HRM and Performance: Achievements, Methodological Issues and Prospects

Jaap Paauwe

Tilburg University/Erasmus University

Twenty years ago Guest (1987) published his normative framework describing the essence of HRM. He presented HRM as a new approach to personnel management, emphasizing its strategic contribution, its closer alignment to business, the involvement of line management, and focusing on HRM outcomes like commitment, flexibility and quality. The achievement of these human resource outcomes was, in turn, expected to contribute to a range of positive organizational outcomes, including high job performance, low turnover, low absence and high cost-effectiveness through the full utilization of employees, now relabelled as human resources. Put this way, it is not difficult to understand the wide appeal that the notion of HRM had (and still has) to academics and practitioners alike. It led to the renaming of chairs/departments within universities and to changed job titles in the business community. The attractiveness of the concept of HRM increased considerably when Huselid, in 1995, published a ground-breaking paper in the *Academy of Management Journal* in which he demonstrated a correlation between the degree of sophistication of HR-systems and the market value per employee among a range of publicly quoted companies in the USA. The paper generated admiration, criticism and an abundance of ‘me too’ research, trying to replicate the proclaimed relationship between HRM and Performance (Delery and Doty, 1996; Guthrie, 2001; Koch and McGrath, 1996; Wright et al., 2003). Since then many academics on both sides of the Atlantic have become active in this field, with a special focus on the relationship between HRM and Performance. Within this rapidly expanding field of study, the HRM–Performance relationship has been approached from a variety of perspectives rooted in organizational behaviour, sociology, economics, industrial relations and organizational psychology, with a particular emphasis placed on the impact of various combinations of human resource practices on a range of performance outcomes at the individual and organizational level of analysis.

Address for reprints: Jaap Paauwe, Faculty of Social and Behavioural Sciences, Tilburg University, P.O. Box 90153, 5000 L.E. Tilburg, The Netherlands (paauwe@uvt.nl).

© Blackwell Publishing Ltd 2009. Published by Blackwell Publishing, 9600 Garsington Road, Oxford, OX4 2DQ, UK and 350 Main Street, Malden, MA 02148, USA.
Below I will first discuss the achievements so far in this new field of research (second section). In the third section I then highlight some of the pitfalls and methodological problems associated with trying to establish a link between HRM policies and practices and performance, and the kind of solutions being put forward in the literature. I conclude by presenting the prospects for future research in the area of HRM and performance, arguing, in particular, for a more balanced approach that pays equal attention both to the managerial, functionalist perspective and to the concerns, involvement, and well-being of employees. This implies a more central position of the employment relationship in the equation between HRM and performance, as well as a multidimensional perspective on the notion of performance itself.

Before presenting an overview of achievements, methodological problems and prospects for the future, I would like to make a few necessary remarks on the nature and definition of HRM. We can consider the very concept of HRM as a new, special approach to personnel management (see, for example, Guest, 1987; Storey, 1992, 1995), which can be distinguished from traditional conceptions of personnel management. That kind of debate took place mainly in the UK and involved a number of academics like Guest, Storey, Legge and Keenoy. The latter reserves the term ‘HRMism’ for all the different meanings and practices associated with HR initiatives (Keenoy, 1997). Here, however, I opt for a different approach which treats HRM as an evolving field of academic inquiry focusing on the study of the employment relationship and of the way in which people are managed at work. A more specific definition is difficult to give as it is dependent on time and context, just like the related field of organizational studies. For example, the advent of network organizations, the growth of knowledge workers, and the development of non-standard employment contracts have all had major implications for the way people are managed in contemporary organizations, meaning that the very object of study that is at the heart of HRM, is itself subject to change. At the same time, this means that this is a very vibrant field of study, one that brings together researchers with a background in industrial psychology, organizational behaviour, industrial relations, sociology and economics (see Boxall et al., 2007). As an academic area of inquiry, HRM comprises a thriving international community of scholars, is one of the largest divisions of the American Academy of Management with more than 3000 members, and involves a range of well-established major national and international annual conferences, workshops and symposia. Participating academics publish both in specialized HRM journals and in more general top-tier management, organizational behaviour (OB) and industrial relations (IR) journals. Moreover, we see across the world established chairs and departments of HRM with thriving doctoral, masters and even undergraduate programmes in the area. All these individuals, groups and networks of scholars are addressing a wide range of issues in the field of HRM. They do this using different methods, ranging from highly sophisticated quantitative multi-level (see Becker and Gerhart, 1996; Becker and Huselid, 1998; Gerhart et al., 2000), or tree analysis (Guest et al., 2004), to in-depth case-studies aimed at understanding the underlying processes and mechanisms (see Hesketh and Fleetwood, 2006).

