High Commitment HRM and Performance

CHAPTER 3

INTRODUCTION

There have been a significant number of studies over the last decade investigating the links between HRM and organisational performance. These have focused on the extent to which – if at all – high commitment or best practice HRM may lead to improvements in worker or organisational performance. This was stimulated initially by the work of a number of US academics but it has been developed more recently by people in Britain as well. Basically, the idea is that a particular bundle of HR practices has the potential to contribute improved employee attitudes and behaviours, lower levels of absenteeism and labour turnover, and higher levels of productivity, quality and customer service. This, it is argued, has the ultimate effect of generating higher levels of profitability. Since the HR practices that supposedly contribute to an improved bottom line performance are generally perceived as 'good' for workers – for example, employment security, training and development, information and consultation, and higher levels of pay – this looks like an attractive scenario for employers and workers alike.

However, not all the studies report such glowing and positive links between best practice HRM and performance, and there are some doubts about the precise sorts of HR practices that comprise the high commitment bundle, about their supposed synergy with one another, about their attractiveness to workers and employers, and about their universal applicability. Even if an association is found between high commitment HRM and performance, questions remain about directions of causality and about the processes that underpin and drive these linkages; recent research sponsored by the CIPD, undertaken by John Purcell and his colleagues, provides further analysis of the make-up of this so-called 'black box'. This chapter reviews these debates and presents evidence about the value of best practice HRM to workers and organisations. We use 'best practice'/'high commitment' HRM interchangeably.

By the end of this chapter, readers should be able to:

- **contribute to the implementation of appropriate HR policies that maximise the contribution of people to organisational objectives**
- **convince other managers of the business benefits to be gained from adopting 'best practice' HRM**
- **benchmark their own organisation's HR practices against those of competitors.**

In addition, readers should understand and be able to explain:

- **the meaning of 'best practice'/high commitment HRM, and the ways in which bundles of HR practice may be combined together**
- **the contribution of HR policies and practices to improvements in organisational performance**
- **the theoretical, methodological and empirical concerns about claims that 'best practice' HRM can be applied universally in all organisations.**

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DEFINING AND MEASURING HIGH COMMITMENT HRM

In recent years, there has been much interest in the notion of 'best practice' human resource management (HRM). Sometimes this is referred to as 'high performance work systems' (Berg 1999; Appelbaum *et al* 2000), 'high commitment' HRM (Walton 1985; Guest 2001a, 2001b) or 'high involvement' HRM (Wood 1999a). Whatever the terminology, the idea is that a particular set (or number) of HR practices has the potential to bring about improved organisational performance for all organisations. Since the 1990s, a number of US publications have explored the links between HRM and performance (eg Arthur 1994; Pfeffer 1994; Huselid 1995; MacDuffie 1995; Delaney and Huselid 1996; Delery and Doty 1996; Huselid and Becker 1996; Youndt *et al* 1996; Ichniowski *et al* 1997; Pfeffer 1998; Appelbaum *et al* 2000; Cappelli and Neumark 2001; Batt *et al* 2002; Bartell 2004). This has been supplemented by an increasing number of studies in Britain (eg Wood 1995; Wood and Albanese 1995; Patterson *et al* 1997; Guest and Conway 1998; Wood and de Menezes 1998; Wood 1999b; Guest *et al* 2000a, 2000b, 2003; Purcell *et al* 2003), several of which have been published by the CIPD.

Despite this substantial and growing output, it is still difficult to draw generalised conclusions from these studies for a number of reasons. Some of the principal differences between the studies are:

- the nature and type of HR practices examined
- the proxies developed for each of these practices
- the measures of performance used
- the sectors in which the studies have taken place
- the methods of data collection
- the respondents from whom information has been sought.

Guest (1997, p263) argued some time ago that there is 'little additive value in these and whilst statistically sophisticated, they lack theoretical rigour'. Despite a plea for more theoretical models to underpin empirical research, this has not prevented even more of these sorts of studies taking place, and there remains concern about the strength of the conclusions that can be drawn from them. There are also more serious and deep-seated disagreements about the extent to which high commitment HRM is something all employers might wish or be able to implement, and to what extent the precise mix of practices varies between countries and types of employer, as well as whether or not it is equally attractive to workers. These issues are taken up later in the chapter.

Rather than review all of the studies mentioned above – which would be lengthy and repetitive – we have decided instead to focus on the list of high commitment HR practices outlined by Pfeffer (1998), and adapt these for a UK/European context. For example, our analysis makes use of a wider definition of employee involvement and information sharing that incorporates the notion of employee voice (Marchington and Grugulis 2000; Dundon *et al* 2004). Box 9 outlines this list of HR practices.

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BOX 9 COMPONENTS OF 'BEST PRACTICE'/HIGH COMMITMENT HRM

- Employment security and internal labour markets
- Selective hiring and sophisticated selection
- Extensive training, learning and development
- Employee involvement, information sharing and worker voice
- Self-managed teams/teamworking
- High compensation contingent on performance
- Reduction of status differentials/harmonisation

Source: Adapted from Pfeffer J. *The Human Equation: Building profits by putting people first*. Boston, Harvard Business School Press. 1998

Employment security and internal labour markets

Pfeffer (1998) regards employment security as fundamentally underpinning the other six HR practices, principally because it is regarded as unrealistic to ask employees to offer their ideas, hard work and commitment without some expectation of employment security and concern for their future careers. The contribution a positive psychological contract makes to open and trusting employment relationships (Holman *et al* 2003), and the notion of mutuality that is seen as a key component in partnership agreements both relate to this. For example, whilst the partnership agreement at Borg Warner does not contain an explicit statement about employment security, both managers and shop stewards from the company recognise that the plant could not have stayed open without employee support (Suff and Williams 2003, p39).

There are obviously limits to how much employment security can be guaranteed. It does not mean that employees are necessarily able to stay in the same job for life, nor does it prevent the dismissal of staff who fail to perform to the required level. Similarly, a major collapse in the product market that necessitates reductions in the labour force should not be seen as undermining this principle. The most significant point about including employment security as one of the high commitment HR practices is that it asserts that job reductions will be avoided wherever possible, and that employees should expect to maintain their employment with the organisation – if appropriate through internal transfers. Employment security can be enhanced by well-devised and forward-looking systems of human resource planning (see Chapter 6) and an understanding of how organisations may be structured to achieve flexibility (Chapter 2). It is perhaps best summed up by the view that workers should be treated not as a variable cost but as a critical asset in the long-term viability and success of the organisation. Indeed, there is also a business case for employment security. As Pfeffer (1998, p66) notes, laying people off too readily 'constitutes a cost for firms that have done a good job selecting, training and developing their workforce . . . layoffs put important strategic assets on the street for the competition to employ'.

The definition and measurement of employment security has varied considerably, to a large extent depending on whether information is sought about policy or practice. For example, Wood and Albanese (1995) include three measures in reaching their assessment of employment security: a policy of no compulsory redundancy; the use of temporaries primarily to protect the core workforce; and an expectation on the part of senior managers

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that new employees will stay with the firm until retirement. Delaney and Huselid (1996) asked managerial respondents about 'filling vacancies from within and creating opportunities for internal promotion' as a proxy for employment security. Guest *et al* (2000a) use the presence or absence of a 'job security guarantee for non-managerial employees', finding that this is only reported by a very small number of workplaces – 5 per cent in the private sector, 15 per cent in the public. Guest *et al* (2003) ask a mix of questions about internal labour markets and organisational commitment to employment security, as well as enquiring about whether or not compulsory or voluntary redundancies have occurred in the last three years. Over half of these organisations acknowledged that compulsory redundancies had taken place during this period. Box 10 provides information on employment security at different organisations.

BOX 10 EMPLOYMENT SECURITY PROVISIONS

Inland Revenue
'The Inland Revenue is committed to avoiding compulsory redundancies except as a very last resort, and one which it will do its utmost to avoid.'

The Co-operative Bank
'to jointly recognise that effective use of the revised organisational change process (agreed with UNIFI) will require continued commitment to maintain an approach which keeps the number of redundancies to a minimum and achieves redundancies on a voluntary basis, as far as possible.'

Welsh Water
'Partnership gives employment security – in these days of rapid change it is impossible to give a guarantee of job security – that is, doing the same job at the same location doing the same things. But it does mean that permanent staff who want to continue working for the company can continue to do so providing they understand their obligations – to share responsibility for continual improvements in meeting business objectives and providing the highest levels of customer service.'

BMW Hams Hall
'The company and the trade union officers . . . both seek to establish a productive and harmonious relationship between the parties. Job security, prosperity and development depend upon the company continuing to grow and be successful. Both parties recognise the objective is to achieve long-term prosperity.'

Source: Adapted from various publications by the Involvement and Participation Association

After reading Box 10, to what extent do you think that employment security is an important aspect of work and does it give an indication to workers that they are being treated properly by employers?

