



Whatever happened to human resource management performance?

Peter Prowse and Julie Prowse
University of Bradford, Bradford, UK

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Abstract

Purpose – The purpose of this paper is to critically explore the evidence that human resource management (HRM) could contribute to the improvement of organizational and individual performance. It aims to examine the historical development of HRM and its emergence as a distinct management discipline. The evidence indicates that HRM is the product of several different traditions that range from a concern with employee welfare to the development of workplace relationships. The paper critically re-evaluates what human performance is and assesses its contribution to organizational effectiveness. What is particularly important is the lack of empirical literature on the contribution of HRM and business performance. This paper will call for the re-evaluation of more contemporary criteria of how people contribute to organizational performance in private, public and the emerging non-profit making sectors.

Design/methodology/approach – The methodology adopted in this research uses critical literature on the contribution of human resource management performance.

Findings – The main finding of this research is the understanding of the problems of research design in measuring the contribution of HRM to develop performance in organizations.

Research limitations/implications – The research presented in this paper needs to review and standardize comparative research design to confirm the performance of HRM in organizations. It compares the alternative perspectives of measuring performance in financial criteria.

Originality/value – This paper reviews the research between key authors for exploring the correlation between HRM and organizational performance for future research and examines the influence of human resource professional bodies.

Keywords Human resource management, Performance measurement (quality), Critical success factors

Paper type Literature review

Introduction

This chapter evaluates the contribution of human resource management (HRM) to improving organisational performance. What is evident from the literature is the linkages between human resource management and organizational performance. One of the key issues that needs to be examined is exactly what type of performance and the contribution of HR techniques to increase performance.

Initially, the chapter evaluates the historical development of performance management from the HRM literature before evaluating the debates on efficiency and performance. It then outlines the development of HRM techniques designed to evaluate the outcomes of HRM to improve organizational and individual performance,

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and links this to performance in organizations. The outcomes of techniques intended to increase organisational commitment and increase job satisfaction will be critically evaluated. The chapter further examines the North American and the European (and particularly the UK) literature on efficiency and effectiveness and the evidence whether human resource management improves organizational performance.

What is HRM and how does it link to organizational performance?

Initially it is helpful to identify the factors that influenced HRM developments and consider if these approaches to managing people represent something different or a continuation of previous management practices (Legge, 1995, Keenoy, 1990). Over the last 30 years there has been an increased interest in HRM. Arguably, it represented a new and radically different way of managing people and is a critical lever for improving organizational performance in terms of productivity and harnessing and increasing employee commitment (Storey, 2007).

Storey (1989, p. 3) notes that HRM is associated in a number of organisations with only a change in terminology from industrial relations to employee relations and from personnel management to human resource management. Similarly the number of definitions of HRM reflects the diversity of the subject. Beer *et al.* (1984, p. 1) define HRM as, “all management decisions that affect the relationship between organisations and employees – its humans”. Whilst Guest (1991) defines HRM in terms of four key policy goals: high commitment, high quality, flexibility and strategic integration. Storey (1995, p. 5) argues:

Human resource management is a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques.

Blyton and Morris (1992, p. 116) make the observation that “underpinning this linkage of HRM and flexibility is the argument that HRM posits a closer connection between business strategies, personnel policies and practices”. However, a number of authors (Sisson, 1994; Legge, 1995; Noon, 1992; Storey, 1995) suggest it remains unclear exactly what HRM is, a view reiterated by Guest (1998, p. 43) who comments that “after more than a decade, it can be argued that we still don’t know what HRM is”. Whilst Sisson (1990, p. 1) defines HRM as “in the most general of senses to refer to the policies, procedures and processes involved in the management of people in work organizations”. Poole (1990, p. 3) suggests that:

Human resource management is viewed as strategic; it involves all managerial personnel; it regards people as the most important single asset of the organisation; it is proactive in its relationship with people; and it seeks to enhance company performance, employee “needs” and societal well being.