The field is in constant development, and is involved in discovering new problems, new issues and, once in a while, generating solutions and new insights. This is just like in any other established (applied) discipline like Marketing, Finance or Strategic Manage-
ment, which are not, however, commonly labelled with the add-on ‘ism’ (explain in relation to earlier cite of Keenoy, 1997) and for which we do not normally discuss the need for a new name or for discarding the old one. HRM, whether we like it or not, is here to stay and will continue to stay.

**ACHIEVEMENTS SO FAR**

Initially – especially in the UK – the discussion focused on the differences between HRM and personnel management and on the implications of a unitarist and managerial approach to the management of people. Would HRM endanger the very existence of trade unions? Could it, as a normative construct, be characterized as being anti-union? Writers like Guest, Storey, Purcell, Tyson and Keenoy were amongst the most active in this debate. The debate culminated in Karen Legge’s (1995) contribution, *Human Resource Management: Rhetorics and Reality*, which in hindsight became a classic. This kind of debate hardly took place in the USA. On the contrary; in the USA researchers were busy carrying out empirical research aimed at providing evidence on the role of HRM in generating added value. In this they drew their inspiration from two competing would-be classics in the area published in the mid 1980s. One was Beer et al.’s (1984) book representing the more systems and stakeholder oriented Harvard approach to HRM; the other was Fombrun et al.’s book, also published in 1984, representing the more functional, managerial approach of the so-called Michigan school of HRM. The first systematic empirical studies of the HRM–Performance link were published in 1994 (Arthur, 1994; Osterman, 1994) and 1995 (MacDuffie, 1995), including one of the most cited articles in this area by Huselid (1995). Huselid’s study marked a turning point because from then on the dominant theme in HRM research on both sides of the Atlantic became the relationship with performance. In the years that followed, many articles were published which presented evidence on the performance effects not only of single practices like personnel planning (Koch and McGrath, 1996), performance related pay (Dowling and Richardson, 1997; Lazear, 1996; McNabb and Whitfield, 1997), training and development (Kalleberg and Moody, 1994), and internal career possibilities (Verburg, 1998), but also of bundles or combinations of HR practices (e.g. Arthur, 1994; Guest et al., 2004).

In 1997 Paauwe and Richardson presented a summarizing framework encompassing more than 30 different studies, which substantiated and corroborated the relationship first, between a range of HR practices, and important HRM outcomes, such as satisfaction, motivation, turnover, absenteeism and commitment, and second, between these outcomes and more general performance outcomes at the organizational level, like productivity, quality, R&D, customer satisfaction, sales, profit and market value. In that same year Guest (1997) published an article on the need for more theory driven research, making a plea that we need better theory with respect to HRM (what do we mean by it), to Performance (what kind of performance and at which level of analysis), and the need for theory with respect to the linkage between the two. This discussion was paralleled in the USA by academics like Wright, Gardner, Becker and Gerhart, and culminated in what became known as the black box problem: What are the key intervening variables and constructs that help to explain the link between HRM practices and policies on the
one hand and the bottom-line performance of the firm on the other. Guest (1997) himself, and authors like Becker et al. (1997) and Wright and Gardner (2001), contributed by developing frameworks which included up to five or six additional variables like employee skills, motivation, creativity and discretionary effort as in-between (mediating variable) boxes. This line of reasoning was later extended to the need for multi-level analyses in order to account properly for variables at both the organizational and individual level of analysis (see, for example, Ostroff and Bowen, 2000 in Klein and Kozlowski, 2000).