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Pfeffer (1998, p183) reckons that compulsory lay-offs and downsizing undermine employment security, and sees the following as alternatives: (1) proportionately reducing working hours to 'spread the pain' of reduced employment costs across the entire workforce; (2) reducing wages to reduce the labour costs; (3) freezing recruitment to prevent overstaffing; and (4) putting production workers into sales to build up demand.

This is some way short of full-blown employment security, and it is clear that employment security is not expected to reduce corporate profits. The employer's financial flexibility is maintained by increasing employee workloads and by ensuring that salaries are related to organisational performance in the event of a downturn in demand.

Selective hiring and sophisticated selection

Recruiting and retaining outstanding people and 'capturing a stock of exceptional human talent' (Boxall 1996, p66–67) is seen as an effective way to achieve sustained competitive advantage. Even though employers have always wanted to recruit the best people available, this is nowadays more likely to be systematised through the use of sophisticated selection techniques and taking greater care when hiring. Increasingly, employers are looking for applicants who possess a range of social, interpersonal and teamworking skills in addition to technical ability. For example, Wood and de Menezes (1998) asked about the importance of social and teamworking skills as selection criteria, and Wood and Albanese (1995) found that two of the major facets sought by employers were trainability and commitment. Hoque's (1999) study of large hotels also identified trainability as a major selection criterion. Indeed, in a growing number of situations, it would appear that employers feel that they can provide technical training for people so long as they have the 'right' social skills, attitudes and commitment (Sturdy *et al* 2001; Callaghan and Thompson, 2002; Marchington *et al* 2003b).

The proxies used to measure 'selective hiring' vary widely. They include the following:

- the number of applicants per position (Delaney and Huselid 1996) or as many good applicants as the organisation needs (Guest *et al* 2003)
- the proportion administered an employment test prior to hiring (Huselid 1995; Guest *et al* 2003)
- the sophistication of (selection) processes, such as the use of psychometric tests (Patterson *et al* 1997) and realistic job previews (Hoque 1999; Guest *et al* 2000b, 2003).

These measures capture quite different components of the selection process and on whether the focus is on the overall approach taken by employers or the precise techniques they use. Moreover some of them emphasise inputs rather than outputs in terms of the quality of those eventually recruited. For example, attracting a large number of applicants for a position may indicate poor HR procedures due to failures to define the job and the field adequately prior to advertising. As we see in Chapter 6, it is also possible that selective hiring, especially when it focuses on how well new recruits might fit with the prevailing organisational culture, can lead to under-represented groups being excluded from employment. Moreover, an excessive 'cloning' of employees could be problematic if the organisation is keen to promote initiative and diversity, and counterproductive if business needs and markets change. On the other hand, there may be situations where it is impossible to attract sufficient applicants due to skills shortages – as with some professional jobs in the health and education sectors – where

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the emphasis shifts to generating a pool of potential recruits rather than finding more sophisticated ways to choose between them.

Recruiting high quality, committed staff is seen as central to 'best practice' HRM, and the use of psychometric tests, structured interviews and work sampling is likely to increase the validity of selection decisions. Competencies to be sought at the selection stage include trainability, flexibility, commitment, drive and persistence, and initiative. The key point about 'best practice' selection is that it should be integrated and systematic, making use of the techniques which are appropriate for the position and the organisation, and administered by individuals who have themselves been trained.

Extensive training, learning and development

Having recruited 'outstanding human talent', employers need to ensure that these people remain at the forefront of their field, not only in terms of professional expertise and product knowledge but also through working in teams or in interpersonal relations. Boxall (1996, p67) views this as one element in 'organisational process advantage', the idea that employers aim to synergise the contribution of talented and exceptional employees. There is little doubt that there has been a growing recognition of the importance of individual and organisational learning as a source of sustained competitive advantage as employers introduce more skills-specific forms of training and experience continuing skills shortages in some areas.

Wright and Gardner (2003, p312) note this is one of the most widely quoted and important elements of high commitment HRM. The use of the word 'learning' is crucial as it demonstrates employer willingness to encourage and facilitate employee development rather than just providing specific training to cover short-term crises. Different types of measure have been used here: fully fledged 'learning companies' (Hoque 1999), employee development and assessment programmes or task-based and interpersonal skills training (see Chapter 9). The time and effort devoted to learning opportunities is also important. A range of proxies have been used here – such as the number of days' training received by all workers, the proportion of workers who have been trained, the budget set aside for training, or the establishment of agreed training targets over a two-year period. The WERS survey used a simple absence/presence distinction in relation to induction training and formal job training, finding that well over half of all workplaces engaged in this. Training was provided at fewer workplaces in the private sector than the public sector. The CIPD survey (Guest *et al* 2000a, p15) reports, quite surprisingly, that almost one-quarter of respondents claimed to offer at least one month's training per annum to their staff, although 13 per cent admitted that they provided none at all. West *et al* (2002) used several measures for assessing training in their study of NHS hospitals, each of which related to the amount of money spent, whilst Guest *et al* (2003) focused instead on the amount of training received by workers.

Of course, there are problems in trying to measure and evaluate the concentration of training and learning. While it is clearly important to establish how much time and resources employers invest in formal training, and whether or not this covers the entire workforce, it is also crucial to identify the type of training which is provided and who has responsibility for managing this. Quite a number of the studies have looked solely at the financial or quantitative aspects – in terms of money or time invested in training – and ignored the quality or relevance of training and learning that is provided. It is now widely acknowledged that most workers are overqualified for the jobs they do (Grugulis 2003), and as such extra training may add little to organisational performance or worker skills. Even where training opportunities are provided, there is often 'no explicit aim within the training of increasing the individuals' skill

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base or broadening their experience' (Truss *et al* 1997, p61). Similarly, questions need to be asked about whether or not longer term budget safeguards are established so as to protect training provision (Wood and Albanese 1995) or if training is tied in to 'increased promotability within the organisation' (Delery and Doty 1996). The quality of training, both in terms of its focus and its delivery, is clearly more important than a simple count of the amount provided. These issues are taken up again in Chapters 8 and 9.

> How much time has been devoted to training in your organisation – or one with which you are familiar – and what sort of training has been available? To what extent has it been worthwhile?

Employee involvement (EI), information sharing and worker voice

There are a number of reasons why EI is an essential component of the high commitment paradigm (Marchington and Wilkinson 2005). First, open communications about financial performance, strategy and operational matters not only ensures workers are informed about organisational issues, it also conveys a symbolic and substantive message that they are to be trusted and treated in an open and positive manner. Second, for teamworking to be successful workers require information in order to provide a basis from which to offer their suggestions and contribute to improvements in organisational performance. Third, participation can provide management with some legitimacy for its actions on the grounds that ideas have been put forward by workers and/or at least considered by them before decisions are ultimately made. As we argue throughout this book, even if management has more power at its disposal than do workers, the employment relationship is not complete and legally defined in detail but open to interpretation and disagreement over how it is enforced on a daily basis. Of course there are also arguments that workers have a moral right to participation and involvement, but these are considered elsewhere in the book, particularly in Chapters 10 and 11.

Information sharing or EI appears in just about every description of, or prescription for, 'best practice' or high commitment HRM. EI can include downward communications, upward problem-solving groups and project teams, all of which are designed to increase the involvement of individual employees in their workplace. The precise mix of EI techniques depends upon the circumstances, but the range of measures used and the 'flexible' definition of involvement are potentially confusing. Many of the studies restrict this to downward communications from management to employees which measure the frequency of information disclosure (Patterson *et al* 1997), the regularity of teambriefing or quality circles (Wood and Albanese 1995) or the extent to which workers are informed or consulted about business operations or performance (Guest *et al* 2003). The regularity of attitude surveys also features strongly in many of the studies (eg Huselid 1995; Hoque 1999; Guest *et al* 2000a). Some go further and enquire about the percentage of employees who receive training in group problem-solving (Arthur 1994) or the level at which a range of decisions is made (Delaney and Huselid 1996). The WERS survey analysis only included briefing in its estimates if at least 25 per cent of the time at the meeting was devoted to employee questions and discussion (Guest *et al* 2000a, p16), something that happens at about half the workplaces.

Again, the range of proxies used is so wide that it is difficult to compare results across these studies and arrive at any firm conclusions about the importance of information sharing and EI to high commitment HRM. The fact that EI is often little more than a cascade of information

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from management means that any meaningful worker contribution is unlikely. Indeed, one of the objectives of schemes such as team briefing is to reinforce the supervisor as an information disseminator who adapts messages to suit specific operational requirements. This one-way version of information sharing – rather than being seen as educative, empowering and liberating as the terminology might imply – could more easily be interpreted instead as indoctrinating, emasculating and controlling (Marchington and Wilkinson 2005).