Hartley and Stephenson (1992, p. 5) observe that HRM has generated new ideas about how to motivate rather than control employees that involves engendering a climate of commitment, genuine flexibility and adaptability and employee concern for quality. The extent to which HRM has achieved this is open to debate. Sisson (1994, p. 4) argues that there is little evidence that HRM has been implemented in the UK and that it is “a moot point whether British management are developing a more strategic approach to managing human resources or whether they are muddling through”. This view is

supported by Storey (1992) who contends that many writers in the 1980s presented HRM as something new and distinct, when in reality little had changed. Blyton and Morris (1992, p. 127) concur with this point and suggest that “although the theory of HRM focuses on a long-term and strategic approach, the reality is that workforce flexibility is driven by short-term responses, primarily cost driven and *ad hoc*”.

Both Guest (1987) and Storey (1992, 2007) argue that since the 1980s strategic managers have been interested in different methods of managing people and performance. Arguably, changes in the HR practices of organisations signify a move away from the “collective” (trade union negotiated involvement) to the “individual” (harnessing employee commitment using the management of culture); resulting in a shift to payment systems that focus on an individual’s contribution to profitability and performance and employment strategies that reward individual performance (Storey, 2007).

During the 1980s and 1990s in both the USA and UK a number of different HRM models were developed that represent the various perspectives and encompass both hard and soft approaches to HRM and these will now be briefly discussed (Beer *et al.* 1984, Fombrum *et al.*, 1984; Guest, 1987, Hendry and Pettigrew, 1990).

The Harvard model (Beer *et al.* 1984) presents a “map of HRM territory” that emphasises communication, teamwork, and the utilization of individual talents and advocates a soft HRM approach (Pinnington and Edwards, 2000). This model proposes that HRM policy choices are determined by a combination of stakeholder interests and situational factors resulting in: HRM policy choices and human resource outcomes that have long term consequences. Beardwell *et al.* (2004) suggest that the Harvard model recognises the legitimate interests of various groups and this is translated into a human resource strategy. A number of criticisms have been leveled at the model. Sisson and Timperley (1994, p. 163) observe that that the elements of strategic choice has a “strong prescriptive” overtone and the model suggests that there is in effect one preferred and superior set of HR policy choices.

In contrast, the Michigan model (Fombrum *et al.*, 1984) presents a hard approach to HRM and introduces the concept of strategic human resource management (Storey, 1992). In this model, HRM policies are linked to the formation and implementation of strategic and corporate objectives and the needs of the organisation are paramount (Pinnington and Edwards, 2000). The Michigan model is presented as a triangle that represents both the external and internal factors of HRM and a tight fit between human resource strategy and business strategy (Beardwell *et al.*, 2004). The internal factors revolve around the firm and comprise of the mission and strategies, organisational structure and HRM, these respond to the external economic, political and cultural forces.

In the UK a number of HRM models have also been developed (Guest, 1987; Hendry and Pettigrew, 1990; Storey, 1992). Guest’s (1987) model included a set of interrelated factors and includes: “strategic integration, high quality, flexibility and high commitment” necessary for creating an effective organisation. The premise underpinning this approach is the link between HRM aims, policies and outcomes.

The Practice of HRM

Wood and Wall (2002) argue that the practice of HRM is comprised of a range of organizational activities that focus on recruitment and the development and

management of employees. Wall and Wood (2005, p. 430) outline HRM practices that emphasize or include the following: sophisticated selection methods, appraisal, training, teamwork, communications, empowerment, performance related pay and employment security. Collectively, these are deemed to contribute to skill and knowledge base within the organization, and to the employees' willingness to deploy their learning to the benefit of the organization. Interest in HRM was stimulated by a number of developments (Blyton and Morris, 1992). In the USA a combination of increasing competitive markets, the introduction of Japanese work systems, declining unionization in the USA private sector and the limited power of personnel management in individual organizations encouraged the development of HRM (Beaumont, 1992). Similar conditions prevailed in the UK, but also included the recession of the 1980s, the loss of competitiveness and the introduction of new technology, that encouraged the introduction of HRM (Blyton and Morris, 1992; Beaumont, 1992). Hendry and Pettigrew (1990, p. 54) observed:

The political climate of Thatcherism, heralded a new legitimacy for entrepreneurial and anti-legislation which encouraged firms to introduce new labour practices and to re-order collective bargaining arrangements.

In contrast, Blyton and Morris (1992, p. 119) are skeptical of the extent to which the UK moved from short-term defensive flexibility strategies and engaged more fully in long term developments implicit in the ideas that underpin strategic HRM. Sisson (1994, p. 7) observes that the prescriptions offered to manage people are based on a number of features that include functional flexibility, team working but have "the principal aim of developing a highly committed and adaptable workforce willing to learn new skills and tasks".