There is little doubt, therefore, that in the past 20 years some progress has indeed been made in the analysis of the relationship between HRM and Performance. On balance, however, progress has been modest. This is reflected in the rather mixed and, by and large rather cautious conclusions from some of the main overview articles that have appeared over the past few years. Becker and Gerhart (1996), writing in 1996, indicate that the conceptual and empirical work relevant to this question (the contribution of HRM to organizational performance and competitive advantage) has progressed far enough to suggest that the role of human resources can be crucial. Similarly, Paauwe and Richardson (1997), based on an early review of 22 studies, conclude that HRM activities give rise to HRM outcomes which will influence the performance of the firm. More specifically, Huselid and Becker (2000) indicate that the effect of one standard deviation change in the HR system is a 10–20 per cent increase in a firm’s market value. However, on a more cautious note – a few years later – Wright and Gardner (2003) reflect on the available evidence and conclude that HR practices are at least weakly related to firm performance, while Boselie et al. (2005), drawing on a comprehensive sample of 104 studies, conclude that much – though by no means all – of the empirical HRM research in its ‘systems’ form has been found to matter (in a positive sense) for organizational performance. Based on a selection of 25 mainly American so-called high-quality studies, Wall and Wood (2005) conclude – even more cautiously – that the evidence for an effect of HRM on performance is promising but only circumstantial due, for the most part, to inadequate research design. Thus, 19 of the 25 studies they examined report some statistically significant positive relationships between HR practices and performance. The effect sizes, however, are typically small, with the majority of studies also failing to pay proper attention to whether it is the HRM system (the ‘gestalt’) generating the effects or just specific component/individual practices (p. 453). Overall, therefore, they conclude that ‘... the existing evidence for a relationship between HRM and performance should be treated with caution’ (Wall and Wood, 2005, p. 454).

Finally, and on a more positive note, Combs et al. (2006), who carried out a meta-analysis of 92 recent studies on the HR–firm performance relationship, found that an increase of one standard deviation in the use of high-performance work practices (HPWP) is associated with a 4.6 per cent increase in return on assets, and with a 4.4 percentage point decrease in turnover. Hence their conclusion that ‘... HPWPs’ impact on organizational performance is not only statistically significant, but managerially relevant’ (p. 518).

Summarizing we can conclude – together with the above mentioned authors – and paraphrasing Wright and Gardner (2003, p. 312), that in the course of ten years the
Evidence has mounted that HR practices, be it individually or bundled in a system, are at least weakly related to firm performance. Undoubtedly, though, there still exist significant methodological and theoretical challenges with regard to furthering our understanding of this relationship. Some of these challenges are highlighted in the following section.

PITFALLS AND METHODOLOGICAL ISSUES

Despite the overwhelming evidence (at least in terms of the number of studies) presented, many authors are still highly critical of HRM in general and of the HRM–Performance relationship in particular (see Keenoy, 1997; Legge, 1995/2005; and the overview by Keegan and Boselie, 2006). Hesketh and Fleetwood (2006, p. 678), for example, conclude that ‘...empirical evidence for the existence of an HRM–Performance link is inconclusive...a statistical association in, and of itself, constitutes neither a theory nor an explanation’. Guest had already highlighted this problem in 1997 by indicating that he was worried about the relative absence of theory, which seriously inhibited a fully convincing interpretation of empirical findings. If we are really to improve on our understanding of the impact of HRM on performance, we need a theory about HRM, a theory about performance and a theory about how they are linked (Guest, 1997, p. 263). This is a plea which is repeated by Legge (2005, p. 4) in the introduction to her anniversary edition. Below I first focus on theory that is capable of providing the necessary linkages; I then discuss the link with performance, and finally, what we mean by HRM and how we might measure it.

Theoretical Perspectives on the HRM–Performance Relationship

Almost 10 years after the 1997 Guest article, the overview by Boselie et al. (2005) provides some answers, albeit not conclusive. Analysing the content of 104 empirical articles, they conclude that the three most commonly used theories are contingency theory, resource based view (RBV) and the AMO framework. Contingency theory and RBV are both situated at the organizational level, whereas the AMO framework focuses on the importance of taking into account variables at the individual level like employees’ skills and competences (A = abilities), their motivation (M = motivation) and their opportunity to participate (= O). These three theories reflect different traditions in HRM research. Contingency theory and RBV focus on the examination of HRM at the organizational level and are mainly interested in its performance effects from a business perspective, whereas the AMO framework represents an established tradition, having its foundations in industrial/organizational psychology.