Although only a relatively small number of authors (eg Huselid 1995; Roche 1999; Batt *et al* 2002; Dundon *et al* 2004) specifically include voice as an aspect of high commitment HRM, it seems essential that workers should have the opportunity to express their grievances openly and independently, in addition to being able to contribute to management decision-making on task-related issues. Employee voice may be achieved through trade union representation and collective bargaining as well as through formally established grievance and disputes procedures, but in addition it could be through speak-up schemes, which offer employees protection if their complaints are taken badly by managers (Marchington *et al* 2001). In their study of telecommunications, Batt *et al* (2002, p589) regarded direct participation and union representation as 'complementary vehicles for employee voice at work'.

Self-managed teams/teamworking

This practice has become more prevalent over the last decade for a variety of reasons, not least as a way of pooling ideas and improving work processes in response to Japanese competition. It has been identified by many employers as a fundamental component of organisational success (Marchington 1999). It is also one of the key attributes that employers look for in new recruits, something asked for in references, and it even plays a part in courses organised for school students. Teamwork is typically seen as leading to better decision-making and the achievement of more creative solutions (Pfeffer 1998, p76). Evidence suggests that employees who work in teams generally report higher levels of satisfaction than their counterparts working under more 'traditional' regimes, although they also report working hard as well (Wilkinson *et al* 1997; Edwards and Wright 1998; Geary and Dobbins 2001; Batt and Doellgast 2003).

The range of measures used by researchers to assess teamworking has been rather narrower than those used to assess many of the other 'best practices'. Generally, it refers to the proportion of workers in teams (MacDuffie 1995; West *et al* 2002; Guest *et al* 2003), the use of formal teams (Patterson *et al* 1997; Guest *et al* 2000a) or the deliberate design of jobs to make use of workers' abilities (Hoque 1999). However, such measures can not tell us whether or not these teams actually are self-managed or act as autonomous groups, and much depends upon decisions concerning, inter alia, the choice of team leader, responsibility for organising work schedules, and control over quality (Frobel and Marchington 2005). A distinction is also made between off-line teams – such as quality circles – and on-line teams where workers are involved in daily decisions about work organisation (Batt 2004). Regarding the latter, WERS showed that whilst 65 per cent of workplaces claim to have teamworking, just 5 per cent of these could actually be categorised as autonomous groups where team members have responsibility for managing their own time and appoint their own leaders (Cully *et al* 1999, p43).

In contrast, there is a less optimistic perspective on self-managed teams, which suggests that they are intrusive and difficult to implement in practice, and that they serve to strengthen – rather than weaken – management control. It may also be impossible to introduce any realistic version of teamworking when workers are unable to enlarge their jobs to embrace

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higher level skills or where there are legal, technical or safety reasons that prevent workers from making certain types of decision. Moreover, the prospect of teamworking is limited where the rotation of a range of low-level jobs means that one boring job is merely swapped for another boring job on a regular basis. In situations such as these, teamworking may only serve to make work more stressful and intrusive, and add nothing to the skills or initiative that workers are able to deploy. While these criticisms of self-managed teams can be seen as failures of implementation, some analysts see this form of organisation as potentially flawed because it gives the impression of control without devolving any real power or influence. Barker (1993, p408), for example, suggests that self-managing teams produce 'a form of control more powerful, less apparent, and more difficult to resist than that of the former bureaucracy' because it shifts the locus of control from management to workers – what he terms 'concertive control'. The consequence of this is that peer pressure and rational rules combine to 'create a new iron cage whose bars are almost invisible to the workers it incarcerates' (p435). The negative impact of teamworking may be especially problematic for lower skilled workers (Bacon and Blyton 2003).

What is your experience of working in teams? Do you think that peer pressure is more likely to generate better performance than supervisory control? Is teamworking automatically 'positive' in your view?

High compensation contingent on performance

Pfeffer (1998) reckons that there are two elements to this practice – higher than average compensation and performance-related reward – although both send a signal to employees that they deserve to be rewarded for superior contributions. To be effective, this needs to be at a level in excess of that for comparable workers in other organisations so as to attract and retain high-quality labour. In addition, according to this scenario, rewards should reflect different levels of worker contribution, perhaps being paid as a regular bonus or through profit sharing schemes. Despite the extensive criticisms of performance-related pay (see Chapter 12), it is included in most lists of 'best practice', particularly those conducted in the USA. Given that research in the UK is much more critical about the value of incentive pay, it might be better to include the entire reward package in this HR practice so that it is not restricted to pay alone, and it can then relate to employee contributions to organisational performance – whether this is on an individual, team, departmental or establishment-wide basis.

Huselid (1995) includes two measures for this factor: the proportion of the workforce who have access to company incentive schemes and the proportion whose performance appraisals are used to determine their compensation. MacDuffie (1995) refers to contingent compensation. The UK studies also focus on merit or performance pay. Wood and de Menezes (1998) enquired about merit pay and profit sharing, Guest *et al* (2000a) included performance related pay for non-managerial staff, whereas Hoque (1999) asked about merit pay and appraisal schemes for all staff and West *et al* (2002) and Guest *et al* (2003) focused on appraisal as the key factor. Indeed, in West *et al*'s study, appraisal had an extremely significant impact on performance, as we see later in the chapter. Not surprisingly, the proportion of workplaces covered by performance-related reward was rather less widespread in the public sector than in the private (Guest *et al* 2000a, p16). However, equally surprisingly, given the degree of practitioner interest in incentive pay schemes, about two-thirds of the respondents to the CIPD survey (Guest *et al* 2000b, p16) said that their organisations did not make use of individual performance related pay for their non-managerial employees.

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Reduction of status differences/harmonisation

Symbolic manifestations of egalitarianism seen in the HR practices of some Japanese companies are meant to convey messages to manual workers and lower grade office staff that they are valuable assets who deserve to be treated in a similar way to their more senior colleagues. It is also seen as a way to encourage employees to offer ideas within an 'open' management culture. This can be seen through egalitarian symbols, such as staff uniforms, shared canteen and car-parking facilities, but it is also underpinned by the harmonisation of many terms and conditions of employment – such as holidays, sick-pay schemes, pensions, and hours of work (IRS Employment Review 784a 2003). The principal point behind moves to single status and harmonisation, as we see in Chapter 13, is that it seeks to break down artificial barriers between different groups of staff, thus encouraging and supporting teamworking and flexibility. Extending employee share ownership to the workforce as a whole is a further way in which status differences can be reduced, typically through schemes whereby staff are allocated shares according to some predetermined formula. Pfeffer (1998, p38) argues that 'employee ownership, effectively implemented, can align the interests of employees with those of shareholders by making employees shareholders too'. Firms with high shareholder returns also often have some form of employee ownership.

The proxies used for harmonisation and the reduction of status differentials are also wide and variable. For example, Wood and de Menezes (1998) ask about whether or not any employees have to 'clock in' to work, and about the existence of employee share schemes and welfare facilities/fringe benefits. Hoque's (1999) questions relate very broadly to harmonisation and single status. Guest *et al*'s (2000a, 2000b, 2003) questions vary between the highly specific (harmonised holiday entitlements for all staff) through to whether or not the organisation has a formal commitment to achieving single status. Over 80 per cent of the organisations in the CIPD survey (Guest *et al* 2000b) claimed to have harmonised holidays and just under half reckoned to have a formal commitment to single status.

Table 8 shows how widespread these sorts of HR practices are in UK organisations. For example, a significant proportion of workplaces surveyed for WERS (Guest *et al* 2000a) have grievance procedures in place, make extensive use of appraisals for a large percentage of their non-managerial staff, and have a standard induction programme for all recruits. These features are especially marked in the public sector. Around half of all workplaces use performance tests, provide some degree of formal training, engage in teamworking and administer attitude surveys. On the other hand, hardly any offer job security guarantees, only a small number have problem-solving groups for a sizeable proportion of the workforce, and not many of the private sector firms have a family-friendly policy or an all-employee share ownership scheme. The CIPD survey by Guest *et al* (2000b, p37) reports different figures, but the conclusion is much the same, that is 'human resource practices are not well embedded in a majority of workplaces'. Moreover, few of these workplaces 'have put in place a coherent range of practices of the sort commonly associated with "high commitment" or "high performance" HRM' (p37).

This is disturbing for the proponents of high commitment HRM because it appears to offer the prospect of a more pleasant and stimulating working environment than would be experienced in traditional, Taylorist regimes. For example, the provision of employment security is attractive, the opportunity to earn above average wages and to be rewarded for performance may be enticing, and the chance to gain extensive levels of training can be highly desirable. Most attitude surveys have shown that employees would like to have more information about their organisation and a chance to contribute to and influence decisions that affect their working lives, as well as remove status differences between separate categories of workers.