The various HRM models also reflected the two dimensions of "hard" and "soft" HRM. Storey (1992, p. 29) provides a model of two dimensions of HRM hard and soft the former represents a manpower planning approach, the latter a HRM and defines them as:

The hard version emphasises the quantitative, calculative and business-strategic aspects of managing the headcounts resource in as "rational" way as for any other economic factor, By contrast the "soft" version traces its roots to the human-relations school: it emphasises communication, motivation and leadership.

Blyton and Morris (1992, p. 4) observe that the Harvard model is associated with the developmental humanism; in contrast to the Michigan school (Fombrun *et al.*, 1984) is utilitarian- instrumentalism. In the UK the distinction is made between "soft" and "hard" HRM, with human resources emphasized in the former and management in the latter. "Soft" HRM is seen as a method of "releasing untapped reserves of human resourcefulness by increasing commitment, participation, and involvement, the notion of 'developmental humanism'" (Legge, 1995, p. 66). In contrast "hard" HRM is a method of maximizing economic returns from labour resources by integrating HRM into business strategy and based on "utilitarian instrumentalism" (Blyton and Morris, 1992; Keenoy, 1990). Blyton and Morris (1992) suggest that the differences between long and short term forms of flexibility are paralleled in the soft and hard distinctions of HRM. Soft HRM emphasises the long term maximization of human potential, whilst hard HRM focuses on the short-term control of labour resources. Clarke and Newman (1997) observe that soft HRM stresses commitment building and the empowerment of staff

through the utilization of affective management practices, with emphasis placed on participation and involvement. This approach ensures that committed employees will not only be prepared to work flexibly, but want to succeed (Storey, 1995). However, Keenoy and Anthony (1992) challenges this assumption and contends that flexibility has resulted in “deskilling is one of the consequences of managerial efforts to increase control over work and has also had the effect of minimizing the potential for employee involvement and commitment”.

Sisson (1994) suggests that one of the clearest explanations of hard HRM is contained in Burawoy’s (1985) examination of management behaviour. This analysis contends that HRM does not replace simple, technical or bureaucratic controls of Taylorist organisations, rather new controls have been implemented in the form of surveillance (Sewell and Wilkinson, 1992). Bach and Sisson (2000, p. 14) reflecting on HRM observe “that there is growing concern that hard HRM was being wrapped in the language of the soft version as a means to manipulate and control the workforce”. Stiles *et al.* (1997) support this view and observe:

That the rhetoric adopted by the companies frequently embraces the tenets of soft, commitment model while the reality experienced by employees is more concerned with strategic control, similar to the hard model.

The measure of performance without humans?

One key area of concern is the definitions and limitations of performance used in evaluation. Current measures of performance are largely determined by financial performance and productivity, usually within a highly managerialist perspective (Guest, 1997). However, this approach neglects the role and contribution of employees in achieving organizational performance and fails to consider how employees’ perceive HR practices (Guest, 1999). Rogers and Wright (1999) reviewed 29 empirical studies containing 80 observations and tested the links between HRM and organizational performance. The authors reported three measures related to HR issues, 34 measures related to organizations, 24 related to accounting and 19 to financial market outcomes (see Table I).

Most US studies on HRM and performance use large qualitative datasets and statistical associations (e.g. Becker and Gerhart, 1996; Huselid, 1995; Huselid *et al.*, 1997; Ichionowski *et al.*, 1997; McDuffie, 1995; Capelli and Neumark, 2001; Richard and Johnson, 2001; Batt, 2002; Wright *et al.*, 2003; Wright *et al.*, 2005). In the UK studies have also included statistical measures (e.g. Guest, 1997; Patterson *et al.*, 1997; Wood and de Menezes, 1998; Hoque, 1999; Guest *et al.*, 2003; Way, 2002).

