated from Paauwe (2004)			

### ***Theoretical perspectives in HPWS research:***

HPWS research pays considerable attention to the role of HRM systems as solutions to business problems rather than treating *individual* HR management practices in isolation (Becker and Huselid, 2006). Similarly, the literature on SHRM stresses the importance of systems when analysing the integration of HR strategy with business strategy. Ulrich (1997), for example, called for rich integrated theoretical frameworks that focus research efforts and enable the practice of HR management to become a truly strategic discipline. However, theories of SHRM and HPWS advocate several way of linking HRM to strategy and three theoretical perspectives dominate the HPWS literature. These are **universalist** (also known as the ‘best practice’ approach), **contingency** (also known as ‘best fit’) and **configurational** (which focus on patterns) perspectives.

The universalist perspective is the simplest view and argues that practices are additive and enhance performance regardless of the circumstances. The work of Pfeffer (1995) is the best known study highlighting the universalist perspective. Pfeffer concluded that certain practices should be more universally effective than others, including employment security, selectivity in recruiting, high wages, incentive pay, employee ownership, information sharing, participation and empowerment, self-managed teams, training and skill development, cross-training and promotion from within. This perspective does not study either the synergistic interdependence or the integration of HR practices and implicitly denies that the different elements that build the system could be combined in different patterns of practices that could be equally efficient for the organisation (Martín-Alcázar et al, 2005). As a result this perspective has been criticized for failing to consider: a) what other practices are in place; and b) the context in which these practices are used (Lepak & Shaw, 2008).

The **contingency perspective** meanwhile is consistent with the RBV work mentioned earlier in the chapter. This perspective goes beyond the simple linear causal relationships explored in best practice research and allows for interaction effects and varying relationships depending on the presence of contingency variables (Wood, 1999). Therefore while universalist writers might claim the benefits of best practices HRM, contingency writers recognise that sustained competitive advantage rests, not on best practice, but on developing unique, non-inimitable competencies (Barney, 1991). The effectiveness of HRM systems is therefore contingent on how well they connect with other idiosyncratic aspects or variables of the organisation, namely contingency variables (Boxall, 1996). Those variables moderate the link between HRM and performance and, therefore, deny the existence of best practices that could lead to superior performance under any circumstance (see Delery and Doty, 1996).

Within the contingency perspective, there are two types of relationship. The first concerns the influence of various contingencies on single HRM practices. Thus strategy, for example, becomes an important moderator in the SHRM – performance causal chain. The strategic direction of the firm can dictate what HRM practices are used. For example, Jackson et al (1989) found that organisations pursuing an innovative strategy (rather than one based on cost reduction) tended to provide less incentive compensation and more job security and training in order to foster innovation. The second relationship focuses on whether the use and/or effectiveness of HRM systems depend on some contingency (i.e. a contingent configurational perspective). According to this argument, internally consistent HRM systems must also achieve external alignment with contingencies.

Finally the **configurational perspective** presents the HRM system as a multidimensional set of elements that can be combined in different ways to obtain an

infinite number of possible configurations (Lepak et al, 2006). This school of thought follows a holistic principle of inquiry and is concerned with how patterns of multiple interdependent variables interact with the dependent variable (Delery and Doty, 1996; Miller and Friesen, 1984). The configurations of HRM acknowledge system interaction effects and take account of strategy, structure, cultures and processes. The perspective also highlights the importance of HR systems developing both horizontal and vertical fit for organisational effectiveness. Any configuration of a set of internally-aligned HRM practices will therefore have much greater capacity to explain variation in organizational performance than will analyses of single HRM practices taken in isolation (Delery 1998). See Figure 4.2 below for an illustration of these theoretical perspectives.

The above perspectives raise questions as to whether HPWS is linked to performance through a universalist (additive), contingency (idiosyncratic) or configurational (patterned) perspective? Most empirical research appears to fall under the universalist umbrella in trying to establish that the greater the extent of the HPWS the greater the impact on organisational performance irrespective of any contextual factors (see for example, Huselid, 1995, Guest, 1997, Delery and Doty, 1996). Conversely, there are some empirical studies which support the contingency position (see Youndt et al, 1996; Michie and Sheehan, 2005, Hoque, 1999) as well as some more speculative results that support the configurational perspective (Delery and Doty, 1996, Gooderham, Parry and Ringdal, 2008).

Figure 4.2: Universalist, contingency, configurational, and contingent-configurational perspectives for HRM-performance relationship

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A number of problems are associated with the universal or best practice model of HRM and Purcell has argued that it leads research into a “utopian cul-de-sac and ignores the powerful and highly significant changes in work employment and society visible inside organisations and in the wider community” (1999:36). However, difficulties also persist within contingency perspectives such that the search for best fit might be a ‘chimera.’ This approach is limited by the impossibility of modelling all the contingent variables, the difficulty of showing their multiple interconnections, and the way changes in one variable impacts on others, let alone the need to model idiosyncratic and path dependent contingencies. Whilst these HPWS and methodological debates continue to abound the dominant stream of research explores the link between HRM and organisational performance.

### ***HPWS - performance link***

The body of research examining the relationship between HR practices and performance has grown exponentially over the past few years. This section examines SHRM research on how we evaluate the effectiveness of HR initiatives. In general, in assessing effectiveness of HPWS, research has predominantly used measures of financial or market based organisational performance as the dependent variable. Boselie et al (2006), who examined previous research, draw a distinction between different types of outcomes used in measuring effectiveness: (1) financial outcomes (profit, sales); (2) organisational outcomes (productivity, quality); and (3), HR-related outcomes (employee commitment, job satisfaction). Legge (2005) also notes such outcomes can be found at many different levels of analysis. Some researchers have

examined the HPWS relationship at plant level (MacDuffie, 1995; Youndt et al, 1996); the business unit level (Wright and Gardner, 2003); and corporate level (Rogers and Wright, 1998).

In terms of specific expectations from the HPWS initiatives, improved efficiency and reduced costs are the primary financial outcomes. In addition, several operational outcomes are necessary to achieve the financial outcomes, including customer success/satisfaction, improved speed, improved quality, and improved productivity.

In order to achieve these operational outcomes, Varma et al. (1999) found that an increase in a number of workforce initiatives was essential. These initiatives included empowerment, job security, risk-taking, innovation, and teamwork. It is clear from his study that HR practices have a major impact on the operational outcomes. The following section examines a number of studies linking HPWS and performance across a number of countries.

The benefits of HPWS are numerous. Organisation culture and value systems can be changed for the better creating higher levels of cooperation and improved communication. In addition, substantial positive improvements in financial and operational outcomes can be achieved. HPWS have also been found to influence organisational performance indirectly, through lower employee quit rates (Batt 2002). Low quit rates not only decrease the costs of recruitment and selection, but positively affect sales growth because new employees face a learning curve and retained, long-term employees develop tacit firm-specific skills and knowledge.

The general framework presented in Figure 4.3 summarises previous research on HRM practices, HRM outcomes and firm performance (Paauwe, 2004). It lists HRM practices that give rise to HRM outcomes, which influence firm performance. The

dashed reverse arrow indicates the possibility of reverse causality when the firm's performance influences change in HRM practices that is often perceived as an improvement. Control variables could include factors both at the organisational level such as firm age, firm size, capital intensity, degree of unionization, industry etc., and at the individual level such as gender, age, education level and job experience.

**Figure 4.3**

HRM practices, HRM outcomes and Firm Performance

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### **3. HPWS and Firm Outcomes – International evidence**

This section reviews literature examining the impact of HPWS on firm level outcomes. Tables 4.2 and 4.3 identify countries where research has been conducted to-date. Most of the studies have been carried out in developed countries. Huselid (1995), Osterman (1994) and Pfeffer (1994) used universalist theories as their underlying framework for investigating linear relationships between HRM practices and organisational performance.