Based on distinguishing the two levels of analysis (organization vs. individual) and number of practices examined (single vs. sets or systems of HR practices), Wright and Boswell (2002) strongly advocate the breaking down of the barriers between what they call macro (or strategic) HR research (reflecting the more organizationally focused examination of HRM), and micro research, reflecting a more functionally oriented view of HRM and focusing specifically on the effect of single or multiple practices on individuals. This, in turn, implies a need to apply multi-level techniques like repeated
measures regression and hierarchical modelling (see Klein and Kozlowski, 2000; Wright and Boswell, 2002, p. 266). Other ways of combining the different levels of analysis are through using the concept of the psychological contract as convincingly demonstrated by Rousseau (1995) and Guest (1999). After all, employees are the primary recipients and consumers of HRM (Mabey et al., 1998). Guest (1999) demonstrates this by presenting the results of a survey which shows how the number of HR practices and the (resulting) presence of a high involvement climate result in workers reporting a more positive psychological contract and in turn, greater satisfaction, job security and motivation, as well as lower levels of pressure at work (Guest, 1999, p. 22). Following this line of reasoning, Wright and Nishii (2004) build a strong argument for making a clear distinction between intended HR practices (those designed on a strategic level), actual – or implemented – HR practices (those implemented by, for example, the direct supervisor), and perceived HR practices (those perceived by the employees).

Bringing employees back into the equation between HRM and various kinds of both individual and organizational level outcomes, including financial performance, is a ‘conditio sine qua non’ for advancing the field as a respected discipline. It is also a way of effectively responding to the criticism of critical theorists like Legge (1995), Keenoy (1997) and others about the exclusively (or overtly) managerialist focus of much of the work on HRM.

In brief, with respect to theories which really link HR to performance, the field has advanced from rather simplistic models in the 1990s in which HR practices were simply shown or assumed to correlate directly to rather distant indicators of (financial) performance, to far more advanced ways of theorizing and modelling the relationships of interest. Central to these more sophisticated ways of thinking about the relationship between HRM and performance is the idea that HR practices at the organizational level affect the attitudes and behaviour of employees at the individual level which, in turn, affect key aggregated level behavioural or HR outcomes such as labour productivity and turnover which, subsequently, might impact organizational or firm-level outcomes. Such an approach clearly involves multi-level forms of theorizing in that it explicitly seeks to link phenomena across different levels of analysis, from the organizational level (e.g. systems of HR practices), to individual level (e.g. employee satisfaction and performance), and back again to the organizational level (e.g. organizational productivity and firm financial performance). Such multi-level theorizing clearly needs to be accompanied by more complex forms of multilevel analysis controlling for a wide range of contingencies. An excellent example of this type of approach can be found in a recent study by Wright et al. (2003), which not only gives an overview of the various methodological pitfalls in HRM and Performance research, but also provides solutions and demonstrates their value by putting them into practice in the study itself. Undoubtedly, there is still much work that needs to be done both in terms of theorizing the HRM–Performance relationship and in terms of testing more complex theoretical arguments with more appropriate multilevel methodologies. So criticizing the efforts that are currently being made in the area is of course still possible and legitimate, but without offering a serious alternative it is of limited value, often simply ending up in a rather sterile mantra-like rejection of the positivist paradigm.

© Blackwell Publishing Ltd 2009
On Measuring Performance and Causal Order

The performance outcomes of HRM can be captured in a variety of ways. We draw a distinction, adapted from Dyer and Reeves (1995), between:

- Financial outcomes (e.g. profits, sales, market share, Tobin’s q, GRATE)
- Organizational outcomes (e.g. output measures such as productivity, quality, efficiency)
- HR-related outcomes (e.g. attitudinal and behavioural impacts among employees, such as satisfaction, commitment, intention to quit).