What has differentiated testing whether HR practices improve organisational performance is if the evidence and links with causation between statistical studies are

1. Human resources	Employee turnover
2. Organizational	Productivity, quality, customer satisfaction
3. Financial accounting	Return on assets
4. Financial markets	Differential between market and book value of firm’s assets

Source: Rogers and Wright (1999)

Table I.
Review of performance
measures in 29 empirical
studies on HRM and
performance

the measures or factors that can be correlated and tested for statistical associations between HR practices and organizational performance. These approaches to testing causality between HRM practices and performance will be evaluated using different methods of research design to determine evidence then the current evidence of if there are an exact forms or techniques of HRM practices that contribute to organizational performance. The evidence will then examining some HRM agendas that influence the research and will examine the politics of non-managerialist approaches before finally analysing the need to demonstrate such research to gain influence and credibility in the politics of management functions.

The link between HRM and performance is examined using three main schools of thought titled “best practice”, “best fit” and “configurational” fit. The first is the “best practice” test which is the hypothetical links of a set of techniques/practices known as “universalistic prescriptive” and “best fit” (contingency) models (Storey, 2007, p. 14). Testing the “universalistic prescriptive” school has used evidence in the USA (Delaney and Huselid, 1996; Huselid (1995) and Huselid *et al.* (1997). One group of UK researchers used a longitudinal study of people management practices to examine improved company performance compared to investment in research and development, focus on quality or even business strategy (Patterson *et al.*, 1997). Wider UK evidence on “best fit” confirmed that use of “new management practices” such as the improving workplace climate, improving job satisfaction and employee commitment plus job security can effect organisational performance. Practices used to increase workplace commitment in the UK private sector can be found in Table II (Cully *et al.*, 1999). What is clear is that the terms “high commitment” and “high performance” work practices have been used interchangeably.

The second thesis on HRM and performance causation is the practices of “contingency/best fit”. This argues there is a link between business strategy and different approaches to HRM). However studies of UK workplace performance found (see Table II) evidence that UK HRM practices in the 1990s focused on cost minimization practices, using low pay, disposable labour and outsourcing rather than a development of a high skilled, co-operative and mutual gains partnership with their workforce (Kochan and Osterman, 1994; Bach and Sisson, 2000).

Table II.
Measures of workplace
performance in UK by
high commitment
practices

	Financial performance	Labour productivity	Climate of employee relations
<i>Largest group has:</i>			
Personality testing			✓
Performance tests	✓		
Formal off the job training for most employees	✓		✓
Regular appraisals	✓	✓	✓
Fully autonomous/semi autonomous teams		✓	✓
Guaranteed job security	✓		✓
Workforce employees participate in problem solving groups	✓	✓	✓
Two or more family friendly practices or special leave schemes	✓	✓	

Source: Adapted from Cully *et al.* (1999, Table 12.5, p. 285)

The final thesis argues that in addition to universalistic and contingency/best fit there is a “configurational” perspective that are contingent to the situation (e.g. Delery and Doty, 1996). The question is how do these approaches test HR practices and causality of increased performance?

Approaches to testing causality of HRM practices and performance

This discussion will evaluate and critically appraise methods of research design to determine whether there is evidence that an exact forms or techniques of HRM practices contribute to improve organizational performance. Firstly, this discussion will evaluate the research methodologies and studies that test causality of HRM and if it increases performance.

The majority of the quantitative US and European Union studies, particularly in the UK, use surveys and are rarely longitudinal. The issues also evaluate if there is causality that HRM policies and techniques specifically produce positive outcomes. There are specific methodological approaches that attempt to establish measureable and linear causal relationships. These Legge (2001, p. 31) describes as “beloved of positivists”. However there are two contemporary literature reviews that attempt to examine the HR performance relationship and adopt a critical approach to the testing of causality of HR techniques to high performance. Firstly, the evidence of Wall and Wood (2005) and in contrast, the evidence of Wright *et al.* (2005). What is important to consider is the inter-related linkages in the literature reviews and the omissions in evidence between the two studies. Wall and Wood (2005) use their choice of 25 research studies on causality of HRM measures and performance in reputable refereed journals excluding books and reports (see Table III).