Huselid's (1995) seminal study adopted a systems based view of HPWS, arguing that organisations implementing HPWS in conjunction with one another would perform better than organisations adopting individual practices. He surveyed nearly 1,000 firms nationally in the USA and found significant support for his hypothesis. Specifically, he found that the use of HPWS could lead to significant decrease in employee turnover, increase in productivity (measured as sales per employee), and improved corporate performance (measured in profits and market value). Huselid's empirical study of the complementary nature of high performance practices supports the idea that HPWS design features should be understood from a holistic perspective

rather than seen as a number of individual design features (Farias and Varma, 1998). Lawler's (1994) US study distinguished between the Fortune 1000 companies that make limited use of HPWS and those that make extensive use of these practices. This research found that organisations making extensive use of employee involvement practices reported significantly higher financial success than organisations making limited use of the high performance practices.

Holistic approaches to HPWS argue that to achieve high organisation performance it is important to utilise a set of mutually supporting practices. Macy and Izumi (1993) found that the organisations that recorded changes over 30 years including a combination of structural, human resource, and technological actions reported significant improvement in financial performance. A key finding of their survey is that start-up firms using high performance practices (greenfield sites) tend to perform better than redesigned brownfield sites (sites that had traditional designs to begin with that later transformed to HPWS designs) or traditional designs. Overall, work sites designed around HPWS principles report financial performance 3% to 7% higher than traditionally designed organisations. Those organisations reported improved financial performance, improved workplace behaviour (e.g., absences, employee turnover, and safety) and improved quality of work life for employees. However, nearly half of the organisations or units participating in a US survey (Macy et al., 1995) reported using relatively traditional designs, while the rest reported using HPWS designs. Results indicated that organisations using the high performance design tended to adopt design features from four categories, i.e., structural, human resources, technology, and TQM. This finding reiterates the fact that many organisations have not yet implemented HPWS.

Research by Arthur (1994) further supports the positive HRM system-

performance link in a US context. In his study, 'control' systems of HRM were compared with 'commitment' systems of HRM policies and practices. Control systems were defined as those seeking to improve efficiency by enforcing employee compliance with specified rules and procedures and basing employee rewards on some measurable output criteria. In contrast, commitment systems focused on empowering employees to make decisions to reach specific organisational goals. These systems were characterised by employee involvement and participation practices. Results of the study revealed that commitment-based systems were significantly related to shorter labour time/output and lower scrap rates. Turnover was found to be twice as high in control type systems.

Gooderham et al (2008) used a similar framework in investigating HPWS and performance in a European context. Their study used CRANET data across 16 EU countries to investigate the relationship between 'calculative', 'collaborative' and 'intermediary' HR models on firm performance. Similar to Arthur (1994), they identify two generic HRM categories. Calculative HRM borrows from Walton's (1995) category of control HRM but is not entirely interchangeable. **Calculative HRM** is defined by Gooderham et al (1999) as being designed to promote the efficient use of HRM in general rather than just encourage employee compliance (efficient use of human resources). **Collaborative HRM** aims to promote the goals of both employees and employers where employees are seen as significant stakeholders. This study makes significant contributions to the literature in that it examines HPWS across a variety of industries in the context of a variety of countries. We can see from Table 4.2 that the overall effect of HRM on performance was relatively modest (5% significance level) with collaborative HRM having no significant impact on firm performance.

In a study of employee involvement in the US auto industry, MacDuffie (1995)

found that bundling human resource practices and integrating them with the production system and business strategy led to higher levels of performance. An important feature of such organisations is that they are more flexible and able to adapt to change. This finding offers further support for Huselid's (1995) concept of a holistic and integrated HPWS design.

From a survey of 39 organisations in the service sector (Beatty and Varma 1997; Varma, Beatty, Schneier, and Ulrich 1999), this research group examined the antecedents, the design, and the overall effectiveness of specific HPWS initiatives. Their results indicate that HPWS that create a change in the organisation's cultural behaviour (e.g., cooperation and innovation) and people management practices (e.g., reward and selection systems) can positively impact the financial and operational performance of these organisations. However, they found that the implementation of teams toward the HPWS effort had no significant impact on the outcomes.

As for specific sectors of employment, empirical studies have shown that HPWS are associated with better performance in manufacturing plants in the US (Appelbaum, Bailey, Berg, and Kalleberg 2000; Arthur 1992; Arthur 1994) and in services (Batt, 2002; Bailey, 1993). Combs et al., (2006) tested whether the benefits of HPWS in impacting organisational performance is larger for manufacturing than for service industries. This meta-analysis examined 92 published and unpublished studies totalling 19,319 organisations. They argued that HPWS practices align better with the nature of manufacturing work and allow manufacturers to benefit more from the flexibility created by HPWS. Following meta-analysis, manufacturing was found to have much stronger effects among manufacturing than service organisations due to industry context factors.

Some researchers have studied the moderating effects of some indicators on the

relationship between high performance work systems and firm performance (e.g., (Batt 2002; Guthrie 2001). Many of these studies provide support for the view that external factors such as business strategy should moderate the HRM-performance link. Arthur (1994) distinguished between low cost and innovation strategies in his US study. He reports that mills with low-cost business strategies were more likely to have control human resource systems, and mills with differentiation strategies were more likely to have commitment oriented human resource systems. Findings indicated that commitment oriented HRM was significantly related to both fewer labour hours per ton and lower scrap rates. Control HRM was significantly higher in minimills with control systems than in those with commitment systems. Datta et al (2005) found that industry specific variables such as capital intensity, growth rate and the level of product differentiation affected HPWS effectiveness. Michie and Sheehan's (2005) UK based study found that a positive relationship exists between HR policies, practices and performance but that this relationship is dependent on business strategy. Further they found that companies pursuing an integrated approach to HR coupled with an innovator/quality enhancer focus within their business strategy perform best across all performance variables measured (sales growth, labour productivity and profitability).

Heffernan et al.'s (2009) study of HPWS in Ireland found organisations identified as pursuing a differentiation strategy displayed greater investment in HPWS and had a significant positive correlation with two organisational performance outcomes – innovation and employee outcomes. However, further regression analysis showed no significant relationship. These associations between HRM and strategy, whilst not supported in regression analysis, are consistent with recent recommendations that strategic orientation should be re-introduced as a key variable in research studies (Becker and Huselid, 2006; Gerhart, 2005). Becker and Huselid (2006) suggest that

organisations following a differentiation strategy concentrate on the processes of strategic value creation.

Nicholson, Rees, and Brooks-Rooney (1990) reported that HPWS have an important role to play in facilitating innovation through focusing upon objectives such as enabling people to think for themselves and to manage their own work. High performance HRM practices can increase innovation by: decentralizing management in order to allow employees to discover and use knowledge; encouraging team practices that allow learning to grow through increased multi-disciplinary knowledge; and putting that knowledge to good use (Laursen, 2002). Richard and Johnson's study (2004) reveals that the use of HPWS affects innovation. An overview of the studies categorised by different authors is presented in Table 4.2. Overall it appears that the impact of productivity of systems of interrelated HPWS practices appears from these studies to be greater than the sum of independent impacts when each component is implemented in isolation. By using meta-analysis to reduce the effects of sample and measurement error associated with some of these studies, Combs et al (2006) estimated that organisations can increase their performance by .20 of a standardized unit for each unit increase in HPWS in use. Therefore, 20% of the utility available from predicting performance differences among organisations is caused by HPWS.