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Table 8 *The extent of high commitment HRM in the public and private sectors*

Human resource practice	% of workplaces with this practice in place	
	Public sector	Private sector
Use of performance test for selection	58	44
Preference for internal candidates in selection	16	30
Standard induction programme for new recruits	80	76
40% or more received formal job training in last year	68	37
Employees have a lot of variety in their work	52	41
40% or more work in formally designated teams	54	40
At least 25% of time at meetings devoted to employee questions	63	49
40% or more take part in problem-solving group	28	16
Attitude survey in last three years	54	40
Formal appraisals for 40% or more of non-managerial staff	77	87
Formal grievance procedure in place	100	90
Job security guarantee	15	5
Performance related pay for non-managerial staff	20	38
All employee share ownership scheme	n/a	25

Source: Guest D., Michie J., Sheehan M. and Conway N. *Employment Relations, HRM and Business Performance: An analysis of the 1998 workplace employee relations survey*. London, CIPD. 2000a. p16

Selective hiring is less obvious as a source of direct benefit to employees, although it might reduce the likelihood of having to work alongside what might be seen as incapable or ineffective co-workers. In addition, delaying recruitment or using temporaries might enhance the employment security of those permanent staff in the event of a downturn – although there is also evidence that temporary staff may be used in order to reduce wages and put pressure on so-called permanent staff (Rubery *et al* 2003). Put together – especially in comparison with the 'bleak house' policies described by a number of authors – high commitment HRM seems very attractive. However, as we have also seen, digging beneath the surface implies that some of these 'best practices' may not be quite as appealing in reality.

Look at Table 8. Do any of these figures come as a surprise to you, either in terms of how extensive or rare they are? Why/why not? If you work for an organisation, develop a business case for increasing the number of high commitment practices used at your workplace.

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BUNDLES OF HUMAN RESOURCE PRACTICES

It should be clear from the previous section that there are often links between these high commitment HR practices. For example, workers are more likely to welcome EI and information sharing if they have employment security and their workplace is relatively status-free. Equally, they are more likely to show an interest in teamworking if their efforts are rewarded with performance-related incentives, share ownership, and access to training opportunities. Similarly, if sufficient care has been taken at the recruitment and selection stage, new recruits are more likely to adopt flexible working practices and welcome teamworking, as well as be striving for internal promotion in the future. In isolation, or without the support of a strong organisational culture, each of these practices can easily be dismissed as nothing more than a short-term fad or fashion. Conversely the more that HR practices form a coherent and synergistic bundle of related practices, it is argued organisations are more likely to enjoy success due to the fact that the high commitment paradigm is more deeply embedded into the culture of the workplace. Benson and Lawler (2003, p157) note that 'research at the work unit level confirms the importance of viewing practices as complementary' and that the high commitment model (in general) out-performed more traditional control-oriented work systems despite the fact that the exact combination of practices is uncertain and may be industry-specific.

There is certainly theoretical support for the notion that HR practices should operate more effectively when combined together. For example, it could be argued that extensive training is essential for self-managed teams to run effectively, or that higher than average rewards are likely to have a positive impact on numbers of applications for jobs. An employer may feel more inclined to promise employment security if selective hiring has taken place, self-managed teams are extensive throughout the organisation, and rewards are contingent upon performance. Wood and de Menezes (1998, p485) find an 'identifiable pattern to the use of high commitment HR practices' and confirm that they are being used in conjunction with each other. Similarly, despite finding a low take-up of the high commitment model across his sample of Irish workplaces, Roche (1999, p669) notes that 'organisations with a relatively high degree of integration of human resource strategy into business strategy are very much more likely to adopt commitment-oriented bundles of HRM practices'.

Guest (1997, p271) categorises previous attempts to examine internal fit across HR practices into three distinct groups. First, there are criterion-specific studies, such as that by Pfeffer, which outline a number of 'best practices' and suggest that the closer organisations get to this list the better their performance is likely to be. The danger with such universalist approaches is that they ignore potentially significant differences between organisations, sectors and countries, and posit a particular model – in this case, the US model – as the one to be followed. With this approach, the principal job is to detect the bundle that seems to work and then get all organisations to apply this without deviation. Second, there are two sets of criterion-free categories, 'fit as gestalt' and 'fit as bundles'. In the case of the former, it is assumed that the synergies are achievable only with the adoption of all these practices, and that if one is missing the whole effect will be lost. These approaches are termed 'multiplicative', and it is assumed that the whole is greater than the sum of its parts. In this scenario, an organisation that adopted a majority of the practices would be no better off than one that adopted none of them because the chain tying together the different elements of HRM would be broken.

By contrast, bundles are 'additive'. Generally speaking the more practices that are in place the better, so long as some distinctive core exists. In other words, it may be possible to adopt

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a large number of high commitment HR practices and ignore others, but still gain from the interactive effects of those that are in place. Questions then arise as to how many practices are needed to make a difference, from what areas of HRM these are to be drawn and whether certain practices are fundamental to make the synergies work. As we see in the section on HRM and performance later in this chapter, much of Guest *et al*'s recent work has differentiated between organisations on the basis of how many HR practices they use. Their analysis of the WERS data led them to conclude that 'despite trying a variety of approaches and combinations, we could not find any coherent pattern of bundles of practices in the private or the public sectors. The only combination that made any sense was a straightforward count of all the practices' (Guest *et al* 2000a, p15). Provided a certain minimum number of practices are in place, it is likely (though not automatic) that high commitment HRM will be found in a range of different areas of practice – such as selection, training, EI and harmonisation.

It is assumed that contradictions between 'best practice' in one area and 'worst practice' in another will undermine the package as a whole. Workers, it is argued, soon notice differences between employment practices, and are quick to spot inconsistencies between policy statements and workplace practice. There have certainly been many occasions when a high-profile cultural change programme, for example, which majors on learning and development as a key principle, has been undermined by the announcement of massive redundancies. Similarly, it has not been unknown for an organisation to introduce a new set of EI policies without first consulting employees about its shape. Inconsistencies between different HR practices are likely to be even more apparent in situations where several employers operate at the same workplace or clients have a direct or indirect influence over the work of supplier organisations, either through short-term secondments of staff or through employers exercising joint responsibility for the completion of work tasks (Marchington *et al* 2004c).

Even in the context of the single employer–employee relationship, Wood and de Menezes (1998, p487) note that most studies indicate a lack of consistency, reporting fragmentation, a 'pick and mix' approach to managing human resources, ad hocism, pragmatism and short-termism, rather than the deployment of consistent, integrated and long-term packages of HRM. Truss *et al* (1997, pp66–67) sum this up by stating that their research 'found little evidence of any deliberate or realised coherence between HR activities. For instance, one HR Officer commented that the firm could be recruiting someone in one department and laying-off someone with a similar profile in another.' Moreover, they saw no evidence of any coherence among HR activities in different parts of the organisation, and whilst the language of the soft HRM model was in evidence so too was that of the hard model – emphasising financial control. More seriously, while Caldwell (2003) shows from a survey of about 100 major organisations that significant progress has been made in the adoption of HR practices, unfortunately most has been made in implementing those practices that are regarded as least important, and least progress with those that are most important. His respondents recognised the value of bundling but found the linkages extremely difficult to achieve for a number of reasons: it was felt there was no universal or magic formula; the size, complexity and multidivisional structure of their organisation impeded co-ordination; devolution to line managers tended to increase fragmentation; and the difficulty the HR function experienced in breaking out of its operational requirement to provide administrative efficiency rather than strategic vision (p203). Perhaps the lack of any sizeable take-up of these HR practices should not surprise us. As Pfeffer suggests, even smart organisations often do 'dumb things', failing to learn from other examples or being driven by criteria which are ultimately wide of the mark.

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Does it matter if there are contradictions between different components of the HR bundle? After all, the employment relationship is characterised by conflict and co-operation, so why should these additional tensions cause any problems?

Although the principle of bundling together HR practices may appear sound, what happens if the achievement of one of these practices contradicts with or undermines (some of) the others? For example, employers may make employment security conditional on an agreement that pay rates can be reduced in order to maintain the guarantee through lean times. Selective hiring on the basis of future potential rather than immediate contribution may require existing staff to work harder and longer in order to induct new staff. This may be acceptable at the margins, but if the profit-sharing or performance-related component of rewards is a significant proportion of overall income, then it could be problematic to existing staff – as well as to customers who may have to wait longer to be served. Equally, if staff are routinely expected to work long hours, their own quality of life can be adversely affected and their own safety and that of others may be affected. Presumably, there is a point at which the value of employment security is outweighed by the need for a certain minimum salary or work–life balance.

One of the many advantages of self-managed teams, according to Pfeffer (1998, p77), is that they can remove a supervisory level from the hierarchy: 'eliminating layers of management by instituting self-managing teams saves money. Self-managed teams can also take on tasks previously done by specialised staff, thus eliminating excess personnel.' It is not self-evident that the personnel who are 'eliminated' are actually found other jobs, so the implementation of self-managed teams – even if it does empower certain groups of workers – may result in others losing their employment security. There are further potential contradictions between the different practices. For example, teamworking may be undermined by the use of individual performance-related pay or by the HR practices of other firms in a network that cut across internal organisational coherence (Scarbrough and Kinnie 2003). Similarly, Cordery (2003) quotes a number of studies in which teamworking took place against a background of increased numbers of lay-offs and reduced levels of pay. It is also hard to square the notion of an organisation without major status differentials with one where senior managers are able to collect substantial bonuses because their pay is linked with company performance. In other words, while there is strong support for bundling – in one form or another – it is also clear contradictions and tensions may arise between the different HR practices in the bundle. Indeed, Boxall and Purcell (2003, p57) do not see this as surprising as any notion of organisational coherence inevitably 'oversimplifies the paradoxical elements involved in managing people'.