What is particularly important is the breadth of both authors in reviewing the HR performance literature methodology. Wall and Wood (2005) in their evaluation of 25 empirical studies suggest caution on the evidence that HR practices do have a positive effect on performance. What is important to note is that the 25 studies have rather small organizational sample sizes, with 18 organizations employing less than 300 employees in 25 of the studies and less than 100 employees in nine studies (Wall and Wood, 2005, p. 435). The authors argue that there is a wide diversity of 13 particular practices but the majority (20) of the studies used single respondents and respondents describing their own context of the organization. Wall and Wood (2005, p. 441) argue that, “Measurement of the dependent (performance) minimally should come from a different source from that used to measure HRM practices and would be objective”. The methodological consequences of managers self ratings are important to note (Huselid and Becker, 1996). The investigation potential consequences of both random and systematic measurement error in research on HR and firm performance has been identified by Gerhart *et al.* (2000) and they argue for greater attention to measurement error and construct validity issues. This was developed in evidence by Wright *et al.* (2005) and Wood and Wall (2002) who both argue that current evidence suggests a positive relationship between HR and performance. Wright *et al.* highlight that “little or any research has utilized research designs to test the hypothesis that employing progressive HRM systems actually results in higher organizational performance in a causal sense” (Wright *et al.*, 2005, p. 410).

On research design Wall and Wood’s examination found 21 of 25 studies were cross sectional studies providing weak grounds for causal inference, whilst 17 of the 21 studies

	Wall and Wood (2005)	Wright <i>et al.</i> (2005)
1. Number of studies 1994-2003 in reputable highly citations journals	25 empirical studies 1994-2003 and one applied longitudinal study of 45 businesses in large food corporation	68 Refereed empirical studies
2. HR/performance	All report at least one relationship	All report at least one significant relationship
3. Studies of single HR Practice (e.g. training, pay)	Excluded	Excluded
4. Performance	Economic (productivity)	Profitability Affective and organizational commitment Operational (productivity, quality, shrinkage, workers compensation) Financial performance (expenses, profit) measures organizational commitment
5. Comparative omission between studies		Guest and Hoque (1994); Koch and McGrath (1996), Wood and de Menezes (1998), Hoque (1999), Patterson <i>et al.</i> (2004)
6. Methodological comparison	Yes	For selected cases
Sources: Wall and Wood (2005); Wright <i>et al.</i> (2005)		

Table III.
Comparison with studies
on the HR-performance
relationship

“involve a relationship between current HRM and prior performance” (Wall and Wood, 2005, p. 443). Wright *et al.* (2005, p. 412) concurs with Wall and Wood’s comments on predictive causality. In their review of 68 studies, Wright *et al.* (2005) criticize the over-reliance on a singular research design which measures HR performance after the performance period and predicts past performance. This is the case in the majority of studies (71 per cent). This analysis of most evidence and data on HR and performance used a single data collection with the respondent providing data on both the assessment of their HR performance and their firm’s information. The second most popular design (7 per cent) asked respondents to retrospectively recall HR practices before the performance data period which could lead to inaccurate recall. The third category of studies (6 per cent) used recent year end data with HR performance with a matter of months to and during a similar period of measures or concurrent analysis. Finally 12 per cent of the studies explored if assessment of HR practices related to subsequent performance over an extended time period of data over a period of 2-3 years.

The authors argued that the strongest research study on causal and predictive causality of HR practices was used in ten of the 68 reported studies. Few of the studies are tested for reverse causal nature of the relationships which fail to evaluate the measure of design that measures performance after using the HR practice. Testing for spurious relationships are also critical if there were co-variation. Wall and Wood (2005,

p. 450) suggest in their examination of 25 studies, control for third factors is used in 23 of their selected studies and the major studies use multiple HR measures performance indicators. They argue tests for findings were statistically significant at $p < 0.05$ (that is an analysis of variance significant difference at less than 5 percent) and there were few any interactions in tests 12 of the 25 studies with a wide variation in interactions (Wall and Wood, 2005, p. 452). There is no examination of the relative effects of specific HR practices with 15 of the 25 studies making it problematic to ascertain that HR systems are linked to performance. The solutions to lack of robust evidence on causation of HR practices leading to enhanced performance. Wall and Wood (2005, p. 456) recommend the solutions of enhanced research design can be resolved by avoiding an-over reliance on single source measures of HRM practices, increasing sampling of larger samples with higher response rates and the use of longitudinal studies with independent audit of introduction of specific HR practices and measures of their effects on performance.