**Table 4.2**  
Summary Results of HPWS studies on Firm Performance

Country	Study	Performance indicators	Results
USA	United States Department of Labor (1993): Survey of innovative practices	<ul style="list-style-type: none"> <li>▪ Rate of return on capital</li> <li>▪ Quality</li> </ul>	<ul style="list-style-type: none"> <li>• Higher</li> <li>• Improvement</li> </ul>
USA	Arthur (1994) In a sample of steel minimills Compare between “control” and “commitment” systems	<ul style="list-style-type: none"> <li>▪ Labour efficiency</li> <li>▪ Employee retention</li> </ul>	<ul style="list-style-type: none"> <li>• Higher</li> <li>• Improved</li> </ul>
USA	Huselid (1995) Combination of HPWS practices vs. individual HR practices	<ul style="list-style-type: none"> <li>▪ Employee retention</li> <li>▪ Productivity</li> <li>▪ Corporate performance</li> </ul>	<ul style="list-style-type: none"> <li>• Improved</li> <li>• Improved</li> <li>• Improved</li> </ul>
USA	Delery and Doty (1996) Study on bank loan officers	<ul style="list-style-type: none"> <li>▪ Financial performance</li> </ul>	<ul style="list-style-type: none"> <li>• Higher</li> </ul>
New Zealand	Guthrie (2001) A multi-industry sample of 164 New Zealand firms	<ul style="list-style-type: none"> <li>▪ Firm productivity</li> <li>▪ Employee retention</li> </ul>	<ul style="list-style-type: none"> <li>• Higher</li> <li>• Better</li> </ul>
USA	Batt (2002) A nationally representative sample of the US telecommunications services industry	<ul style="list-style-type: none"> <li>▪ Sales growth</li> <li>▪ Quit rates</li> </ul> <p>(the mediated effects of quit rate between HR practices and sales growth)</p>	<ul style="list-style-type: none"> <li>• Higher</li> <li>• Lower</li> </ul>
UK	Thompson and Angelis (2004) The UK Aerospace industry	<ul style="list-style-type: none"> <li>▪ Innovation</li> <li>▪ Productivity</li> <li>▪ Psychological contract</li> </ul>	<ul style="list-style-type: none"> <li>• Higher</li> <li>• More</li> <li>• More positive</li> </ul>
USA	Richard and Johnson (2004) 80 banking companies	<ul style="list-style-type: none"> <li>▪ Marketing performance</li> <li>▪ Growth in sales</li> </ul>	<ul style="list-style-type: none"> <li>• Better</li> <li>• Increased</li> </ul>

		<ul style="list-style-type: none"> <li>▪ Profitability</li> <li>▪ Market share</li> <li>▪ Organisational innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Increased</li> <li>• Increased</li> <li>• Improved</li> </ul>
Ireland	Flood, Guthrie, MacCurtain and Liu (2005)	<ul style="list-style-type: none"> <li>▪ Labour productivity</li> <li>▪ Employee retention</li> <li>▪ Sales growth</li> <li>▪ New product innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Improved</li> <li>• Better</li> <li>• Improved</li> <li>• Increased</li> </ul>
UK	<p>Michie and Sheehan (2005)</p> <p>Study of stratified survey sample of publicly quoted UK manufacturing and service sector firms with 50 employees or more.</p>	<p>Business strategy and HPWS</p> <ul style="list-style-type: none"> <li>▪ Sales growth</li> <li>▪ Labour productivity</li> <li>▪ Profitability</li> </ul>	<ul style="list-style-type: none"> <li>• Increased</li> <li>• Increased</li> <li>• Increased</li> </ul>
China	<p>Ngo, Lau and Foley (2008)</p> <p>Study of 600 enterprises across 4 Chinese regions. Majority of respondents were in the manufacturing sector</p>	<ul style="list-style-type: none"> <li>• Financial performance</li> <li>• Operational performance</li> <li>• Employee relations climate</li> </ul> <p>Moderating variable: ownership type</p> <ul style="list-style-type: none"> <li>• Financial performance</li> <li>• Operational performance</li> <li>• Employee relations climate</li> </ul>	<ul style="list-style-type: none"> <li>• Increased</li> <li>• Increased</li> <li>• Increased</li> </ul> <ul style="list-style-type: none"> <li>• Increased</li> <li>• No change</li> <li>• No change</li> </ul>
European Union	<p>Gooderham, Parry and Ringdal (2008)</p> <p>Data derived from 1999 CRANET survey across 16 countries (n=3281 firms).</p> <p>Countries are UK, France, Germany, Sweden, Spain, Denmark, The Netherlands, Italy, Ireland, Portugal, Finland, Former GDR, Greece, Austria, Belgium, Northern Ireland</p>	<p>Calculative HRM model</p> <ul style="list-style-type: none"> <li>• Firm performance</li> </ul> <p>Collaborative HRM model</p> <ul style="list-style-type: none"> <li>• Firm performance</li> </ul> <p>Intermediary HRM model</p> <ul style="list-style-type: none"> <li>• Firm performance</li> </ul>	<ul style="list-style-type: none"> <li>• Increase</li> </ul> <ul style="list-style-type: none"> <li>• No change</li> </ul> <ul style="list-style-type: none"> <li>• Increase</li> </ul>

Abridged and updated from Boselie (2002)

Given the extent of variety and change in organizational context, it is important to know what HR metrics are appropriate to different situations (Colakoghu et al., 2006). Corporate level performance metrics are important although it cannot be assumed that outcomes at this level are definitely more important than others. As Table 4.3 shows, the majority of US-based academics explicitly base their analysis of the use of HR bundles on SHRM principles. They adopt a shareholder perspective, paying little attention to other stakeholders such as employees, trade union, and society at large and have a clear orientation towards financial based metrics (Paauwe, 2004). They therefore focus on firm level outcomes related to labour productivity (Huselid, 1995; MacDuffie, 1995), scrap rate (Arthur, 1994), sales growth (Batt, 2002; Guthrie, 2001), return on assets and return on investment (Delery and Doty, 1996) and market based performance (Huselid, 1995).

In contrast, UK research projects more often adopt a stakeholder perspective or apply a pluralist framework, and include such outcomes as absenteeism, employee turnover, commitment, motivation, satisfaction, trust, conflict, and social climate (e.g. Guest, 1999). Also, the majority of UK academics are sceptical of what Guest (1990) called the “American Dream” in HRM, which maintains that best practice will emerge from universal or normative modelling. Hitt, Ireland and Hoskisson (2005) suggest that three primary groups of stakeholders exist and need to be considered in future research. These are capital market stakeholders (e.g. shareholders and banks), product market stakeholders (e.g. primary customers and suppliers) and organisational stakeholders (managers and employees). By focusing solely on financial metrics driven by capital market stakeholders, we ignore the importance of other potential stakeholder groups as well as other important performance measures.

Many of the studies also adhere to the complementary proposition of HPWS – that is the interaction effects among HPWS practices explains some of the variation in firm performance in addition to the main effects of individual practices (Guest et al, 2004). However, few studies have really tested for these interaction effects directly. Datta et al (2005) observe that those who have examined HPWS in a single sector, for example automobile assembly (MacDuffie, 1995) and steel industry mini mills (Arthur, 1992) and therefore are limited to one industry and its context specific characteristics. Godard (2001) meanwhile found a ‘plateau effect’ in HPWS adoption thus questioning the extent of the complementarities argument. He found from a study of 508 Canadian firms that firms with low to moderate HPWS adoption gained the most compared to firms with high adoption levels. Moderate levels of HPWS adoption were associated with “increased belongingness, empowerment, task involvement, and ultimately job satisfaction, esteem, commitment, and citizenship behaviour (Godard, 2001: 776). Whereas in firms with higher levels of HPWS adoption these positive associations were found to decline in magnitude and even were negative in some cases (e.g. empowerment and job satisfaction). This may be interpreted as supporting the line of argument that there are ‘diminishing returns at higher levels of adoption, rather than the increasing returns predicted by the complementarities thesis (Godard, 2004: 354).

