

EXPLORING THE IMPACT OF HUMAN RESOURCE MANAGEMENT ON EMPLOYEES: SYSTEM, CONFIGURATION AND PRACTICE EFFECTS

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1. Introduction

Many recent studies have explored the relationship between human resource management practices and organisational performance. Most of these studies suggest that a bundle of complimentary practices that comprise High Performance Work Systems (HPWS) are associated with higher levels of organisational performance. Although progress has been made in understanding the relationship between HPWS and organisational performance, the impact of these practices on employee performance, behaviour and attitudes is less well understood.

Bailey (1993) suggests that HPWS may have a positive impact on employees in three respects, affecting abilities, motivation and opportunities to participate (the AMO model). A basic claim of the AMO model is that an internally consistent set of practices elicits positive employee behaviours consistent with organisational goals. In particular, human resource practices are required: to ensure that employees have the appropriate skills and knowledge; to provide effective incentives to motivate employees to apply their abilities and knowledge; and to provide employees with opportunities to participate and maximise their contribution (Appelbaum et al. 2000). Variants of this model have been adopted by many studies although the precise components are rarely measured. Nevertheless, it is widely assumed through the AMO model that workplaces should develop internally consistent bundles of practices to develop positive employee attitudes and behaviours.

The purpose of this study is to investigate the relationship between HPWS and employees' ability, motivation and opportunity to participate. We develop a model which allows both the simultaneous identification of the HPWS bundle, more specific configurations of practices and individual practices, and test the association of each with employee perceptions of their ability, motivation and opportunity.

The paper applies structural equation modelling to explore the relationship between HPWS and employee attitudes using the AMO framework. This allows us to: (a) empirically demonstrate the existence of a general HPWS that accounts for the complementarities among the 17 human resource management practices analysed; (b) test the amount of observed variance of HR practices that is explained by the general factor; (c) test the existence of additional but more specific configurations of practices that may capture attempts by managers to focus on developing specific aspects of human resource management strategy; (d) test the influence of the general and the specific factors on a set of criterion variables measuring employee perceptions of their ability, motivation and opportunity to participate; (e) compare the amount of explained variance of the criterion variables between the general and specific bundles and the individual practices. This comparison allows us to determine to what extent bundles of

practices (and the complementarities across practices that they represent) are associated with employee attitudes and behaviours.

2. Data and method of analysis

This paper uses linked employer-employee data from the Workplace Employment Relations Survey (WERS) 2004 management and employee surveys. These surveys are designed to be nationally representative of British workplaces with five or more employees within Standard Industrial Classification major groups D to O (agriculture, hunting, forestry and fishing and mining and quarrying are excluded), when probability weighted to take into account the complex nature of the WERS survey design. The management survey comprises 2,295 observations with a response rate of 64 per cent (Kersley et al. 2005). Respondents to the management survey are the most senior manager within the workplace with responsibility for employee relations matters. The WERS 2004 employee questionnaire comprises 22,451 observations, with a response rate of 61 per cent.

The first stage of the analysis assesses the extent to which the use of 17 HR practices are associated and may be accounted by a single latent factor (HPWS) as commonly identified in previous research (Appelbaum et al. 2000; Combs et al. 2006; Hoque 2000; Huselid 1995; Wood and de Menezes 1998, 2008). We then explore whether further specific factors (configurations) help to explain the associations between these practices. The practices were classified into the three specific factors by their relationship with ability, motivation and the opportunity to participate.

The second stage of the analysis involves a series of regressions to explore the relationship between HPWS, configurations and individual practices and a set of criterion variables representing employee's perceptions about their ability, motivation and opportunity to participate.

Variables

High performance practices

The model involves a set of 17 high performance work practices selected based on previous studies drawing on the WERS 2004 database (Bryson and White 2008; Michie et al. 2008; Ramsay et al. 2000; Wood and Bryson 2009; Wood and de Menezes 2008).

Criterion variables

Employee's perceptions about their ability, motivation and opportunity to participate were used as criterion variables. All the variables were obtained from the employee questionnaire of the Workplace Employment Relations Survey 2004.