Wright develops this challenge by examining a study using causality between HR practices and affective commitment and operational and financial measures (see Table II). The data was collection from 45 self contained units in a single US enterprise between 1998-2000. The data also used employees surveys in each job group from a business unit. The response rate was collected under the HR Director in anonymous questionnaires and resulted in a high response rate of nearly 99.4 per cent with a total sample of 13,005 respondents. The job profiles of respondents were merchandising, warehouse workers and drivers with a total size of 21.6 per cent of all employees across 62 business units. One important methodological issue in this design was access to a single company using a limited range of questions to respondents. Key questions included examined HR practices such as selection, performance pay, training and participation and included highly reliable measures that allowed individuals in multiple job groups to rate their own employment relationships and the number of individual HR practices they experienced. These were tested for reliability and aggregated.

In an attempt to measure affective commitment five statement items were aggregated by multiple respondents at business level using half the employees sample from scale of 1 (lowest) to 5 (highest). The ANOVA calculated the respondents as a significant reliability (at 0.001 level) confirming levels of agreement that there was high affective commitment at business unit level. However, Wright *et al.* (2005, p. 432) found a causal relationship between "HR practices impacting on collective commitment, operational performance, expenses, and profits were supported in a predictive sense". The results of HR practices linked with operational and financial measures through observations, supported earlier evidence that robust HR practices result in improved operational and financial performance (Becker and Huselid, 1998; Dyer and Reeves, 1995). Guest *et al.* (2003) examination of HR practices using past and parallel performance data identified concerns that the use of past performance correlations were higher than future performance ratings. Both Wright *et al.* (2005) and Guest *et al.* (2003) contend that investment in HR and performance suggests a positive cost/benefit but less than the earlier predicted research of Huselid and Becker (1996, 2000).

Both Wall and Wood (2005) and Wright *et al.* (2005) recommend further use of longitudinal research as a solution to more robust tests on HR and causality of performance and Wright *et al.* actually designed and test this in their case. Wright recommended that extension of sampling business units in a single corporation could

be developed by testing an enhanced range of organizations using data analysis and evaluating how HR practices are causations of improved performance. The future of research or as Wall and Wood (2005, p. 457) title "big science" of enhanced HR performance research to wider surveys using government, research councils, and academics linked to European surveys such as the Work, Employee Relations Survey (WERS) or Australian surveys (Morehead *et al.*, 1997). The critical issue is to maintain there is an evaluation which tests for the reverse causation effect. The range of HR factors measures in Wall and Wood's (2005) review highlighted the different factors used in the 25 studies and argued the broader variation in HR practices and tests for causation require more precise practices and in comparison Wright *et al.* (2005) tested nine practices.

The research agenda however on performance measures and causality may also link to organizational cases with distinct performance measures that may be beyond the current financial performance measures. For example, evidence on reducing patient mortality (West *et al.*, 2002) and "strategic fit" to compare organizational data on staff turnover, patient complaints on lack of skill, staff grievance, discipline, stress and staff injury Bertam *et al.* (2007). The study of non-profit organizations such as healthcare still reported the focus remains focused upon financial activity and patient satisfaction and less evaluation of performance measures related to improve practice in healthcare organizations. Such limited evaluation may ignore the critical measures on non-financial outcomes such as cost-effective outcomes and processes (Bertam *et al.*, 2007).

In comparison, performance management research in areas such as accounting examines performance and control systems. In a review of 120 field studies published in *Accounting, Organizations and Society* and *Management Accounting Research* between 1990-2004 examining and emphasizing how performance elements are combined (Stringer, 2007). The review by Stringer identified a framework of elements of developing performance studies using a framework by Otley (1999) by budgeting, transfer pricing, capital expenditure, performance evaluation, economic valued added, balanced scorecard and reward systems (Stringer, 2007, p. 94). This review in accounting compares in methodological terms to evidence on Human resource management. Many of the studies in accounting research use particular groups such as accountants and senior management rather than evaluate independent data. The evidence also identified few longitudinal studies and lack of theoretical model building with a tendency for description. Similarly to HRM and performance research, there is little examination of causality or research design testing of models. There is an over emphasis on performance research contrasting performance management practices in a single organization (or a range of organizations) using similar methodological approaches adapted by Wright *et al.* (2005) in research on HRM and performance using longitudinal data analysis. In conclusion the difficulties in use of methodologies to test the causation and contribution of performance are not solely difficulties encountered by HRM literature.