**Table 4.3**

Overview of Studies of HRM and Performance in Different Countries

Country	Studies
Australia	<i>Gollan and Davis (1999)</i>
Canada	<i>Godard (1998, 2001)</i>
China	<i>Mitsuhashi, Park, Wright and Chua (2000)</i>
Finland	<i>Lähteenmäki, Storey and Vanhala (1998)</i>
France	<i>d'Arcimoles (1997); Laroche (2001) Guerrero and Barraud-Didier, 2004</i>
Germany	<i>Backes-Gellner et al. (1997)</i>
Greece	<i>Panayopoulou (2001)</i>
Ireland	<i>Flood, Guthrie, MacCurtain and Liu (2005); Heffernan, Cafferkey, Harney and Dundon (2009<del>7</del>)</i>
Japan	<i>Ichniowski and Shaw (1999); Kato and Morishima (2002)</i>
Korea, Taiwan (China), Singapore, and Thailand	<i>Bae and Lawler (2000); Bae, Lawler, Chen, Wan and Roh (2001)</i>
Netherlands	<i>Paauwe (2004)</i>
New Zealand	<i>Guthrie (2001)</i>
Pakistan	<i>Khilji and Wang (2006)</i>
Russia	<i>Fey, Bjorkman and Pavlovskaya (2000)</i>
Spain	<i>de Saa Perez and Garcia Falcon (2001)</i>
UK	<i>Guest and Peccei (1994); Michie and Sheehan (2005)</i>
USA	<i>Huselid (1995); MacDuffie (1995); Arthur (1994)</i>

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Abridged and updated from Paauwe (2004, p. 61)

### ***Are HPWS globally applicable?***

Quantitative research on the links between HRM and performance has been carried in many countries worldwide (see Tables 4.1, 4.2 and 4.3). They draw on a variety of theories such as systems theory, best practice, contingency theory, socio technical systems, and the resource-based view. Most studies are based in the USA and the UK, followed closely by Europe and East Asia.

Studies on the impact of HPWS on firm performance have been conducted in Asian companies and the results are mixed (Chow 2005). More research is needed to test the transferability of the fundamental premises of HPWS into other parts of the world thus exploring the question of whether HRM can improve competitive advantage in an international context. Work is now being undertaken to explore these concepts in countries such as India, Finland (see Fey et al, 2008) and China (Ngo et al, 2008). Country of origin and the influence of type of economy are two issues highlighted which can advance a more contextual understanding of HPWS globally (See box 4.2). This is particularly important for multinational organisations operating globally.

#### **Box 4.2**

##### **International context and HPWS – the case between US and the Netherlands**

It is argued that the prevalence of managerial prerogatives is a dominant feature of the US work-related culture. In contrast the lack of authoritarian power of the manager is characteristic of the Dutch work-related culture. .... The US system of industrial relations is characterized by the weak role of the state and a decentralised system of collective bargaining. In the United States the role of the state is restricted to ensuring that the bargaining process between management and unions is not obstructed by the abuse of power by either of them. .... In contrast to the US system of industrial relations, state involvement characterises the Dutch system of industrial relations. The Dutch government has issued numerous laws regulating employment relationships in many areas, including aspects such as dismissal protection, collective bargaining, co-determination and working hours and conditions. ... A further feature of Dutch industrial relations is its centralised nature... At the plant level the Works Council Act regulates the relationship between management and workers... Finally one should note that the attitude of industrial players is characterised by an emphasis on ‘consultation’ and ‘striving for consensus’. This attitude is in contrast with the principle of bargaining that underpins the interaction in the US industrial relations system (i.e. competitive through pressure/power).

Management-work relationship in the US is characterised by distance between supervisor and his immediate subordinates in terms of power. In contrast absence of authoritarian power

in work relations is viewed as typical of the Dutch workplace. A Dutch supervisor cannot make use of his hierarchical position by giving orders or applying sanctions. The only means at his disposal is the power of persuasion. Employee participation is considered by US management as a tool to enhance performance rather than as a means to improve relations and the quality of working life. In contrast Dutch managers appear to be sceptical about certain US initiatives. They view participation as societal obligation to workers. Societal expectations in the Netherlands force managers to operate on an informal basis.

On the basis of these findings the widespread belief that global trends will lead to the homogenisation of employment relationship can be challenged. It can be claimed that a divergence in employment relations will continue.

Adapted from (Paauwe 2004)

Paauwe (1993), for example, argues that contingency factors impact on the HPWS-performance link. He recommends **neo-institutional theory** as a worthwhile approach for exploring the complexity of the international context and particularly for understanding the effective operation of MNCs. There are ‘powerful, non-market institutional factors’ (Gooderham et al., 2004, p. 20) at play in Europe; many of which make the central features of some US HPWS unworkable in European organisations. These factors include national culture, legislation, state intervention, organisational level union involvement and participation and requirement for consultation, dialogue and communication between social partners (Morley et al, 2000). Fey and Björkman (2001) investigated this issue when looking at the effect of HRM practices on MNC subsidiary operations in Russia. Their findings highlighted the importance of national culture as a key factor in effective HRM and performance. This included stronger hierarchy in Russia, less willingness to share information and higher levels of employee-management mistrust. Paauwe (2004) rejects the universalist application of HRM best practices across firms regardless of country locations. He argues that we must look to find a clearer understanding of the reasons why firms adopt particular HRM practices beyond considerations of financial performance. Paauwe (2004) contrasts HRM in the USA and Netherlands to explore these reasons and concludes that

the belief that global trends will lead to the homogenisation of employment relationships is incorrect. Instead, due to contextually bound decisions, institutional settings and corporate strategic choice, divergence in employment relations will persist. The results from other studies of HRM strategies abroad differ widely. Bird et al (1998) showed that Japanese MNCs have been successful in replicating Japanese style management techniques and HRM in their foreign subsidiaries. Royle and Towers' (2003) study of McDonalds in Germany also show how a company can introduce their uniform world policies in a country characterised by high levels of union regulation and institutionalised forms of employee representation (e.g. works councils). Royle and Towers (2003) reported that McDonalds achieved uniformity through strategies of avoiding compliance with collective bargaining agreements and aggressively deterring employee interest in union representation.

Much of the HPWS research to-date uses data obtained from the US, UK, Canada and Australia. These countries all operate in an institutional background focused on liberal economies. Godard (2004) proposes that the potential pay-offs from introducing HPWS may increase in more coordinated market economies such as Finland and Germany where firms are managed as stakeholder institutions and where workers have strong representation and rights of co-determination. This contrasts with the US or UK where employee representation is weaker and as a result net benefits from the work intensification approach to HPWS dominate (Godard, 2004) as there is the view that these initiatives are management-driven and used solely for performance improvements and not employee well being (Harley, 2001). Guerrero and Barraud-Didier (2004) examined HPWS in 180 large French companies. Whilst their research showed there was a significant and positive relationship between HPWS and organisational

performance, they also highlighted some country specific differences. Whilst compensation policy seems to be of prime importance in many countries (UK, USA, Asiatic countries and Russia), empowerment and communication was identified as more emphasized in France. Kalmi and Kauhanen (2008) describe the Finish labour market as characterised by strong unions and statutory employee representation and job protection with a strong collectivist culture and low power distance. Their research supports Godard's (2004) argument that institutional settings can shape employee outcomes of HPWS and in a country that has a more coordinated market economy, the complementarity argument was confirmed. In their study of 493 full-time employees Kalmi and Kauhanen (2008) found that there are increasing returns from HPWS within Finland.