Based on the overview by Boselie et al. (2005) we can conclude that financial measures are represented in half of all articles (104) included in their analysis. Profit is the most common, followed by various measures of sales. Actually, this is quite problematic as financial indicators can be influenced by a whole range of factors (both internal and external) which have nothing to do with employees and their related skills or with the human capital pool. As already noted by Kanfer (1994) and Guest (1997), the distance between some of the performance indicators (e.g. profits, market value) and HR interventions is simply too large and potentially subject to other business interventions (e.g. research and development activities, marketing strategies). For example, having smart policies for managing working capital can increase earnings substantially, but it has nothing to do with the proclaimed effect of HR practices (apart from apparently having selected the right financial manager). So we are in need of performance indicators that are far more proximal in terms of what HR practices can actually affect, such as changes, for example, in employee attitudes (motivation, commitment, trust) and behaviour (turnover, absence), and subsequent changes in outcomes at organizational level (e.g. productivity and quality of services and/or products).

The use of too distant financial indicators becomes even more serious if we take a closer look at an analysis carried out by Wright et al. (2005). Their literature review identified 66 empirical studies that analysed the relationship between a set of HR practices and organizational level performance. By far the majority of studies used a design labelled post-predictive because ‘... it measures HR practices after the performance period, resulting in those practices actually predicting past performance’ (Wright et al., 2005, p. 412). Only a few studies explored the effect of HR practices on performance in the correct way by assessing HR practices at one point in time and relating them to subsequent performance (e.g. Huselid, 1995; Youndt et al., 1996). This simply means that the majority of studies have ignored a very basic rule for demonstrating causal relationships (Cook and Campbell, 1979; Wright and Haggerty, 2005; Wright et al., 2005).

So we are in need of studies with the right research design that are able to link HR practices both to past performance (in order to check whether that past performance causes HR outcomes) and to subsequent performance (in order to assess whether HR practices are indeed causally related to subsequent performance). More recent studies by Guest et al. (2003), van Veldhoven (2005) and Wright et al. (2005) do check for both past and subsequent performance and, in so doing, indicate that HR practices are indeed related to future performance, but that they are also related to past performance.
Correctly, Wright et al. (2005, p. 437) warn that the results ‘... suggest caution among both academics and practitioners in making any causal inference’. From now on we should not have to ask researchers to pay attention to the possibility of reverse causation. Rather, the possible direction of causality should lie at the very heart of every research design. And this not only implies gathering data at multiple points in time and starting our analysis on the basis of competing and null hypotheses, but also taking into account, as Wright et al. rightly remark, the possibility of so-called third factors (e.g. leadership, organizational culture) influencing the relationships of interest (Wright et al., 2005, pp. 419–20) as well as so-called implicit HR–performance theories, as held by respondents (Gardner and Wright, forthcoming).

On the Meaning of HRM and How to Measure It

In the introduction I indicated that the field of HRM focuses on the study of the employment relationship and is involved in the management of people. In practice, though, this is a field of inquiry that appeals to a number of related (sub)disciplines involving academics with different backgrounds who all seem to have their own way of defining HRM and, more importantly, also their own way of operationalizing the concept in terms of a range of HR practices. There appears to be no consensus on the nature of HRM (Paauwe and Boselie, 2005, p. 69). No wonder that Boselie et al. (2005) are able to show an enormous variety of different practices being used in the 104 studies they analysed. There is no single agreed, or fixed, list of HR practices or systems of practices that are used to define or measure human resource management. In total, Boselie et al. (2005) identify as many as 26 different practices that are used in different studies, of which the top four, in order of popularity, are training and development, contingent pay and reward schemes, performance management (including appraisal), and careful recruitment and selection. These four practices can be seen to reflect the main objectives of the majority of ‘strategic’ HRM programmes (e.g. Batt, 2002); namely, to identify and recruit strong performers, provide them with the skills and confidence to work effectively, monitor their progress towards the required performance targets, and reward staff well for meeting or exceeding them. This is a combination of practices that broadly corresponds to so-called High Involvement or High Performance Work systems and which also, more or less, parallel some of the key practices commonly associated with AMO theory. If we include all the articles published after 2000, more than half have made use of AMO theory (Paauwe and Boselie, 2005, p. 69). So gradually we are witnessing the birth of at least a certain commonality around how HRM is operationalized when exploring the relationship between HRM and performance. However, there is still no agreement about how to measure the HR practices themselves. Some researchers, for example, use the absence/presence of a practice, while others use the extent of coverage of the practice across different employee groups, or perception of the effectiveness of use of the practice. Finally there is also the problem of which job category the HR practices are related to and what kind of respondents are sufficiently well informed to give a both valid and reliable answer on the specifics of the HR practices involved and the way in which they are being implemented. Wright and Gardner (2003,
p. 324) provide an extensive review of these issues, including recommendations to focus on one (preferably core) job group using multiple respondents (including employees themselves).

