

## STUDENT SUMMARY NOTES

# chapter 3

## HRM outcomes and line management

### Chapter overview

This chapter begins by examining the rationale of linking the HR function with organizational performance. As a preliminary step towards understanding the effects of HR practices on performance, the chapter also discusses a variety of conceptual and methodological concerns. It critically reviews the evidence suggesting a causality between SHRM and performance and, in so doing, underscores the importance of workplace context. A new section examines the role of line managers (LM) in delivering HR policies and practices, and explains some problems and tensions associated with devolving HRM to LM.

#### Chapter objectives:

After studying this chapter, you should be able to:

1. Explain the importance of measuring the human resource management (HRM) contribution
2. Describe some variables used to measure the value added of HRM
3. Critically evaluate research on the HRM–performance relationship
4. Demonstrate an understanding of the role of line managers in the contemporary workplace
5. Explain the problems and tensions of devolving HRM to line managers.

### Introduction

Establishing a strong association between strategic human resource management (SHRM) and organizational performance has become a principal area of study over the past two decades.

## Rationale for evaluating HRM

Focus shift in 1990s to the impact on performance that potentially derives from usage of the HRM paradigm (Edwards and Sengupta, 2010)

In Beer et al.'s (1984) canonical model, HR outcomes are seen as having longer term positive effects on individual well-being, organizational effectiveness and societal well-being. The drive to measure the effects of HRM on performance was given an added boost when the HRM discourse began to focus on strategic 'added-value'.

## Demonstrating the HRM–performance relationship

The research agenda has focused on the search for causal relationships between clusters or bundles of best HR practices and competing performance outcomes.

Some of the key studies are summarised to gain an understanding of the nature of the HRM– performance relationship and to assess the degree to which HR strategy may predict economic performance.

Note the HR-performance research such as, Delery and Doty (1996): Strategic HR practices linked to organizational performance; Youndt et al.'s (1996): two indexes 'administrative HR system' and the 'human-capital-enhancing HR system'; Betcherman et al. (1994): Association between 'new' HR practices and lower unit costs and Wright et al. (2003): 'progressive' HR practices improve operational performance and profitability

Over the last two decades, interest in high-commitment-based HRM regimes has generated new management paradigms.

New acronyms for HR 'bundles':

- HPW, HPWS, HPWP (high-performance work practice),
- HCM (high-commitment management)
- HIWS (high-involvement work system)



Key premise: increased performance is a function of interactions between employee ability, informal learning, discretionary opportunities and multitasking.

**HRM and globalization 3.1:** HRM and performance: evidence from the Middle East. This report (p. 74) illustrates the challenges of demonstrating the statistical significance of HR variables (in this case employee participation) and a performance measure.

### **Embedding performance in wider national institutional environments**

Den Hartog and Verburg's (2004) quantitative study demonstrated that national social institutions may moderate the effect of bundles of HR practices on an organization's performance. It emphasized the importance of the context in which companies and HRM systems operated. (see **Table 3.1**, p. 75).

Employee involvement (EI) could be effective in increasing labour productivity and a firm's profits.

**HRM in practice 3.1** HR 'can lower NHS death rates'  
This report (p. 78) discusses a study that suggests a direct link between the quality of HR practices and patient mortality.

## **Questioning research on the HRM-performance relationship**

There are a number of research-design issues examined in this section including, [1] conceptualization and scope of HR practices that constitute a theoretically coherent set of practices, [2] appropriate level of analysis [3] conceptual construction and measurement of performance and [4] mode of data collection

*HR practices: concept, level and measurement* (See **Table 3.1** p. 75 for some examples of HR practices).

- Operationalization
- Unit of Analysis
- Connections between bundles:
- Synergistic/Independent.
- Measurement

- Internal 'fit'
- HR practices and business strategy

*Performance: concept and measurement*

Either hard 'objective' performance outcomes (financial statements)

OR subjective assessment of outcomes of single respondent.

Faults - researchers:

- rely on single indicators of performance
- ignore relationships between 'multiple measures'
- use performance indicators across dissimilar workplaces

*Mode of data collection: survey or field interview*

*Quantitative Research*

Measurement and analysis of causal relationships rather than of processes: how things happen.

Danger: normative bias of managerial respondents.

*Qualitative Research*

Interprets social phenomena in terms of meanings people attach to them (constructivism)

Danger: Researcher implicated in production of knowledge.

**HRM and Globalization 3.2** Evaluating HR practices: the role of qualitative methods  
This feature (p. 84) provides insight into the positive and negative aspects of quantitative and qualitative research. It is included in the textbook to encourage you to be more critical when reading published social science research.

*Theoretical issues: the logic of causality*

How exactly does HRM increase performance? Studies may lack robust evidence 'governing direction of causation'. The ambiguity surrounding the nature of the relationship between HR variables and performance is aptly called the 'HR black box'.