HRM AND PERFORMANCE

Analysing the links between high commitment HRM and performance is now a major area of interest for research and policy. Originally, this stemmed from work in the USA, but there have now been several studies in the UK, most notably by David Guest and his colleagues. Before reviewing some of this work in more detail, it is worth reminding readers of some of the earlier studies that claimed to establish a link between HRM and performance. Huselid (1995) drew his conclusions from a survey of nearly 1000 US organisations. He divided high commitment work practices into two broad groupings: employee skills and organisational structures, and employee motivation. The former included items concerned with the proportion of workers taking part in attitude surveys, the number of hours training received in

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the previous year and the proportion of workers required to take an employment test as part of the selection process. The latter included items such as the proportion of the workforce with performance appraisals linked to compensation and the number of applicants for those posts where recruitment took place most frequently. Output measures included labour turnover, productivity and corporate financial performance. Huselid (p667) concludes that 'the magnitude of the returns for investments in [what he calls] high performance work practices is substantial. A one per cent standard deviation increase in such practices is associated with a 7.05 per cent decrease in labour turnover and, on a per employee basis, 27,044 US dollars more in sales and 18,641 US dollars and 3,814 US dollars more in market value and profits respectively.' Appelbaum and her colleagues (2000) also argued that high performance work systems paid off. Their research was conducted in a number of different industries (steel, apparel and medical electronic instrument), and in each they were 'large enough to be important to the companies in our study but not so large as to strain credulity' (p19). Importantly, they also found (p20) that high performance work practices increased workers' trust, job satisfaction and commitment, and notably no evidence of 'speed up' (work intensification) and higher levels of stress. A key factor, as we see later when we look at the work of Purcell *et al* (2003), is that having the opportunity to participate enhances workers' discretion and effort.

The results from the survey by Patterson *et al* (1997) published by the Institute of Personnel and Development (now CIPD), were quoted widely by the media and put forward as evidence for the importance of HRM as a driver of, and contributor to, improved performance. The research was based on longitudinal studies of 67 UK manufacturing that were predominantly single site and single product operations. It has been claimed – on the basis of this research – that HRM had a greater impact on productivity and profits than a range of other factors including strategy, R&D and quality. For example, it was argued that 17 per cent of the variation in company profitability could be explained by HRM practices and job design, as opposed to just 8 per cent from research and development, 2 per cent from strategy and 1 per cent from both quality and technology. Similar results were indicated for productivity.

Below we examine in more detail four of the studies undertaken in the UK – by Guest *et al* (2000a, 2000b), West *et al* (2002), Guest *et al* (2003) and Purcell *et al* (2003) – and we draw on some in-depth reviews of the HRM–performance link. Some of the best-known studies are outlined in Table 9 (see pages 86–7).

On the basis of these studies some forceful claims have been made about the impact of high commitment HRM on performance. Two CIPD reports (2001a, 2001b) argued that the economic and business case for good people management has now been proved. One notes (2001a, p4) that 'more than 30 studies carried out in the UK and the US since the early 1990s leave no room to doubt that there is a correlation between people management and business performance, that the relationship is positive, and that it is cumulative'. Since, it is argued, senior personnel practitioners now agree that the case for HRM impacting on organisational performance is not in dispute, the key question is how to make it happen (Caulkin 2001). From a US perspective, Pfeffer (1998, p306) agrees that best practice HRM has the potential to have a positive impact on all organisations, irrespective of sector, size or country. Organisations only need leaders possessing both insight and courage to generate the large economic returns that are available from high commitment HRM. Many of the studies have focused on manufacturing but Batt and Doellgast (2003, p306) also suggest that 'a growing number of studies show that collaborative forms of work organisation predict better performance in the service sector'.

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Table 9 *Some of the major studies examining links between HRM and performance*

Empirical studies	Sample	Nature of study
Arthur (1994)	USA: 30 mini-mills in the steel industry	Cross-sectional study
Huselid (1995)	USA: 968 US-owned firms with more than 100 employees	Cross-sectional study
MacDuffie (1995)	USA: 62 automotive plants	Cross-sectional study
Delery and Doty (1996)	USA: 114 banks	Cross-sectional study
Youndt *et al* (1996)	USA: 97 manufacturing plants	Longitudinal study
Patterson *et al* (1997)	UK: 67 manufacturing firms employing less than 1000	Longitudinal study
Wood and de Menezes (1998)	UK: use of data from WERS (1990) and Employers' Manpower and Skills Practice Survey – approximately 2000 workplaces with more than 25 employees, all sectors	Cross-sectional study
Guest *et al* (2000a)	UK: use of data from WERS (1998) – approximately 2000 workplaces with more than 25 employees, all sectors	Cross-sectional study
Guest *et al* (2000b)	UK: 835 private sector companies with more than 50 employees, interviews with HR professionals and CEOs	Cross-sectional study
Appelbaum *et al* (2000)	USA: 40 manufacturing plants in steel, apparel and medical electronics and imaging	Cross-sectional study
West *et al* (2002)	UK: 61 NHS acute hospital trusts, interviews and questionnaires mainly with HR Directors	Cross-sectional study

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Table 9 *continued*

Empirical studies	Sample	Nature of study
Guest *et al* (2003)	UK: 610 private sector companies both from services and manufacturing, telephone interviews with Head of HR.	Longitudinal study
Review articles	**Source**	
Wood (1999a)	*International Journal of Management Reviews*, Vol. 1, No. 4	
Wright and Gardner (2003)	Holman *et al* (eds), *The New Workplace: A guide to the human impact of modern working practices.* London, Wiley	
Godard (2004)	*British Journal of Industrial Relations*, Vol. 42, No. 2	

These sorts of claims have also led to a stronger policy thrust from government. As we saw in Chapter 1, *Accounting for People* (2003) notes that one way to increase the potential impact of workers on performance was to encourage better HCM reporting. Whilst acknowledging there was no single widely accepted 'best practice' approach, the report nevertheless argued (p3) that 'there is a growing consensus that high performance is linked with high quality in practice in such areas as recruitment, skill development and training, remuneration, job design and organisational culture'. Ultimately, the Task Force decided to recommend a consultative approach to encourage human capital reporting (and approaches) through the setting-up of Standards Board which would bring together leading employers, professional bodies and other relevant stakeholders to develop guidelines and to report back to government within two years of its formation.

We now turn to look at four of the UK studies in more detail in order to address a number of key points about this material. First, as will be apparent from Table 9, David Guest and his colleagues published the results analysing two separate data sets on the links between HRM/employment relations and performance during 2000. Both these are useful as they focus on slightly different issues, and the CIPD survey – unlike WERS – makes some estimate of whether or not HR practices are effective. Although it varies slightly between the publications and with the detailed analyses, the broad theoretical framework guiding the analysis is outlined in Figure 3 (Guest *et al* 2000b, p5; see page 88). Broadly, this proposes a path model linking together business and HR strategies on the left-hand side of the diagram (the input in positivist terms) with performance outcomes on the right-hand side. These include indicators such as financial performance, quality and productivity, as well as employee outcomes in terms of competence, commitment and flexibility. The overall framework is glued together by a number of HR practices covering all the usual areas of HRM, as well as by HR effectiveness. The HR practices include job security, recruitment and selection, induction, appraisal, training and development, EI and teamwork, pay and rewards, harmonisation and equal opportunities. The inclusion of a factor assessing effectiveness is particularly important because this allows us to evaluate how well the practices are working, in addition to whether or not they are present. In the CIPD survey, to some extent in

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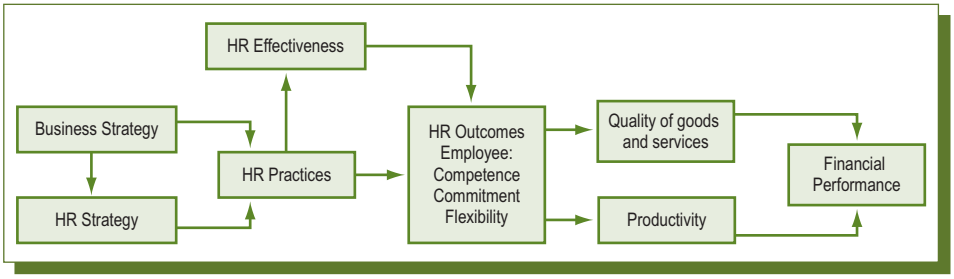

Figure 3 *Model of the link between HRM and performance*

Source: Guest D., Michie J., Sheehan M., Conway N. and Metochi M. *Effective People Management: Initial findings of the Future of Work study*. London, CIPD. 2000b. p5

contradiction to the findings of Patterson *et al* (1997), it was revealing that whilst 70 per cent of the chief executives felt that their business strategy relied a lot on people as a source of competitive advantage, considerably less than half felt that 'people issues' were more important than financial or marketing issues (Guest *et al* 2000b, p14).