Some possible agendas within the politics of non-managerialist approaches

One critical area within measuring performance is the politics of human resource management performance. The discussion by critical writers (e.g. Keenoy, 1999, p. 15; Legge, 1995; Wilmott, 1993) highlights the unitaristic approach that rejects other perspectives. Guest (1999) argues that neglect of the employee perspectives on the

introduction of HR policies and the effects on employees are accepted as positive by employees. The issue of testing causation and developing links with HR and performance are criticized by Legge (2001) who argues that the practice of HR and performance has a misplaced conviction on positivist studies. Secondly, Legge (2001) argues that the setting of performance standards and audit has become a twenty-first century obsession and the rhetoric of HR contributions to organizational performance has influenced policy and research agendas.

Thirdly, there is the consensus that the general adoption of financial performance measures, ignores the employees perspective. Moreover, it fails to address the issue of passive employees who can be manipulated to improve performance. Finally the use of evidence based HR performance and its use to promote consultancy services by global consultancies have been an influence to promote universalistic of contingent practices. A Google search on global HR consultancies on 31 July 2009 highlighted 2,380,000 hits for consultancy services (Google, 2009). A range of reports by consultancy services who publicize services through their research has not been a recent phenomenon. Guest (1997) argues that earlier Consultant-led evidence has contributed to generation of training and consultancy interventions to improve performance based on lack of authoritative evidence based performance initiatives.

The politics of HRM professionals

Any examination of the debate on HRM and performance also needs to include the professional/occupational perspective that emphasizes the existence and strategic contribution of HRM. This perspective argues that HR research and practitioners are also important for providing influence for HR qualified professionals and the prevailing influence of the UK professional body, the Chartered Institute of Personnel and development (CIPD) in the UK and the US Society for Human Resource Management (SHRM). A survey in the 1990s found evidence from the CIPD (then the IPD) and examined if active IPD members influenced the debate on developments in HRM and the dominate people's perceptions and influence of HR practitioner's thinking (Grant and Oswick, 1997, p. 191). This evidence confirmed the professional zeal of the HR professional to attain power and influence in management by emphasizing the professional using HR techniques to improve performance through the organization. One particular recent example is by the CIPD Chief executive using the contribution of HR contribution to improve hospital performance (Royles, 2009). In contrast, to the CIPD with 135,00 individual members, the USA Society of Human Resource Management (SHRM) has 236,498 members in 140 countries (Society of HRM, 2008). The professional associations representing HRM in the UK and the USA publishes and promotes continued evidence for HR contributions to increased performance with little critical or generalized application throughout all sectors. This is what Legge (1978) defined as "conformist innovation" by advocating social science practice to resolve performance issues in organizations. Despite this recommendation evidence by Guest and King (2004, p. 13) still found in their research to test HR Directors' lack of knowledge of any research on the contribution of HR performance to their organization.

Conclusion

After evaluating the development of HRM since the 1980s the differing approaches to managing people by strategic managers in organizations in practice has been

more complex. Commentators on HRM have noted changes in the practices of firms emphasizing changes from trade union involvement to the development of promoting individualized employee commitment. However, the evidence on generating individual commitment and development of the management of culture, payment systems focusing on individual contribution and performance have been highlighted but proved more difficult to test for improving performance. What has been identified has been development of employment strategies which managers claim to be a critical factor in developing organizational strategy (Storey, 2007).

Despite the rhetoric that emphasizes HRM as a valued asset and line managers used in the critical delivery of HRM how they are used and contribute to improving performance has been difficult to evaluate. What has been critical in this chapter is the difficulty and current limitations of measures of performance used in most published research and studies. Current measures still over-emphasize the use and measures relationships of financial performance and productivity and the managerialist perspective (Guest, 1997).

The conclusion however will review the issue of consistency, generalisability, the critical issue of causality and the hidden agenda of politics in managerial power and status between approaches to performance. There are four key issues to be addressed.