#### **4. HPWS debates internationally**

The above section reviewed the international evidence supporting the argument that investment in HPWS impacts on bottom line organisational outcomes. However Ichniowski et al (1996) claim that there are a number of problems which seriously weaken the utility of these studies. This section will identify some of the major problems identified in the research.

The most fundamental difficulty surrounding HPWS research is related to theoretical and methodological issues. Some authors have referred to this as the 'black box' problem, noting that the conceptual development of the mediating mechanisms through which HRM has an impact on profitability has thus far eluded empirical testing (Hutchinson et al, 2003, Boxall and Purcell, 2003). Hesketh and Fleetwood (2006) claim that whilst empirical research might be a useful starting point for understanding the HPWS-performance link and demonstrating the potential value created through

HPWS; it should be treated as providing findings that are open to interpretation rather than treated as conclusive evidence. A great deal of HPWS empirical research, including many of those examined above, does not proceed beyond attempts to find an empirical association between HRM practices and organisational performance. These studies have revealed very little regarding the processes through which this valuable association is created (Wright and Gardner, 2003). Becker and Huselid (2006) claim that a clearer articulation of the 'black box' between HRM and firm performance is the most pressing theoretical and empirical challenge in the HPWS literature.

Debates also exist on the efficacy of methodological choices that have been made in previous HPWS research. The predominant methodological problems relate to the difficulty of establishing causality, measurement issues, the use of single respondents in questionnaires, the definition of performance and the time period, or lag, between HR activities and performance outcomes (Purcell, 1999, Purcell & Kinnie, 2007).

Low agreement exists among the proponents of this approach about what practices should be included within the scope of the term HPWS. Legge (2001) observes that of 15 high-commitment practices identified in the UK WERS 98 study, only seven appear in US studies. While Pfeffer (1998) stressed the importance of job security, it was not included in other lists (Delaney and Huselid, 1996; Patterson et al, 1997). This lack of a consensus among HPWS researchers is a problem and provides insufficient justification for why certain practices have been included. The challenge surrounding measurement of HPWS practices has also been subjected to scrutiny by critical scholars. Legge (2001) argues that studies of HPWS reveal confusion in their approach, in that individual practices such as contingent pay are measured in different ways by different researchers. These issues need to be resolved before any confidence

can be shown in the magnitude or causality of such relationships (Gerhart, 1999).

### **Whose perspective?**

The HPWS-performance literature reviewed so far has focused on firm level outcomes. However, there is also the assumption that a causal link flowing from HPWS to organisational outcomes occurs via the responses of employees (e.g. see the AMO theory above). This places the employee as a central mediator in explaining the impact HPWS has on performance. The issue of taking the worker's view of HRM into account however has only recently emerged in the HPWS debate. Clark, Mabey and Skinner (1998) have argued that while workers are the primary recipients and consumers of HRM, their voice has been muted. They recommend that 'the inside view' should become more prominent if we are to gain a fuller understanding of HRM. This includes examining the role employee perceptions play in translating HR practices into desired organisational outcomes. The effect of HPWS may reside in the meanings that employees attach to those practices. People have different perceptions of reality (Fiske & Taylor, 1991) and therefore not all employees will interpret HR practices in the same way or attach the same meanings to these practices. Also it is important to be aware that HR activities can also have very different effects on different categories of employees (Benschop, 2001).

Only three out of twenty five studies examined by Wall and Wood (2005) included employee surveys. Boselie et al (2005) found only eleven of one hundred and four studies examined used employee survey data. Empirical research that begins to explore the role of employees' perceptions of HR practices in the practice-performance causal chain is sorely needed (Nishii et al, 2008). Section four below examines international research on HPWS and employee outcomes.

## **5. HPWS and the employee outcomes – international evidence**

As we can see from section two of this chapter, the literature on the impact on HPWS of organisational performance is abundant. However, there is a much smaller body of literature on what HPWS do to or for employees, and who are equally important stakeholders in the employment relationship. There are ample studies of micro HR research addressing the relationship between individual HR practices and employee level outcomes (e.g. Wright and Boswell, 2002), however there is little research evidence investigating bundles of HRM practices and employee outcomes (Macky and Boxall, 2007). Boxall and Purcell (2003) argue that all studies of HPWS should include data on costs and benefits for *both* companies *and* workers because “worker motivation and broader legitimacy are unlikely to improve if only management gains” (p. 20). Where research has been carried out, the evidence has been partly contradictory. Some authors argue that HPWS leads to mutually beneficial, win-win outcomes where both employers and employees end up being better off (Huselid, 1995, Pfeffer, 1994; Appelbaum et al, 2000). In contrast, other authors argue that owners’ gain at the expense of more stressed employees (Ramsay et al, 2000, Harley, 2005). An overview of studies incorporating international research on HPWS and employee outcomes is detailed in Table 4.4.

**Table 4.4**

Summary Results of HPWS studies on Employee Outcomes

Country	Study	Employee outcomes	Results
USA	Nishii, Lepak and Schneider (2008)		
	362 departments across 95 stores of a US supermarket chain Data on HPWS collected from 4,500 employees and 1100 department managers	<ul style="list-style-type: none"> <li>• HR attributions impact on employee attitudes (affective commitment &amp; satisfaction combined)               <ol style="list-style-type: none"> <li>i. Quality and employee enhancement</li> <li>ii. Cost and employee exploitation</li> <li>iii. Union compliance</li> </ol> </li> <li>• Impact of employee attitudes on organisational citizenship behaviours</li> </ul>	<ul style="list-style-type: none"> <li>• Improved **</li> <li>• Decreased *</li> <li>• No change</li> <li>• Improved *</li> </ul>
USA	Appelbaum, Bailey, Berg and Kalleberg (2000)	<ul style="list-style-type: none"> <li>• Job satisfaction</li> <li>• Commitment</li> <li>• Stress</li> <li>• Wages</li> </ul>	<ul style="list-style-type: none"> <li>• Improved</li> <li>• Improved</li> <li>• No change</li> <li>• Improved</li> </ul>
UK	Guest (1999)	<ul style="list-style-type: none"> <li>• Psychological contract</li> <li>• Job satisfaction</li> <li>• Job satisfaction (mediated model)</li> <li>• Pressure at work</li> <li>• Employment security</li> <li>• Motivation</li> </ul>	<ul style="list-style-type: none"> <li>• Increased 50% ***</li> <li>• No change</li> <li>• Increased **</li> <li>• Slight increase *</li> <li>• Increased **</li> <li>• No change</li> </ul>
	UK study cross-sectional telephone interview examining HPWS n = 1000		