**Study tip:**

Further insight into the nature of the relationship between HR variables or practices and organizational performance (OP) can be found in Barry Gerhart's chapter 'Modeling HRM and Performance Linkages' (pp. 552-580) in *Oxford Handbook of Human Resource Management* (eds.) Boxall, Purcell and Wright (2008). Gerhart identifies in detail the challenges in estimating effect sizes and drawing causal inferences in research on HR and performance. For instance, he argues that researchers regularly engage in faulty methodological practices that may result in 'incorrect conclusions regarding HRM theory and practice.'

**Study tip:**

Go to the online resource centre for more information on the logic of causality and the positivist and critical realist view of causation: <https://he.palgrave.com/companion/Bratton-And-Gold-Human-Resource-Management-6e/learning-resources/Web-links/>.

## Line managers as agents of HRM

This new section in the 6<sup>th</sup> edition focuses on the *why* and *how* line managers (LMs) deliver HR policies and practices in the workplace. In addressing the ‘why’ question, the chapter identifies [a] the doctrine that HRM is too important to be left to HR specialists, [2] the influence of Ulrich’s ‘business partner’ model, [3] more controversial perhaps, the disempowerment of trade unionism in private sector workplaces and [4] unemployment and welfare reforms. All of which has given, it’s argued, LMs ‘unrivalled power’.

With regard to what and how LMs enact HR practices, this is explained diagrammatically in **Figure 3.1** (p. 89). LMs role: decisional, interpersonal, informational and developmental.

**HRM in practice 3.2** Can organizations simultaneously be committed to employees and outsource services?

This report (p. 88) discusses the many contradiction (e.g., control v. commitment) found in managing people.

## Line managers and the HRM-performance chain

‘How do LMs affect the causal chain linking HR policy inputs to performance outcomes?’ is concerned with the ‘*how*’ of managing people. Blau’s (1964) influential concept of social exchange theory is cited as being relevant. The premise that human capability and commitment will be forthcoming only if there is a valued return contingent upon it.

This observation means that LMs have to be included in any causal mechanism attempting to measure the HRM–performance relationship. The causal chain or ‘HRM black box’ can be represented as: Intended practices → Actual practices → Perceptions of practices → Employee attitudes → Employee behaviour → Unit-level performance (OP).

This distinguishes between ‘intended’ and ‘enacted’ HR practices, and



employees' perceptions and experiences of them. It is the way HR practices are implemented by LMs that employees perceive and react to.

The HR-performance causal chain is based upon high-quality relations between LMs and subordinates, but the chapter highlights research of LMs exhibiting 'toxic' or 'inappropriate' behaviour. E.g., bullying, discriminatory behaviour. Finally, it is emphasized that the way LMs undertake their HR responsibilities is 'inextricably linked' to the organizational culture and climate and leadership behaviours in the workplace.

## Context and the social relations of performance

It is often difficult to establish what the context actually is and what different mixes of strategic HR practices are required for each situation.

### Social structures

- Macrostructures: worldwide
- Microstructures: organizational level
- Organizational life: shared assumptions, values, beliefs

### Behavioural indicators:

- Employee ability
- Motivation
- Opportunity for employee voice
- Positive employee attitudes/behaviours can contribute to the value-added chain

### Leadership is not a position, but a process

- 'Relational' phenomenon: leader affects and is affected by followers and the environment
- Leader-member exchange model (LMX). **Figure 3.2** (p. 94) is meant to convey to the reader the complex, interdependent and mutually reinforcing causal mechanism that the classical (positivist) causal model conflates.

## Engaging in critical thinking

## Chapter case study – Devolvment of HR at the City of Kindle

The case study asks students to demonstrate an understanding of Ulrich’s business partner model and the pros and cons of devolving HR responsibilities to line managers.

### Study tip:

Further insight into the role of LMs can be found in Keegan and Francis’s (2010) article, ‘Practitioners talk: the changing textscape of HRM and the emergence of HR business partnership’, *International Journal of Human Resource Management*, 21 (6): 873-98; also see newspaper reports of LM bullying subordinates at Amazon, JD Sports and Sports Direct. This case provides an opportunity for you to critically evaluate the theory of HR devolvment with actual enactment of HR policies and practices.

## Reflective question/essay question

Why do some academics and practitioners believe that LMs have become the ‘lynchpin’ through which HR strategy is channeled?

**Tip to students:** This question requires you to demonstrate the complex, multi-layered HRM-OP causal chain, as well as the arguments for devolving HR to LMs. A comprehensive answer would critically examine the HRM-performance relationship and the complex human interactions found in the workplace. A discussion of ‘espoused’ and ‘enacted’ HR practices is also relevant. Recent studies of LMs behaviour seem to temper the normative business-partner model. Essential additional reading would include Guest (2011), Op de Beeck et al. (2015) and Purcell and Kinnie’s (2008) chapter gives a thoughtful analysis of the ‘HRM black box’. (See further reading, p. 99).