A critically important finding of the study by Guest *et al* (2000a) is that a very small proportion of organisations actually use more than three quarters of the HR practices outlined. At the other extreme, an equally small proportion use less than a quarter. In general, those organisations in the public sector and with trade union involvement utilise more practices than those in the private sector and non-union firms, and indeed nearly 60 per cent reported using less than half of the whole list of HR practices. We can see from the data in Table 8 that certain practices are extremely widespread in the public sector – such as a formal grievance procedure, a written equal opportunities policy, and a standard contract. The private sector typically shows lower levels of extensiveness, but the same sorts of HR practices emerge as most widespread apart from the fact that appraisal appears to be used in more organisations. The least extensive HR practices from the list are job security guarantees, the use of quality circles and preference being given to internal candidates when filling vacancies. What the data is unable to tell us, given that it relies on a straight number count, is whether or not specific HR practices are essential for the HR bundle to work.

Even if organisations employ a wide range of HR practices, this does not mean that they are applied effectively or that they have any impact on workers or managers. For example, while it is important to know whether or not an employer makes use of regular appraisals or provides information about performance targets, this gives us no clue as to whether the appraisals make any difference or the information is supplied in a meaningful and timely fashion. This is why measures of effectiveness are so useful. In the CIPD survey (Guest *et al* 2000b), Managing Directors and HR professionals were asked to assess the effectiveness of each practice area, and in most cases they were judged to be either slightly or highly effective. The results are outlined in Table 10. It can be seen that there are relatively small differences between the respondents, with the HR professionals being slightly more circumspect about the effectiveness of the practices. The most positive responses were in relation to employment security, which is strange bearing in mind the fact that over half of the sample had made compulsory redundancies during the last three years. The HR practices deemed to be least effective were those related to financial flexibility, job design and appraisal, and it is notable that the HR professionals felt they were less effective (Guest *et al* 2000b, pp18–19). HR effectiveness – both of the practices themselves and of the personnel department – increases the strength of the relationship between HRM and performance,

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Table 10 *The effectiveness of HR practices according to Managing Directors and HR professionals*

Assessment of HR practice	Managing Directors		HR professionals	
	Quite effective	Highly effective	Quite effective	Highly effective
Recruitment and selection	41	13	41	12
Training and development	40	17	39	17
Appraisal/performance management	34	14	27	11
Job design	31	7	27	4
Communication, consultation, EI	43	23	39	12
Financial flexibility	24	9	22	6
Harmonisation	32	20	34	17
Employment security/labour market practices	39	23	45	26

Source: Guest D., Michie J., Sheehan M., Conway N. and Metochi M. *Effective People Management: Initial findings of the Future of Work study*. London: CIPD. 2000b. p19

again because of its impact on employee commitment, contribution and flexibility (Guest *et al* 2000b, p31). In short, the more HR practices that are used, and the more effectively they appear to be used in enhancing organisational performance.

The research by West *et al* (2002) investigated the links between particular HR practices and performance in the NHS, based on interviews/questionnaires with HR managers in 61 separate Trusts. They found that three particular HR practices – training, teamworking and appraisal – had a particularly strong impact on performance. A number of measures were used to assess these practices as we have already indicated earlier in the chapter. Measures of performance included information about mortality rates, waiting times, complaints and financial outcomes. This data was gathered by different researchers so as to prevent any possibility of conscious or subconscious influence on the conclusions. The analysis 'reveals a strong relationship between HRM practices and mortality' (2002, p1305), with appraisal having the strongest influence of all. These results have been widely quoted because of the massive potential impact on policy but also because of the finding that 'better' HRM might lead to lower mortality rates. Drawing on this and other research, West *et al* (2002, p1309) suggest that 'it may be possible to influence hospital performance significantly by implementing sophisticated and extensive training and appraisal systems, and encouraging a high percentage of employees to work in teams'. However, the authors do urge caution in assuming any direction of causality, and agree that it could be argued there is less pressure on staff when the hospital is already achieving low mortality rates – and so more time can be devoted to investments in high commitment HRM (West *et al* 2002, p1308).

Subsequent work by David Guest and his colleagues has provided a further twist to the debate (Guest *et al* 2003). We have already described the data (both HR practices and

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performance measures) on which this research is based earlier in this chapter. The major conclusion (2003, p307) is that 'the results are very mixed and on balance predominantly negative. The tests of association show a positive relationship between the use of more HR practices and lower labour turnover and higher profitability, but show no association between HR and productivity. The test of whether the presence of more HR practices results in a change in performance shows no significant results.' Moreover, they conclude (Guest *et al* 2003, p311) that despite showing some strong evidence there are links between high commitment HRM and performance, their study 'fails to provide any convincing indication that greater application of HRM is likely to result in improved corporate performance'. The key point is that the methods used have a major impact on the results. When subjective performance measures are used, there is a consistently positive message, whereas the associations are less strong and consistent if objective measures of performance are employed. This leads them to suggest, contrary to some of their earlier conclusions, that reverse causality is actually quite likely; that is, rather than seeing HRM as leading to better performance, it could be that profitable organisations have the scope to introduce more high commitment HR policies than their less successful counterparts – a point to which we return later in the chapter.

One of the problems with survey research is that, while it may be possible to demonstrate links between HRM and performance, it is unable to explain in any detail why this might happen. Research by John Purcell and his colleagues (Hutchinson and Purcell 2003; Purcell *et al* 2003) has sought to open up this 'black box', and we briefly review some of the major findings here that relate to high commitment HRM and performance; discussion on the role of line managers is covered more extensively in Chapter 5. The Purcell study was undertaken over a 30-month period in 10 organisations drawn from different sectors and comprising quite a wide range of employment contexts; the sample included household names such as Tesco, PricewaterhouseCoopers, Selfridges, Jaguar, Siemens and the Royal United Hospital at Bath. Interviews were conducted with HR and line managers, as well as non-managerial staff, in these organisations, generally on two separate occasions during the research period. The research also involved close liaison with these organisations.

There are a number of significant findings that confirm, overturn or extend previous work investigating the links between high commitment HRM and performance. First, the researchers used the AMO model, which argues that in order for people to perform better, they must:

- have the *ability* and necessary knowledge and skills, including how to work with other people (A)
- be *motivated* to work and want to do it well (M)
- be given the *opportunity* to deploy their skills both in the job and more broadly contributing to work group and organisational success (O).

Second, each of the case study organisations was recognised to be operating with a 'big idea', a feature or way of working that served to glue together all the different attempts to make the organisation successful. The 'big idea' was embedded within the organisation connecting together different activities, it was seen as enduring, and it was collectively shared. Moreover, one way or another, performance against or progress towards the big idea was measured and managed in an ongoing basis (p13). Third, line managers were identified as critically important for the achievement of high performance working as they provide the principal point of contact with non-managerial staff and they are in a position to strengthen,

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ignore or even undermine the messages conveyed through the big idea. Finally, measures of performance were adapted so they were particularly relevant for the organisation concerned; for example, at Tesco these included data on queue lengths, stock availability, theft and stock errors as well as financial data relating to the store (pp53–54). The decision to collect this data at unit level makes considerable sense, and it is a much more meaningful measure of how workers might be able to contribute to improved performance than some distant measure of profitability over which most workers have little influence. Indeed, it could be argued that it also makes sense to vary the measures of high commitment HRM depending on the workplace because workers are likely to stress different practices depending on their occupational status, age or gender for example.

Find a copy of one or more these surveys – or any others that are available – and analyse the links between high commitment HRM and performance. Prepare a presentation on the benefits that can be gained from investing in high commitment HRM.

RAISING QUESTIONS ABOUT THE HRM–PERFORMANCE LINK

Persuasive as they might appear, and attractive as they might be to HR professionals, studies that argue high commitment HRM leads to improved levels of performance have not escaped criticism, including – as we have seen – some by the authors themselves. Drawing on a number of sources (eg Holman *et al* 2003: Wright and Gardner, 2003; Godard, 2004), some of the major concerns are outlined below.

Questions about the direction of causality and the 'black box'

It will be apparent from the earlier discussion that this is a major issue, and much depends on the theoretical framework adopted by the researcher. Conceptually, it is equally likely that the use of a strong bundle of high commitment HR practices could lead to improved performance, at least at workplace level, as it is that high commitment HRM is made possible and paid for by high levels of organisational performance. As we saw earlier in the chapter, questions will remain until there is more longitudinal research and greater efforts have been made to open up the 'black box' by tracking organisational changes via case studies.