3. Results

HPWS and Configurations

To test the existence of the general HPWS, we first consider a single-factor model in which all practices load on the same factor. The analysis suggests a single-factor model (HPWS) does not appear to fit well and additional factors are required to account for the pattern of correlations across human resource practices.

Three new specific factors orthogonal to HPWS representing the Ability, Motivation and Opportunity dimensions, with loadings on their respective practices, were added to the previous model. Significant improvements in fit were achieved by introducing three AMO factors (an *ability-specific* factor, a *motivation-specific* factor, and an *opportunity-specific* factor). In accordance with the type of practices with negative loadings, we defined a new *fairness-specific* factor to increase the fit of the model. Specific factors are thus required to account for the observed pattern of correlations among the practices. In other words, although a general factor explains a substantial amount of the variation of the practices, several underlying management orientations appear to explain how the set of practices are applied by workplaces in the dataset. However, the general HPWS factor accounts for a greater proportion of variance than the specific factors

The Associations between Employee Attitudes and HPWS, Configurations and Individual Practices

A series of regressions explore the relationship between employee attitudes and HPWS, configurations and individual practices.

The results do not reveal the anticipated positive relationship between the adoption of the HPWS and positive employee perceptions of their AMO. HPWS are positively associated with the amount of formal training received (ability) and access to family-friendly practices (fairness). However, HPWS are negatively associated with autonomy in decision-making and satisfaction with involvement in decision-making (opportunity) and with employment security and fair treatment (fairness).

Of the different configurations of practices, the ability factor is positively associated with employee perceptions of AMO and fairness, the motivation factor is negatively associated with AMO and fairness, and the fairness factor is positively associated with ability, opportunity and fairness.

Five individual practices were also associated with employee attitudes after controlling for HPWS and configurations. In particular, teamworking was positively associated with AMO and fairness, whereas joint consultation was negatively associated with AMO and fairness.

4. Conclusions

The purpose of this paper was to investigate the relationship between HPWS and employee perceptions of their ability, motivation and opportunity to participate. We developed a model which allows both the simultaneous identification of the HPWS bundle, more specific configurations of practices and individual practices, and test the association of each with employee attitudes.

The analysis identified the existence of a general HPWS that accounts for the complementarities among the 17 human resource management practices analysed, although additional and more specific configurations of practices appear to capture attempts by managers to focus on developing specific aspects of human resource management strategy. In addition to configurations around ability, motivation and opportunity, we identified an additional fairness configuration.

In testing the influence of the general HPWS factor and the specific factors (configurations) on a set of criterion variables measuring employee perceptions of their ability, motivation and opportunity to participate, we fail to find a consistent positive association between HPWS and employee perceptions of their AMO and fairness. These findings are more in line with critical labour process views of the impact of HPWS that may reduce employee autonomy at work (Ramsay et al. 2000) and do not provide employees with greater employment security (Osterman 2000).

The paper also explored the impact of specific configurations on employees. The ability configuration appears to be positively associated with employee perceptions of their AMO and fairness after controlling for the use of a HPWS. The fairness configuration appears to be positively associated with employee perceptions of their ability, opportunity and fairness after controlling for the use of a HPWS. These findings suggest that specific configurations of HR practices may have positive impacts on employee attitudes whereas HPWS may not. However, this finding does not apply to all configurations. The motivation configuration appears to be negatively associated with employee perceptions of their AMO and fairness after controlling for the use of a HPWS.

After controlling for HPWS and configurations, we also find that some individual practices have positive impacts on employee attitudes. In particular, teamworking, appraisals, performance pay and job security have positive impacts. In contrast, joint consultation is negatively associated with employee attitudes.

Overall, this comparison allows us to determine to what extent bundles of practices (and the complementarities across practices that they represent) are associated with employee attitudes and behaviours. The findings suggest that HPWS have a negative rather than a positive effect on employees' perceptions of their opportunities to contribute.

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