

HUMAN RESOURCE MANAGEMENT AND PERFORMANCE: LESSONS FROM THE NETHERLANDS

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Abstract	The relationship between HRM and firm performance has been a hotly debated topic over the last decade, with the great bulk of the primary scientific research coming from the USA and, to a lesser extent, the UK. Here we start with an overview of this research so as to give a frame of reference to compare the findings from the Netherlands. These findings are interesting because they reflect the so-called Rhineland model of industrial relations, in which legislation, institutions and stakeholders all play an important role in shaping HRM policies and practices. So the proclaimed relationship between corporate strategies, aligned HRM policies and their subsequent effect on performance is, in a Dutch setting, significantly moderated by institutions and stakeholders inside and outside the organization.	
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Human Resource Management and Performance: Lessons from the Netherlands

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Introduction

The relationship between HRM and firm performance has been a hotly debated topic over the last decade, with the great bulk of the primary scientific research coming from the USA and, to a lesser extent, the UK. Here we start with an overview of this research so as to give a frame of reference to compare the findings from the Netherlands. These findings are interesting because they reflect the so-called Rhineland model of industrial relations, in which legislation, institutions and stakeholders all play an important role in shaping HRM policies and practices. So the proclaimed relationship between corporate strategies, aligned HRM policies and their subsequent effect on performance is, in a Dutch setting, significantly moderated by institutions and stakeholders inside and outside the organization.

Scientists like Pfeffer (1994), Huselid (1995), Koch and McGrath (1996) and Ichniowski and Shaw (1999) suggest a 'best practice approach', without seriously taking into account differences in culture and institutional settings. The question arises whether these models, however appropriate they might be for, say, the USA, hold in other contexts. Also, by comparing the results of research in the Netherlands with those in the USA and the UK we may be able to reveal the secret of achieving 'competitive advantage through people' (Pfeffer, 1994) in the Netherlands. The comparison may further allow us to supplement resource-based approaches with a more institutional perspective, to detect hidden success factors for organizations in specific situations using contingency approaches, and to reveal research limitations and opportunities for future research design on HRM and performance.

We start with the categorization of theories of HRM & performance, building on the works of Delery and Doty (1996) and Guest (1997). Section 3 discusses possible links between HRM and performance, while section 4 summarizes the empirical research from the USA and UK. Section 5 looks at the Dutch research. Finally, in section 6, we discuss three contributions which supplement the present theorizing in the area and which promise to provide a more secure analysis of the institutional setting and actors involved.

Categorizing theories on HRM and performance

Delery and Doty (1996) distinguish three dominant modes of theorizing in the literature on strategic human resource management: the universalistic, the contingent and the configurational.

The universalistic mode is associated with the terms 'best practice' and 'high performance work practices', and its underlying assumptions or arguments may seem somewhat simplistic:

- i) that there is a linear relationship between HR practices or systems and organizational performance
- ii) that 'best practices' are universally applicable and successful
- iii) that organizational success is best measured in terms of financial performance indicators like profits, or by market share and sales levels.

Osterman (1994), Pfeffer (1994) and Huselid (1995) may be taken to represent those who take a universalistic perspective. Pfeffer argues, for example, that a greater use of 16 specified practices, such as participation and empowerment, incentive pay, employment security, promotion from within, and training and skill development, results in higher productivity and profit across all types of organization.

Delery and Doty's (1996) contingency mode says that the relationship between the relevant independent variable and the dependent variable will vary according to such influences as company size, company age, technology, capital intensity, the degree of unionization, industry/sector, ownership and location. Contingency arguments imply potentially complex interactions between HRM variables, between HRM variables and performance indicators, between HRM variables and contingency factors, and between performance and contingency factors. Delery and Doty (1996) cite Schuler and Jackson (1987) and Gomez-Meija & Balkin (1992) as mainstream contingency theorists, but the tradition goes back much further and includes the work of Woodward (1965), Pugh and Hickson (1976), Pugh and Hinings (1976), Pugh and Payne (1977), and Mintzberg (1979).

The configurational mode is rather more complex. Arthur's (1994) control and commitment HR systems are based on the idea that "the closer an organization's HR practices resemble the correct prototypical system (for its business strategy), the greater the performance gains" (Delery and Doty, 1996). MacDuffie's (1995) research findings in the automobile industry are seen as representative of the configurational perspective, where the holistic principle of inquiry identifies a unique pattern of factors¹, the assumption of equifinality² holds, and the configurations themselves are ideal types not empirically observable phenomena.

Guest (1997) takes a somewhat different approach. He recognizes three broad categories of general-level theory on HRM: strategic theories, descriptive theories and normative theories. Strategic theories are primarily concerned with the relationship between a range of external contingencies and HRM policy and practice. The central theme here is that "a good fit (strategy, policy and practices with the context) will be associated with superior performance" (Guest, 1997). The work of Miles and Snow (1984), Schuler and Jackson (1987) and Hendry and Pettigrew (1990) are examples of this type of HRM theory. Guest (1997) concludes that strategic theories are simplistic in characterizing HRM, are weak in specifying the process which links HRM to performance, and adopt a limited view of performance (concentrating too heavily on measures like profits and sales).