Little consistency in the HR practices included in the bundle

The number of HR practices in each of the lists varies substantially (from as few as six or seven to twenty or more) as does the inclusion or exclusion of specific techniques. For example, despite the importance attached to employment security by Pfeffer, this is not included in several of the lists (eg Delaney and Huselid 1996; Patterson *et al* 1997; Wood and de Menezes 1998). Similarly, while some authors include measures of employee voice other than that achieved through self-managed teams and employee involvement, Pfeffer does not. Perhaps this does not matter if we are clear as to why certain HR practices should be included, but that does not seem to be the case. As Wood (2003, p280) argues, it is much more important to focus on an underlying orientation for integrated management or high commitment HRM that may be reflected in slightly different types of practice rather than spending time trying to identify a set of practices that might be appropriate across all workplaces. However, far too often, the lists seem to be developed on the basis of individual preference, by looking at what other researchers have used or by constructing groupings of practices on the basis of factor analysis, and then attempting to impose some theoretical justification for this ex-post facto. Of those that do have a theoretical model to underpin their

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approach, even then it is not always clear why certain practices are included and others are not. For example, Huselid (1995, pp645–647) uses two groups of practices, entitled 'employee skills and organisational structures' – which includes job design, enhanced selectivity, formal training, various forms of participation, and profit sharing – and 'employee motivation' – which comprises performance appraisal linked to compensation and a focus on merit in promotion decisions. It seems strange that participation and profit sharing should be in the first grouping rather than the second given the supposed importance of these as techniques that enhance employee motivation. Patterson *et al* (1997) also emerge with two groups of practices, subtitled 'acquisition and development of employee skills' and 'job design', and on this occasion, participation and teamworking find their way into the second grouping rather than the first. In short, a simple count of how many HR practices are used tells us little of any theoretical value.

Variations in the proxies used to measure high commitment HRM

The studies use a range of different proxies for the same HR practice. For example, some are straight yes/no or absence/presence type measures whereas others ask for the percentage of the workforce covered by a particular aspect of HRM – such as performance-related pay. In some cases, the proportions vary between studies with, say 25 per cent in one and 90 per cent in another. Worse still, they can vary within a particular study between different items. Differences in the way in which practices are counted as present or absent have a major effect on the construction of the overall bundle, and it is rare for there to be an explicit discussion as to why certain levels have been set. Notably, Guest *et al* (2000b) do openly explain why they went for a figure of 90 per cent in some of their questions. More seriously, the mere absence or presence of a practice is irrelevant because what matters is how this is used and what impact it has on the people employed and on organisational performance. Take the example of grievance procedures; these are almost universally employed in organisations, so a proxy based around absence or presence tells us nothing about how people take up grievances, how many they take up, and whether they regard the processes as open and reasonable – arguably more important as a differentiator. A similar point arises in relation to days spent on training. Knowing that the typical employee is trained for about five days per annum is hardly evidence of high commitment HRM if they are trained merely in how to conform to strict rules and procedures – as sometimes happens in call centres (Sturdy *et al* 2001). Moreover, potential problems also arise when compiling scores of high commitment HRM in deciding whether or not each practice should be weighted equally. This is clearly a problem where there are more measures of a particular item than others, for example as often occurs with EI. It is possible in this situation that the overall measure gives too much weight to one factor compared with others. Moreover, what happens when, as in the WERS analysis, one practice is widely used – such as a formal statement on equal opportunities – and another, such as job security, is rarely provided? Do these deserve to be equally weighted or is the use of a relatively rare practice something that differentiates organisations from their competitors.

Variations in the proxies used to measure performance

One of the major problems is the different types of performance measure that are used, in particular whether they are based on objective or subjective assessments. Many of the studies have focused on the former, using measures of organisational performance such as profitability that have very little obvious linkage with the efforts of individual workers, even though ultimately this is what matters to organisations. This is clearly problematic in multiplant organisations within the same industry, and even more complicated in conglomerates that operate across a range of sectors and countries, as well as in public–private partnerships and

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interorganisational networks where it is hard to establish identifiable boundaries between them. Questions can also be raised about the appropriateness of the measures used to assess performance; in the West *et al* (2002) study, for example, one measure was the number of deaths following hip surgery. Clearly, death during surgery is a major problem – not least to the patient – but a more appropriate measure of success could be how well the person felt a few months later or whether the new hip actually provided them with a better quality of life. Other studies have asked HR managers or managing directors to estimate how well their organisation is performing compared with others in the same sector. Although there is some research that shows consistency between objective and subjective assessments (Wall *et al* 2004), others are less convinced, and indeed Guest *et al* (2003) found no association between them. Analysis of some of the WERS data shows that managers consistently overestimate the performance of their organisation in relation to competitors. Some of the intermediate employee outcome measures are simple to quantify but less easy to interpret. For example, it may be important for an organisation to have low labour turnover or absence levels compared with the average for the industry as a whole, but there are questions about whether or not a zero figure is actually indicative of good employment relations. In the case of labour turnover, work may be so pleasant and relaxed that very few people ever want to leave but if productivity levels are poor, then this is hardly evidence of effective HRM. Similarly, absence levels may be low because people are scared to take a day off for fear of reprisal or because they have so much work to do they feel that it is impossible to stay at home even when they are ill. Clearly, what appears initially as technical measurement problems actually obscure rather more serious conceptual weaknesses.

Dangers in relying on self-report scores from HR managers

Differences can arise depending on the expertise of the person who completes the questionnaire for an organisation. For obvious reasons, questions used in telephone surveys tend to be those that are capable of an immediate answer that can be coded easily. As Purcell (1999) notes, this may not get us very far in establishing what factors really make a difference to employee commitment or organisational performance. Further problems arise because personnel specialists, who are often the respondents in these surveys, often lack detailed knowledge about the competitive strategies utilised by their organisations and the proportion of sales derived from these strategies. At least the Guest *et al* study did overcome a number of these shortcomings by including managing directors and HR professionals in their sample, but they were unable to get opinions from employees themselves. This is particularly problematic if worker perceptions are not even included in studies when the focus is on 'objective' measures of performance. Anxieties such as these mean that considerable caution is needed when interpreting conclusions from these quantitative studies, and one suggestion (Wall *et al* 2004) is that a team of independent experts could assess how schemes were working rather than relying on internal evaluations alone. For example, someone with a deep knowledge of EI could compare and contrast how these schemes were working across a range of different organisations.

Doubts about how much autonomy organisations have in decision-making

It is implicitly assumed that organisations are free agents that are able to choose precisely which HR practices they wish to employ without considering any forces beyond their own organisational boundaries. As we have seen from Chapter 2, any organisation is subject to forces that shape its HR policies, in terms of legal and institutional arrangements or through the pressure exerted by clients or industry bodies. This is most apparent in how the high commitment HRM package might be applied in different countries, and we should not assume

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the Anglo-Saxon model (based principally on North American and UK research) is easily applicable to other countries. Boselie *et al* (2001, p1122) make it clear that 12 out of Pfeffer's original list of 16 practices are common in the Netherlands, whereas very few UK organisations could boast anything like this many. Because of the legal, political and social infrastructure, certain HR practices are deemed necessary there. However, the same situation could occur within certain industries in the UK whereby Codes of Practice or industry norms are regarded as part of the 'way we do things around here'. Moreover there are also assumptions that, once the link is proven, all employers will see the benefit of adopting the high commitment paradigm as opposed to a low-cost or bleak house philosophy, and this is far from assured. For companies that are competing against cheap foreign imports or have no interest in having committed, enthusiastic workers who wish to exercise their discretion to improve performance, the high commitment model offers few advantages. Indeed, even amongst those organisations that adopt the high commitment model in relation to their own employees, higher profits may be made at the expense of subcontractors whose low profit margins mean there is little chance to invest in best practice HRM even if they wanted to (Marchington *et al* 2004c)

In addition to the points made above, there is also a more radical critique that questions whether or not the findings actually support a link between high commitment practices and performance, as the interpretation of this material takes for granted. Ramsay *et al* (2000) propose an alternative, labour process explanation that suggests that higher levels of organisational performance are achieved not through 'progressive' employment practices but instead through work intensification. Basically, both the high commitment and the labour process versions agree that a distinctive set of HR practices may well contribute to improved levels of organisational performance. However, as Ramsay *et al* (p505) argue, 'it is at this point that the two approaches part company. The labour process critique holds that, while high performance work systems practices may provide enhancements in discretion, these come to employees at the expense of stress, work intensification and job strain, the latter being a key explanatory factor in improved organisational performance'. This interpretation is quite different therefore, mirroring the discussion about competing versions of teamworking.