PROSPECTS

How can we take the field of HRM and performance, which has made a certain progress, forward? First we should note that many research designs are far from ideal due to the fact that they are driven by the kind of data that can be obtained or that are publicly available (Rogers and Wright, 1998). It is easy to think of better research designs, but quite often the kind of data required are simply not available, or time and money are lacking. In this context, for example, it is worth noting the suggestions made by Wall and Wood (2005) who make a plea for what they call ‘big science’ in order to get large data sets, with high response rates and preferably on a longitudinal basis and, of course, with multiple raters, for which they assess to need 35 person-years (!). An alternative approach is that suggested by Hesketh and Fleetwood (2006) who make a plea for more in-depth interviews and case-studies in order to unravel the underlying causal and interrelated mechanisms in the social practices underlying the HR practices. This is in line with my own plea for a more contextual approach to the analysis of HRM. Such an approach is central to the so-called contextually based theory of human resources (see Paauwe, 2004) which, along with contingency, RBV and systems approach to HRM, relies heavily on neo-institutional theory.

Importantly, the contextually based theory of human resources also serves to focus explicit attention on the factors that help to shape systems of HR practices in contemporary organizations. As such, it serves to redirect attention away from an exclusive preoccupation with the performance effects of HRM to wider concerns about the evolution and development of HRM systems themselves. This is a potentially important contribution since this has been a relatively neglected area of inquiry in the field of HRM, as also indicated by Legge (2005, pp. 40–1). More specifically, starting from an institutional and contextual approach implies taking into account a wider perspective, namely the institutional setting and its related actors. Examples include the government, environmental groups, trade unions, consumer organizations and so on, each of which is likely to put forward their own claims and their own definitions of fairness, legitimacy and accompanying definitions of performance. Such a broader multiple stakeholder conceptualization of HRM and performance is in line with the seminal work of Beer et al. (1984). It implies moving away from an exclusive concern with standard measures of performance, such as productivity, sales and profits, to a wider definition that takes into account performance in terms, for example, of flexibility/agility and legitimacy (Boxall and Purcell, 2003), as well as of various aspects of employee well-being, such as satisfaction, stress, health and safety, and job security (Godard, 2001, 2004; Guest, 2002; Peccei, 2004). Importantly, the adoption of such a broader perspective would go a long way to correcting the sometimes one-sided functionalist, managerial and unitarist approach which has characterized the majority of HRM and performance research of the past 20 years. In particular, it would help to enrich research in the area by supplementing the more traditional unitarist approaches with a more institutional perspective.
that allows for divergent visions and value systems across different stakeholder groups and, therefore, for potentially different perceptions and evaluations of the desirability and effectiveness of HR practices. In other words, in terms of the HRM–Performance debate, such a broader institutional/multiple stakeholder perspective would help to focus attention on performance in the truly multidimensional meaning of the concept. Moreover, it is also a way of extending the more common multi-level approaches with their focus on the interaction between individual/team and organizational level to a higher, institutional, level of analysis, including sector and society at large. Including this level as well will raise important issues about legitimacy, societal fairness, sustainability and distribution of resources and gains/benefits.