		<ul style="list-style-type: none"> <li>• Motivation (mediated model)</li> </ul>	<ul style="list-style-type: none"> <li>• Increased **</li> </ul>
UK	Ramsay, Scholarios and Harley (2000)	<i>HCM and HIM models</i>	
	WERS98 data from both management and employees	<ul style="list-style-type: none"> <li>• Extrinsic satisfaction</li> <li>• Management relations</li> <li>• Job Discretion</li> <li>• Commitment</li> </ul>	<ul style="list-style-type: none"> <li>• Increased ***</li> <li>• Increased ***</li> <li>• Increased *</li> <li>• Increased ***</li> </ul>
	HPWS scores broken down into SWP1, SWP2 and HPWP. Findings are reported for HPWP only	<i>Labour process model</i>	
		<ul style="list-style-type: none"> <li>• Work intensification</li> <li>• Job Insecurity</li> <li>• Discretion</li> <li>• Job strain</li> </ul>	<ul style="list-style-type: none"> <li>• Increased ***</li> <li>• Decreased *</li> <li>• Increased *</li> <li>• Increased **</li> </ul>
New Zealand	Macky and Boxall (2008)	<ul style="list-style-type: none"> <li>• Job satisfaction</li> <li>• Stress</li> <li>• Fatigue</li> <li>• Work life imbalance</li> </ul>	<ul style="list-style-type: none"> <li>• Increased ***</li> <li>• Slight decrease</li> <li>• No change</li> <li>• No change</li> </ul>
	Representative national survey Computer assisted telephone interview with 775 randomly selected NZ employees		
UK	White, Hill, McGovern, Mills and Smeaton (2003)	<ul style="list-style-type: none"> <li>• Negative job to home spillover</li> </ul>	<ul style="list-style-type: none"> <li>• Increased</li> </ul>
	National Survey 'Working in Britain 1992' and 'Working in Britain 2000'		
Canada	Godard (2001)	<ul style="list-style-type: none"> <li>• Belongingness</li> <li>• Stressfulness</li> </ul>	<ul style="list-style-type: none"> <li>• Increased ***</li> <li>• Increased (for linear model only) **</li> </ul>
	Telephone survey of 508 employed Canadians investigating alternative work practices	<ul style="list-style-type: none"> <li>• Commitment</li> <li>• Job satisfaction</li> <li>• Empowerment</li> <li>• Workload</li> <li>• Fatigue</li> </ul>	<ul style="list-style-type: none"> <li>• Increased **</li> <li>• Increased ***</li> <li>• Increased ***</li> <li>• No change</li> <li>• No change</li> </ul>

		<ul style="list-style-type: none"> <li>• Citizenship</li> <li>• Task involvement</li> </ul>	<ul style="list-style-type: none"> <li>• Increased ***</li> <li>• Increased ***</li> </ul>
Finland	<p>Kalmi and Kauhanen (2008)</p> <p>Quality of Work national survey 4104 surveyed; focus of study on 493 full-time employees</p>	<ul style="list-style-type: none"> <li>• Job intensity</li> <li>• Job influence</li> <li>• Job security</li> <li>• Wage</li> <li>• Stress</li> <li>• Job satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>• No change</li> <li>• Increased **</li> <li>• Increased **</li> <li>• Increased **</li> <li>• Decreased **</li> <li>• Increased **</li> </ul>
UK	<p>Danford, Richardson, Stewart, Tailby and Upchurch (2004)</p> <p>1 in-depth case study in multinational 'blue chip' aerospace manufacturing plant (high skill, high technology)</p> <p>Qualitative interviews with 72 staff 604 questionnaires and company responses to WERS98 data</p>	<ul style="list-style-type: none"> <li>• Stress</li> <li>• Work place decision making</li> <li>• Quality of working life</li> </ul>	<ul style="list-style-type: none"> <li>• Increased</li> <li>• Decreased</li> <li>• Decreased</li> </ul>
Australia	<p>Harley (2002)</p> <p>1995 Australian Workplace Industrial Relations Survey (AWIRS95)</p>	<ul style="list-style-type: none"> <li>• Discretion</li> <li>• Job satisfaction</li> <li>• Attitude to management</li> <li>• Insecurity</li> <li>• Effort</li> <li>• Stress</li> <li>• Composite discretion</li> </ul>	<ul style="list-style-type: none"> <li>• No change</li> <li>• No change</li> <li>• No change</li> <li>• No change</li> <li>• No change</li> <li>• No change</li> <li>• No change</li> </ul>
Australia	<p>Harley, Allen and Sargent (2007)</p> <p>Survey of two occupational groups - registered</p>	<ul style="list-style-type: none"> <li>• Autonomy</li> <li>• Affective commitment</li> <li>• Job satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>• Positive increase</li> <li>• Positive increase</li> <li>• Positive increase</li> </ul>

nurses and aged-care/personal care workers in Victoria

Survey administered to 3136 members of Australia Nursing Federation (Victoria), 1318 usable responses

- Psychological strain
- Turnover intention
- Work effort

- Positive decrease
- Positive decrease
- Positive decrease

**\*Statistically significant at the \* 0.1 level; \*\* at the .05 level;\*\*\* at the .01 level**

There exist two main ways of examining the impact of HPWS on employees. The first way is what Harley et al (2007) term the 'mainstream' approach which follows the argument that HPWS leads to mutually beneficial, win-win outcomes for both employees and organisations through increased commitment, autonomy and satisfaction. A number of studies adhere to the mainstream account of HPWS. Appelbaum et al (2002) conducted research on three manufacturing sectors in the US - 15 steel mills, 17 apparel manufacturers and 10 electronic and imaging equipment producers. Their study showed positive employees' attitudes to HPWS, including increased trust in management and intrinsic rewards and enjoyment of the work. Table 4.4 above reports similar positive findings for studies conducted in the UK (Guest, 2002; Patterson et al, 1997), New Zealand (Macky and Boxall, 2007) and Harley et al (2008). For example, Guest (1999) found the employees who reported experiencing higher numbers of these HR practices reported high job satisfaction and higher motivation. Vandenburg et al (1999) found that HPWS had a direct positive impact on voluntary employee turnover and an indirect and positive relationship via improved employee job satisfaction and organisational commitment.

Macky and Boxall's (2007, 2008) study of 775 New Zealand employees adds strength to the mutual gains argument. They report a clear relationship between HPWS and employee job satisfaction. They also show no significant relationship between autonomy, training and performance related reward and negative employee outcomes in the form of increased stress or fatigue or poorer work life balance. These positive findings for HPWS are in contrast to the work of White et al (2003) and Danford et al (2004) in the UK. White et al (2003) reported a significant negative relationship between HPWS and spill-over from work to home. Macky and Boxall (2007) tested the complementarity thesis of HPWS that argues that each HR practice has interactive,

additive effects (similar to Godard, 2004) on predicting employee attitudinal variables. For three of their four variables (job satisfaction, trust in management and behavioural commitment) significant interaction terms were found among HR practices. However the effect sizes were weak and the directions of these influences on work attitudes were negative. The authors suggest that there are limits to the positive effects of HPWS for employees.

White et al (2003) can be categorised as following the second way of examining HPWS which focuses on labour process theory and argues that the positive outcomes for organisations is not through commitment or discretionary effort but through work intensification, increased stress and heightened workload. Labour process theorists have often argued that there has been no systematic research on whether the gains are shared and present counter-arguments demonstrating why they might not be (Wood, 1999; Wood and de Menezes, 1998; Ramsey et al, 2000). These counter arguments include work intensification through involving employees in decisions previously made by managers and team work (e.g. Barker, 1993, refers to ‘concertive control’ through peer pressure driven by team based pay for performance),

Ramsay et al.’s (2000) UK study used WERS98 data and sought to challenge the conventional accounts of HPWS as a ‘win-win’ approach. They presented three models constructed on high commitment, high involvement and labour process models. Overall, their findings supported the HPWS rhetoric in that HPWS practices were positively associated with employees’ self reported levels of discretion, relations with management, satisfaction with pay, organisational commitment and work effort. However, they found weak effects for employee outcome mediator variables in their three models of HPWS-performance. Their work highlighted that ‘the widely held assumption that positive performance outcomes from HPWS flow via positive

employee outcomes has been shown to be questionable (Ramsay et al., 2000: p. 521). They concluded that the impacts of HPWS are neither simplistically exploitative or straightforwardly win-win. Godard (2001) too found notable associations for negative outcomes and HPWS. He reported a positive association between HPWS and stressfulness. Whilst he found no statistically significant associations between HPWS and workload and fatigue, there are signs that HPWS are associated with decreases in workload and fatigue at low to moderate levels only, and are followed by possible increases at higher levels of adoption. He concluded that “none of these benefits is realized, because workers are in effect overwhelmed by higher stress levels. Thus, any initially positive implications ... diminish” (p. 797).