In order to test their proposition, Ramsay *et al* (2000) used the 1998 WERS survey material, focusing in particular on employee outcomes. They also included other factors in their analysis related to job strain and work intensification – measured by questions about the lack of time to complete work, worrying about work outside working hours, and changes in productivity (p527). Their conclusions are at odds with those of the high commitment school, in the sense that they find little support for the notion that positive performance outcomes flow from positive employee outcomes. They suggest that the high commitment approach has been adopted without sufficient analysis of whether or not employees really do prefer such regimes. At the same time, however, they find little support for the labour process interpretation either. While acknowledging that lack of support for either model may be due to problems with the methodology, they conclude instead that neither bears much resemblance to reality. This is due to the inability of senior managers to implement strategic thinking – either to treat workers as resourceful humans or as costs to be minimised (p522). This conclusion leads Godard (2004, p350) to conclude that state support is probably required to ensure the high commitment paradigm takes root.

What do you think workers want from their employment, and does this equate with the high commitment bundle of practices considered here?

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THE UNIVERSAL APPLICATION OF BEST PRACTICE HRM

One key aspect of the celebratory literature is that 'best practice' HRM is capable of being used in any organisation, irrespective of product market situation, industry, or workforce. Pfeffer (1998, pp33–34) produces evidence from many industries and studies which he claims demonstrates the case for 'putting people first'. These include 'relatively low technology settings such as apparel manufacture to very high technology manufacturing processes. The results seem to hold for manufacturing and for service firms. Nothing in the available evidence suggests that the results are country-specific. The effects of high performance management practices are real, economically significant, and general – and thus should be adopted by your organisation.' Support for this argument comes from several other studies. For example, Huselid (1995, p644) states that 'all else being equal, the use of High Performance Work Practices and good internal fit should lead to positive outcomes for all types of firms'. Delery and Doty (1996, p828) find 'relatively strong support' for the universalistic argument and some support for other perspectives, and suggest that 'some human resource practices *always* [our emphasis] have a positive effect on performance'; these were profit sharing, results-oriented appraisals and employment security. There is support from a non-US study as well, with Wood and Albanese (1995, p242) agreeing that certain HR practices have a universal effect.

There are criticisms of this view, ranging from minor adjustments through to downright rejection of the case that 'progressive' HR practices can always provide sustained competitive advantage. Youndt *et al* (1996, p837) suggest that 'the universal approach helps researchers to document the benefits of HR across all contexts, ceteris paribus, [while] the contingency perspective helps us to look more deeply into organisational phenomena to derive more situationally-specific theories and prescriptions for management practice'. Purcell (1999, p36) is particularly sceptical of the claims for universalism, which lead us, he argues, 'down a utopian cul-de-sac'. He stresses the need to identify 'the circumstances of where and when it [high commitment management; HCM] is applied, why some organisations do and some do not adopt HCM, and how some firms seem to have more appropriate human resource systems than others'.

At a conceptual and empirical level, however, there are a number of reasons to doubt that high commitment HRM is universally applicable (Marchington and Grugulis 2000). First, it is apparent that the 'best practice' works on the assumption that employers have the luxury of taking a long-term perspective or that, with a bit of foresight, they could do so. For example, they are encouraged to hire during the lean times when labour markets are less tight rather than seek to recruit when they have a pressing demand for staff and it is harder to attract the type of applicant desired (and desirable). Similarly, employers are advised to invest in employees with non-specific skills that will offer most over the longer term rather than seek to fill posts with staff who can solve immediate needs. It is suggested that employees should be retained during downturns because it will only cost more to rehire them when the market improves, a practice that also ties in with employment security guarantees. Similarly, instead of cutting back on training when times get tough or cash is in short supply, employers are urged to spend more money on training during the lean times because it is easier to release employees from other duties when production schedules are less tight. There are good economic and labour market reasons for employers to do all of these things, but they all depend, to a greater or lesser extent, upon the luxury of a long-term perspective and the prospect of future market growth. Of course, institutional forces beyond the level of the organisation may serve to shape HRM more significantly in some countries than they do in

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others. As Boselie *et al* (2003) note, employers in some countries may take for granted what in the UK is seen as 'best practice' offered by just a few organisations.

Second, it is rather easier to engage in high commitment HRM when labour costs form a low proportion of controllable costs. In capital intensive operations, it makes little sense to cut back on essential staff who have highly specific and much-needed skills – say, in a pharmaceutical or chemical plant or with research scientists. When labour costs represent a major cost compared with other factors, as in many service sector organisations for example, it is much more difficult for managers persuade financiers that there are long-term benefits from investments in human capital. It is unlikely, given their previous behaviour, that bankers and lenders in Britain will perceive the benefits of taking a strategic perspective on human resources and sacrifice short-term gains for longer term accumulation. In contrast, it is immensely difficult to persuade employers to adopt a 'best practice' approach if they operate in situations where labour costs are sizeable, and where it is difficult to increase pay rates or offer training when resources are constrained. Moreover, it is unlikely that customers or users will accept inferior levels of service even if it is helping to develop talent over the longer term (eg in the health service, pubs and restaurants). Furthermore, given an emphasis on contracting and recontracting up and down the supply chain, there is often little incentive for employers to invest in high commitment HRM if their contracts are of limited length and they are expected to compete on the basis of reduced costs (Marchington *et al* 2004c). Cappelli and Neumark (2001) report that, while high commitment HRM actually does increase worker output, it also raises labour costs and employee rewards. This leads Godard (2004, p355) to argue that the proponents of high commitment HRM 'overestimate the positive effects of high levels of adoption of these practices, but also underestimate the costs'. The end result is likely to be little overall gain in productivity.

Bearing in mind some of the recent furore about contracting out manufacturing or call centres to low wage economies, discuss whether or not customers really do gain from 'best practice' HRM or whether they would prefer to buy cheaper goods no matter how they are produced.

Third, so much depends upon which categories of staff employers are trying to recruit. MacDuffie (1995, p199) is often quoted as someone whose research is supportive of the universality argument, but it is apparent from his studies that high commitment HRM may actually be situationally specific. He suggests:

> **'Innovative human resource practices are likely to contribute to improved economic performance *only when* [our emphasis] three conditions are met: when employees possess knowledge and skills that managers lack; when employees are motivated to apply this skill and knowledge through discretionary effort; and when the firm's business or production strategy can only be achieved when employees contribute such discretionary effort.'**

This seems to indicate clearly that the circumstances under which 'best practice' HRM will make a difference are quite specific. For example, it makes sense for the employer to encourage discretionary behaviour in order to achieve organisational goals – such as in high technology industries where work systems and processes can not be easily codified or

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overseen by managers, and qualified workers are in short supply and there may be strong arguments for hoarding labour. In many other situations, the time taken to train new staff is relatively short, work performance can be assessed simply and speedily, and there is a supply of substitutable labour readily available. The rationale for employers adopting the high commitment paradigm in these circumstances is hard to sustain. In addition, some jobs are so boring or unpleasant that it is inconceivable that many people would see employment security, basic training or information sharing – for example – as any kind of benefit. On the contrary, these workers would probably resent being expected to take an interest in their organisation beyond routine work performance, and find it stressful and intrusive. In short, the best practice model may not be attractive or appropriate for all groups of workers or employers.

Finally, the growth in 'non-standard' contracts has led many commentators to question if 'flexible' employment is compatible with 'best practice' HRM, and whether or not the latter can be applied to all employees in an organisation irrespective of their occupational status or labour market value (Kinnie *et al* 2004). As we saw in Chapter 2, the changing nature of the psychological contract has led to worries that employment insecurity is now widespread, and evidence shows that between the 1970s and the 1990s, the proportion of people who had experienced a spell of unemployment almost trebled from 7 per cent to approximately 20 per cent of the population (Gallie *et al* 1998, p124). Other data reinforces case study and anecdotal evidence that employees now feel rather more insecure than they did 20 years ago. However, some groups of employees appear to be gaining more from 'best practice' HRM than others, especially those who remain working for the same employer for many years. This suggests distinctions could be arising between long-serving workers, whom employers might wish to nurture, and short-term contract staff or subcontracted workers (Purcell 1999).

CONCLUSIONS

The focus in this chapter has been on high commitment HRM, and we have examined the way in which HR policies and practices may be used to provide coherent and comprehensive human resource bundles. This has led to suggestions that there is one best way in which HRM should be delivered, and moreover that this has a positive impact on organisational performance. There is currently a good deal of interest in the high commitment HRM–performance link, and to ideas that a specific bundle of human resource policies and practices is inherently superior and capable of making a major contribution to organisational success in all workplaces. There is also policy interest in this approach through the notion of HCM reporting. We have reviewed this argument in the chapter, pointing to alternative and competing interpretations of the research findings, as well as calling for greater reflection on whether or not best practice HRM really can make a difference to bottom line performance in all workplaces. Holman *et al* (2003, pp422–424) summarise the scale of the research task that is needed to move the debate on, and include many of the points that have been raised in this chapter. The high commitment model is appealing as it supports the case for implementing 'good' people management practices on business grounds. However, there is also a strong theoretical and empirical basis for arguing that high commitment models cannot be – and are not being – applied in all workplaces and to all groups of staff. Having considered the 'best practice' perspective in this chapter, we are now in a position to analyse the alternative – 'best fit' – scenario in Chapter 4.

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