A related, but separate point, concerns the role that strategy plays in the HRM and performance research paradigm. Typically this kind of research distinguishes three or four different competitive strategies, mostly based on the competitive positioning typologies of Porter (1985) or Miles and Snow (1994), and then tries to link these to appropriate HR architectures. Up till now, however, research in this area has failed to provide conclusive evidence that matching HR practices to competitive strategy contributes significantly to organizational performance (Becker and Huselid, 2006, p. 901; Purcell, 2004, with reference to research by Becker and Huselid, 1998; Delery and Doty, 1996; Huselid, 1995). Instead, both Purcell (2004) and Becker and Huselid (2006) emphasize the importance of strategy implementation, which is fully in line with developments within the field of strategic management itself that is increasingly more focused on topics like absorptive capacity and strategic capability and, therefore, strategy implementation (see, for example, Grant, 2005).

Becker and Huselid (2006, p. 903), in fact, see effective strategy implementation as the key mediating variable between the HR architecture and firm performance. Specifically, instead of trying to link the HR strategy to one of the market positioning strategies, they emphasize the linkage between strategic business processes and the HR architecture.

Paauwe (2004) goes one step further by making a plea for HRM as an enabler for a whole range of strategic options. ‘Enabling’ implies that the HR architecture’s main goal is the development of a workforce with a sufficient degree of flexibility/adaptability to implement a range of strategic options. This places high demands upon employees, since they need to be eager to learn and display a ready willingness to change and to be adaptable and flexible. Of course, this is only possible once the organization has taken proper care of employees’ needs and has ensured that they are treated fairly and with due consideration for their well-being. So the HRM system should be based not only upon added value, but also on moral values. It should combine economic with relational rationality. The latter refers to establishing sustainable and trustworthy relationships with both internal and external stakeholders based on criteria of fairness and legitimacy (Paauwe, 2004, p. 91). Compared to the present sometimes one-sided economic approach to the management of human resources that is very often exclusively focused upon generating added value, the kind of value-laden or ‘ethical’ HRM described here can be expected to bring major benefits to all parties concerned, including employees and their representatives inside and outside the organization. This is because, from management’s point of view, meeting the criteria of relational rationality, like fairness and legitimacy, in essence implies ‘treating your people well’, which should ultimately
result in lower employee absence, higher satisfaction, greater willingness to stay with the organization and higher effort. And these, it should be noted, are precisely the kind of HR outcomes that have been emphasized in many of the main HRM–Performance models that have been presented, developed and tested in the literature over the past 20 years.

Based on an analysis of large-scale British workplace data, Peccei (2004) has recently questioned whether the set of HR practices that are good for management, from the point of view of enhancing productivity, for example, are necessarily also equally good for employees in terms, for instance, of enhancing their well-being. This clearly raises important questions about potential trade-offs between organizational performance and employee well-being in contemporary organizations, and the role that HRM plays in such trade-offs (Peccei, 2004). This issue clearly deserves further attention since it highlights possible tensions between more managerialist-oriented approaches to the management of people and the kind of value-laden, ethical approach advocated here. The benefits of the value-laden approach, for management as well as for employees and other stakeholders, are only now beginning to be examined systematically by researchers in the area. Given the importance of the issues involved, this is clearly a critical task for future research. I am in no doubt, however, that the value-laden approach being advocated here represents an important way forward for the field of HRM in general and for the analysis of the HRM–Performance relationship in particular.

CONCLUDING REMARKS

What I have endeavoured to do in this brief contribution is sketch a picture of a multifaceted and rapidly expanding and developing applied field of research which has established itself firmly by drawing upon disciplines like business studies, economics, psychology, organizational behaviour, sociology, industrial relations and the law. Based on these inputs, HRM, as a field of study, is increasingly generating research approaches and conceptual frameworks of its own that are being explored, tested and examined using a range of both quantitative and qualitative techniques and drawing on a variety of theoretical and methodological perspectives. This is indeed a vibrant field of inquiry with an impressive, and ever increasing, number of contributors. At the same time, it is important to remember that this is a young field of study. And like all new areas of inquiry there have been important advances that have been made over the past 20 years. But much, as is to be expected, still needs to be done.

ACKNOWLEDGMENTS

I would like to thank Riccardo Peccei, Patrick Wright, Joep Cornelissen and Mike Wright for their helpful comments in developing this ‘Point’ argument.

REFERENCES


© Blackwell Publishing Ltd 2009


© Blackwell Publishing Ltd 2009