Others also urge caution in accepting that HPWS is universally positive for employees and suggest that the promise of ‘mutual gains’ is often not fulfilled. Harley’s (1999) study in Australia found no links between employee involvement practices (e.g. TQM, semi autonomous teams and quality circles) and self reported employee discretion. Osterman (2000) examined lay offs and pay outcomes and concluded that organisations with HPWS in place were more likely than other firms to lay staff off, and no more likely to have higher rates of pay. Harley et al (2007) more recent study of HPWS and employee experience of work in the service sector however reports more positive outcomes. In a survey of registered nurses and aged-care/personal care workers in the aged care sector, Harley et al (2007) found overwhelmingly positive outcomes. He also found that HPWS practices are no less applicable to low skilled workers than high skilled workers. This refutes the belief that HPWS are only implemented and effective when applied to high skilled categories of workers.

Researchers in the UK and US who have refuted the work intensification argument focus on the evident gains to workers of HPWS practices: job satisfaction

(Patterson et al, 1997), the intrinsic value of having a degree of job autonomy (Appelbaum et al, 2000), organisational commitment (Ashton and Sung, 2001) and 'new' skills acquisition that result from employees' use of information technology and problem-solving methods (Appelbaum, 2003). Guest (1999) reported that overall the verdict is positive for HPWS with employees reporting a more positive psychological contract, greater satisfaction, job security and motivation as well as lower levels of work.

Taking context into account the majority of studies examining HPWS and employee outcomes have done so in manufacturing settings (e.g. Appelbaum et al 2000). Harley (2007) argues that the generally positive outcomes reported may reflect the relatively high levels of unionization in the manufacturing settings where these studies were conducted. Eaton and Voos (1992) argued that unionized companies make more extensive use of workplace innovations than non-union companies, and are likely to be more effective in improving economic performance due to the union's role in designing and overseeing the new work structures. Recent research by Liu et al (forthcoming) in an Irish context is at odds with these findings. Their study of 165 firms operating in Ireland indicates that as union representation increases, there is a significant decrease in the use of HPWS. They also found that the mediating effect of providing employment security significantly reduced any negative impacts.

## **6. The critical role of the line manager**

So far this chapter has examined the impact of HPWS on organisational outcomes with employee outcomes often being seen as the critical linking mechanism in the HR-performance causal chain (e.g. See Figures 4.1 and 4.3 above where the HR policies influence employees' ability, motivation and opportunity to perform). Wright and Snell (1998) made a distinction between intended and actual HR practices. Wright and Nishii

(2004) elaborate further by proposing a model that they believe provides a framework that allows researchers to identify some of the sub-processes through which HR practices impact on organisational performance. In this model they differentiate between *intended* HR practices, *actual* HR practices and *perceived* HR practices. Wright and Nishii's model highlights the gap that can exist between espoused and enacted HR policies. *Intended* HR practices refers to the practices developed by policy makers and reflects the outcome of the development of an HR strategy that seeks to elicit desired employee behaviours.. *Actual* HR practices refer to practices operationalized in organisations. There is recognition that not all intended HR practices are successfully implemented. *Perceived* HR practices are actual HR practices as perceived and interpreted subjectively by each employee in the focal group. The perceived HR practices then impact on employee reactions and consequently on performance. From this model we can see that HR policies are often converted into practice by front line managers who conduct performance reviews, make promotion choices and communicate employment termination decisions (see Box 4.3). Wright and Nishii (2007) explain that variance exists from the fact that the practices are often implemented by multiple individuals (line managers, interviewers, trainers, etc.) who will not be uniform in their implementation efforts. This raises two important concerns with regard to the study of HPWS. This first centres on the challenge, institutionally, to implement a consistent set of processes in a consistent manner across large and diverse organisations with multiple individuals. The second concern occurs at the individual level where the implementation of HPWS is made difficult by the fact that those charged with the actual execution of practices (i.e. line managers) develop a comfort that comes with familiarity of behaviour and results (Wright and Nishii, 2007). The framework proposed by Wright and Nishii suggests that for HRM to have an

impact on organisational performance it is crucial that HR departments and line managers be committed and supportive to the development of effective HRM systems by focusing upon actual 'implementation' within organisations.

#### Box 4.3

**The role of the line manager**

*Store managers have to interpret what Head Office wants. Effectively, store management is the interface between Head Office and those who work in the store. The key is how you apply the Head Office policies – that's the difference!*

(Hutchinson and Purcell 2003)

There has been a growing trend towards devolving more and more HR responsibility to the line manager. This devolution of human resource responsibilities from what were previously the primary domain of personnel and human resource managers is a growing and global trend with both positive and negative consequences reported (Perry and Kulik, 2008). Whittaker and Marchington (2003) for example suggest that by devolving HR decision making down the line, managers should be better able to make faster decisions that are more tailored to individual circumstances. The negatives of devolvment included HRM being seen as a 'poor second' to immediate business goals (McGovern et al, 1997), inconsistency in applying HR practices, insufficient attention being given to HRM issues (Bond and Wise, 2003) and failure to treat employees fairly and consistently (Renwick, 2003). Questions regarding the utility of full devolvment of HRM down to the line still exist. Dany et al (2008) maintain that the role of qualified HRM specialists is too critical to be given away to front line managers and they continue to have an important role to play in devising HR policy. This raises debates on how much influence on HRM is distributed between HRM specialists and line managers. Forbringer and Oeth (1998) contend that HRM specialists who are too powerful may be tempted to make the sophistication of tools and

development of HR practices ends-in-themselves which will lead to its development as a 'bureaucratic bastion'. Legge (1989) concludes that HRM is 'vested in line management as business managers responsible for co-ordinating and directing all resources in the business unit in pursuit of bottom line profits' (p. 27).

Using recent CRANET data, Dany et al (2008) found that countries such as Denmark, New Zealand, Bulgaria and Slovenia tended to have organisations where major HRM decisions were mostly undertaken by line managers alone. In contrast, they report that companies from UK, France, Spain, Germany and the USA were characterized by high levels of HRM assignment to HRM specialists. Further analysis showed that too much or too little influence of HRM specialists in decisions regarding major HRM policies nullified the HRM integration-organisational performance link. Instead, HRM organisation (i.e. its level of integration and influence distribution between HRM specialists and line managers), had positive performance implications only in particular settings where the HRM function is shared between HRM specialists and line managers and HRM decision-making happen with HRM specialists in consultation with line managers. Boxall and Purcell (2008) point out that line manager action or inaction is often responsible for the difference between espoused HR policies and enactment. As a result their role and their behaviour in enacting HR policies are extremely important in HPWS-organisational performance research. (Hutchinson and Purcell, 2007) as they exert greater influence over employee behaviour (Redman and Snape, 2005). According to (McGovern, Gratton, Hope-Hailey, Stiles, and Truss 1997) line management involvement is problematic because it requires both institutional reinforcement and personal motivation (see Box 4.4). Their research showed that personal motivation of managers was of much greater importance in explaining the

successful involvement of line managers with HRM than formal institutional incentives and pressures.

**Box 4.4: Line manager skills**

*“A major block is the people management skills of our line managers. It’s to do with software and hardware. You can put the courses out there and the development plans and processes etc and that can all be incredibly practical. But unless you get the software right - the way they do it -it will fail. A lot of managers still feel that managing people is what personnel do”.* Personnel manager, Lloyds Bank

In other words, while the institutional recognition of the role of line managers is a necessary condition in placing personnel activities firmly among line managers, it is not sufficient without the goodwill of the managers themselves.