Firstly, the review of empirical studies has developed into a wider range of research studies have little consistent methodological approaches. Evaluation of the studies and methodological consistency has been limited to reviews by Rogers and Wright (1999), Gerhart *et al.* (2000), Wall and Wood (2005) and Wright *et al.* (2005). All four studies have been critical of methodological inconsistency of empirical studies testing links between HRM and organizational performance. What has been developed is the large complex positivistic set of studies including large qualitative datasets and statistical associations but with different measures of performance which are carefully evaluated by Wall and Wood (2005). Just to compare some of the key evidence as an illustration, Huselid (1995) evaluates employee turnover and productivity whilst Ichionowski *et al.* (1997) measure increase in shareholder value. UK studies also include associated statistical studies (e.g. Guest, 1997; Wood and de Menezes, 1998; Hoque, 1999; Guest *et al.*, 2003; Way, 2002). The causal links between HRM and performance have two main theses for empirical testing.

Firstly, “best practice” testing the hypothetical links of a set of techniques/practices in a universalistic prescriptive may be too difficult to generalize (Storey, 2007, p. 14). The association and categorization of performance studies are unclear. The terms “high commitment” and “high performance” work practices have been used interchangeably without any real associations..

Secondly, linked to this issue of methodological inconsistency is the difficult issue of testing causality of HRM practices and performance. From the review of studies the majority of the quantitative US studies and EU (and particularly the UK) use surveys of organizational studies and use of longitudinal analysis rare. The evaluation of causality that HRM policies and techniques specifically produce positive outcomes has been inconsistent. It is important to contrast the inter-related linkages in the literature reviews and the consistent omissions. Wall and Wood (2005) analysis on key empirical studies suggest caution using evidence that HR practices have a positive effect on performance.

Their caution on universalistic prescriptions for performance and hypothesis that employing progressive HRM systems actually results in higher organizational performance in a causal sense are supported by Wright *et al.* (2005, p. 410).

Causality testing has over-reliance of a singular research design measuring HR performance after a performance period whilst predicting past performance. This suggests more care in future with research design and causality. With the increasing use of singular cases in an organisation is the problem for generalisability and limits of the universalistic approach.

In conclusion, to resolve the criticism of positivistic methods to link causality between HR and organizational performance, both Wall and Wood (2005) and Wright *et al.* (2005) recommend longitudinal research. These studies examine causality and test effects in a more robust statistical manner and can test the issues of HR causality and the performance agenda. The research agenda however on performance measures and causality may also link to organizational cases with distinct performance measures that may be contributions to performance there has been little evaluation of the possible agendas within the politics of non-managerialist approaches. In terms of HR performance and the inclusion of trade unions using a collective effect has been underplayed in the evidence on testing despite the lack of evidence from employees on the employee perceptions effects of HR practices on their work environment. The testing and lack of employee perspective treats employees as passive agents and commodifies employees despite the rhetoric of their importance. This unitaristic approach tends to reject other perspectives. Guest identifies the neglect employee perspectives on the introduction of HR policies and the effects of HR policies are rarely evaluated despite the limited evidence that HR practices are welcomed as a positive effect by employees (Guest, 1999).

The evidence may be critical of ignoring employees and their evaluation of experiencing HR and developing performance. Perspective by employers simply highlight the issue of passive employees who can be manipulated to improve performance but also neglect the union effect on performance in larger organisations or the argument that unionization could assist in the improvement of the employment relationships and is rarely used studies in employee/employer climate.

The continuing emphasis and fixation on measuring performance Legge (2001) argues means that the setting of performance standards and audit has become a twenty-first century obsession and the rhetoric of HR contributions to organizational performance has influenced policy and research agendas. The continued use of best practice requires benchmarking, testing of processes and measurement of outcomes. The politics and influence of the HR performance agenda also must include the use of positive evidence to support the agenda and increasing power for HRM Professions. What needs to be evaluated is how employees experience and link their experiences in areas such as performance management and move away from the generalisability of HR practices as a universalistic solution. More complex external challenges may not necessarily be profit or financial control. We need to challenge the Universalistic solutions for all sectors and the outcomes may not be financial. A move may be towards best practice to improve performance in sectors or a consideration of contingency rather than the conformity of driving cutting costs that eventually leads to reducing quality and commitment.

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About the authors

Peter Prowse is a Senior Lecturer in Human Resource Management and Employee Relations at University of Bradford School of Management. His research interests are public services reform and management.

Julie Prowse is a Senior Lecturer at University of Bradford School of Health Studies. Her research interests include National Health Service reforms and the implications for employees. Julie Prowse is the corresponding author and can be contacted at: J.Prowse@Bradford.ac.uk