(McGovern, Gratton, Hope-Hailey, Stiles and Truss, 1997)

Purcell and Hutchinson (2007) also reported that employees respond to both the HRM practices and their line managers’ leadership behaviour. Employees’ judgement of their line managers’ leadership behaviour was directly related to higher levels of affective commitment and to better aspects of job experience. According to Purcell and Hutchinson (2007), an effective line manager helps to create, or transmit, impressions of the organisation as a whole (commitment) and make jobs satisfying by influencing how demanding the job is, how much autonomy the employee has in the job and the sense of achievement that comes from doing the job.

This section has demonstrated that one cannot consider how HPWS and performance are linked without understanding *how* HR policies are translated into practice. In understanding how HRM policies are implemented in practice the role of the line manager comes to the fore. Research has shown that when preferences of HRM choices by employees are similar to actual HR practices currently used by the company, satisfaction and competitive advantage are achieved (Sparrow and Wu, 1998). Khilji and Wang (2006) similarly found that when intended and implemented HRM are

congruent, employee satisfaction and organisational performance are higher. Therefore line managers must establish consistency between intended and implemented practices if investment in HPWS is to have beneficial organisational performance outcomes.

## **7. Summary and Conclusions**

The chapter shows that, whilst there is considerable evidence of a link between investment in HRM and performance, the link is still not absolutely established methodologically or theoretically thus undermining definitive conclusions (Truss 2001; Boselie, Deitz and Boon 2005; Wall and Wood 2005; Fleetwood and Hesketh 2007). At best, there is a degree of convergence in the studies supporting the belief that HRM has an effect on organizational performance. Many different models have been proposed to explain the contribution of HRM to organizational performance, drawing on diverse theoretical frameworks and using many different methodologies. These include the AMO framework and the resource based view of the firm. Three theoretical perspectives of HPWS were discussed in this chapter. These are the universalist contingency and configurational perspectives. We have seen the international evidence that shows a strong link between investment in HPWS and performance. However, evidence suggests that there are still some omitted variables in the HPWS-performance linkage that reduce the explanatory power of these models (Beltrán-Martín et al, 2008). A number of debates in HPWS literature were discussed. The main concern was with the explanatory void that is said to exist – what is often called the ‘black box’. One suggestion was that employee perspectives on how these HPWS policies are enacted in practice should be introduced into the HPWS research. Two perspectives exist in the literature on employee experiences of HPWS. One is based on the ‘mutually beneficial’ argument that HPWS increases employee autonomy and skill and allows them greater

say in how they do their jobs. The second perspective incorporates labour process theory and suggests that these HPWS practices lead to work intensification, with any gains in employee discretion being marginal (Ramsey et al, 2000). This chapter shows that there has not yet been a resolution of this debate with some scholars finding benefits for workers (e.g. Guest, 1999; Appelbaum et al, 2000) while others report negative effects (e.g. White et al, 2003). However, the majority of studies report overwhelmingly positive outcomes. Future research needs to address the wider question of what success and performance is from a variety of stakeholder standpoints, including societal or ethical dimensions, and not just discuss it solely from a financial perspective (Delbridge and Lowe, 1997). Lepak and Shaw (2008) more recently suggest that a variety of contingencies may also affect the nature of the relationship between HRM systems and measures of organizational performance. These include the role of technology, work force trends, and changing worker values. The chapter concluded with an analysis of the role of the line manager as an agent in HPWS implementation. Recent research has shown that ‘the immediate supervisor plays a critical role as a key agent of the organisation through which members form their perceptions of the organisation’ (Liden et al., 2004: 228). However decision makers must include consideration of how line managers can apply HRM. As McGovern et al (1997) showed, the short-term nature of managerial activity means that line managers often place a greater priority on the achievement of numbers (e.g. sales targets) rather than the achievement of numbers through people (i.e. softer issues such as development). Purcell and Hutchinson (2007) suggest that greater emphasis on improving front-line managers’ skills in people management is needed. For HPWS to have performance effects organisations should invest in their front line managers as enactors and leaders of HRM. In doing so they should introduce better selection with greater emphasis given to leadership behaviours

as well as technical skills and knowledge, access to further development, coaching and guidance and career management.

## DISCUSSION QUESTIONS

- 1 Which theoretical perspective are you most convinced by: 'best practice', 'best fit', or the configurational perspective, or are you not convinced by any of these? Why?
- 2 How should the success of HPWS be evaluated in your opinion?
- 3 Do you agree with the argument that HPWS lead to mutually beneficial win-win outcomes for both organisations and employees? Why/why not?
- 4 What can organisations do to support front line managers in implementing intended HR practices?
- 5 Why is there a difference between the intended and realised practices of HRM?

## Further reading

- **Combs J., Liu Y., Hall A. and Ketchen, D. (2006). 'How much do high-performance work practices matter? A meta-analysis of their effects on organizational performance'. *Personnel Psychology*, 59, 501–528.**

*Meta-analysis review of 92 previous HPWS studies and their impact on performance.*

*It reviews key arguments in previous studies and provides suggestions for future research.*

- **Becker, B.E., Huselid, M.A. (2006). 'Strategic human resource management: Where do we go from here?' *Journal of Management*. 32(6): 898-925.**

*This theoretical article examines the future direction of SHRM research. They examine the notion of the 'black box' and suggest strategy implementation as the focal mediating construct in SHRM. They also examine challenges facing future empirical work and highlight new directions in SHRM research.*

- **Ramsay, H., Scholarios, D. and Harley, B. (2000). 'Employees and high performance work systems: Testing inside the black box'. *British Journal of Industrial Relations*. 38:501-531.**

*Using UK WERS data, the authors set about testing three models of HPWS. This paper was one of the first to analyse the impact of HPWS on employee outcomes (both negative and positive outcomes) and assesses the plausibility and adequacy of the mutually beneficial claims made in previous studies. The authors choose three models - a high commitment model, a high involvement model and a labour process model. Amongst their findings was a higher association between HRM and stress levels. The authors also found positive associations between HRM and employee outcomes.*

- **Godard, J. (2004). 'A critical assessment of the high performance paradigm'. *British Journal of Industrial Relations*. 42:2, 349-378.**

*This paper takes a more critical view of the high performance paradigm. The author makes a distinction between 'involving' and 'intensifying' cultures which suggests there are differences in how HPWS are applied by employers and how they are perceived by employees. Godard also argues that firms need to be sceptical about the economics of HPWS. Whilst they may offer benefits they will not be costless and we need to take into account context and views of capitalism when investigating the high performance paradigm.*

- **Boxall, P. and Purcell, J. (2008). *Strategy and Human Resource Management* (2<sup>nd</sup> edition). Hampshire: Palgrave MacMillan.**

*This textbook introduces the reader to the topic of SHRM. The authors discuss the origins of SHRM and examine how strategy connects to SHRM. Chapter 8 provides a useful examination of the 'black box' issues and introduces the role of the line manager in the HRM-performance chain. They also include discussions of work systems and production, managing individual performance and also the complexities in managing*

*HRM in a global economy.*

- **Boxall, P., Purcell, J. and Wright, P. (2007). *The Oxford Handbook of Human Resource Management*. Oxford: Oxford University Press.**

*This edited book bringing together the writings of some of the leading international scholars in HPWS research. Chapter 5 by Allen and Wright goes into more detail on strategic HRM and the resource based view of the firm. Part IV discusses issues of measurement and outcome in HPWS research and gives further details on some of the key issues explored in this chapter including problems of method, measurement and theory and scope.*

- **Paauwe, J. (2004). *HRM and Performance: Achieving Long-term Viability*. Oxford: Oxford University Press.**

*This book provides an overview of HRM and strategy and then introduces the reader to the institutional perspective on HRM, strategy and performance bringing in professional and societal dimensions. Case studies are presented to apply the theory to US and European firms.*