Descriptive theories of HRM set out to describe the field in a comprehensive way. Researchers try to capture the broad field and to address some of the relationships (e.g. Beer et al., 1985; Kochan et al., 1986). It essentially seeks to map the field and classify inputs and outcomes, with an emphasis on an open systems approach. The perspective can be labeled as realistic but, says Guest (1997), fails to provide a clear focus for any test of the relationship between HRM and performance.

Normative theories of HRM are more prescriptive in their approach, taking the view either that a sufficient body of knowledge exists to provide a basis for prescribed best practices or that a set of values indicates best practice (Guest, 1997). Walton (1985), Lawler (1986), Guest (1987) and Pfeffer (1994) represent this approach. According to Guest (1997) normative theories are predominantly focused on the internal

characteristics of HRM at the expense of broader strategic issues, while leaving unclear the basis for specifying the list of HRM practices.

HRM and performance: what has been achieved up till now?

Empirical results on HRM and performance are specifically presented in special issues of international journals like *The Academy of Management Journal* (4:39, 1996), *The International Journal of Human Resource Management* (3:8, 1997), *Human Resource Management* (Fall, 1997), and *The Human Resource Management Journal* (Fall, 1999). Seminars and conferences like the HRM conference in Rotterdam (Erasmus University/London School of Economics, September 1995), the ESRC seminars in 1996 in the UK, parallel sessions in the Academy of Management meeting in 1998 ('failing to find fit in SHRM: problems and prospects') and in 1999 ('the impact of human resources on organizational performance'), and the first Dutch HRM Network Conference ('confronting theory and reality', Erasmus University, November 1999) all demonstrate lasting attention for the topic.

-- FIGURE 1 --

The framework of Paauwe and Richardson (1997) synthesizes the results of prior research (see Figure 1). HRM activities give rise to HRM outcomes, which influence the performance of the firm. Some HRM activities, however, influence the performance of the firm directly (see upper arrow). The dotted reverse arrow indicates the possibility of reverse causality, i.e. that firm performance itself will give rise to a change (very often perceived as an improvement) in HRM practices. Table 1 summarizes the results of a large number of empirical papers.

-- TABLE 1 --

Prior Empirical Research from the USA and UK

The quantitative research on the links between HRM and performance is mostly by USA academics, with some contributions from the UK. Table 2 provides an overview of some notable papers. These variously draw on a diversity of theories like contingency theory, socio-technics and resource-based theory. The USA academics

explicitly ground the use of bundles in strategic human resource management principles and adopt a shareholder perspective, paying little or no attention to other stakeholders like customers, employees and trade unions. They therefore focus on productivity or financial performance indicators like the return on investment or assets or equity, or Tobin's q . According to Guest the 'hard' version of HRM (Storey, 1987) is mainly reflected in the work of the American writers “in which workers are viewed primarily as resources or objects, is attractive to some managers, if only to remind them of past neglect of a potentially untapped resource” (Guest, 1999a).

-- TABLE 2 --

In contrast, UK researches (e.g. Guest & Peccei, 1994; McNabb and Whitfield, 1997) apply a stakeholder perspective or some sort of pluralist framework and include such outcomes as absenteeism, employee turnover, commitment, motivation, satisfaction, trust, conflicts and social climate. Also, most UK academics are sceptical of the typical 'American Dream' view on the existence of best practices emerging from universal or normative modeling (Guest, 1999a; Purcell, 1999; Tyson, 1999).

One of the problems of nearly all of the existing work is a reliance on cross-sectional work, which makes it virtually impossible to be confident on the causal relationships linking HRM and outcomes. As Arthur (1994) expresses it, “although the findings of this study are consistent with a conceptual model in which the choice of human resource system leads to changes in manufacturing performance, the cross-sectional data used here did not permit any tests of the causal ordering between effects of system and performance”.

Some studies, e.g. Banker et al. (1996a), Lazear (1996), Pil and MacDuffie (1996) and d'Arcimoles (1997), do use a longitudinal research approach. Still, data collection on management issues over a long time period is difficult and may be too expensive when traditional survey methods are being used. A possible solution may be to analyze existing databases of business organizations, specialist research institutions or branch organizations.

Further, this literature pays relatively little attention to contingency variables like firm age, size, technology and unionization. Although such variables are sometimes included in the model, the researchers tend to downplay or ignore their relevance. Control variables like firm size and technology normally explain a great amount of variance in any statistical analysis on organization studies (evidence for this statement is provided in Table 1 in the appendix). Together with organizational factors (size, sector and trade union presence) Guest (1999b) emphasizes the potential importance of personal characteristics such as age, income level, level in the organization and qualifications.

Empirical results from the Netherlands

Table 3 gives a summary of the empirical research from the Netherlands. The work of Leijten (1992), Leget (1997) and Verburg (1998) closely follows the tradition of the USA research; among other qualities they use HR typologies or clusters (bundles), focus on financial performance indicators, analyze at the organizational level, use quantitative cross-sectional surveys, and adopt a 'hard' HRM approach.

-- TABLE 3 --

A second style of Dutch research focuses much more on the way human resource management is shaped within organizations. The approaches of Paauwe (1989 and 1998), Ten Have (1993), Schilstra (1998) and Kluytmans (1999) fit neither Delery and Doty's categories nor Guest's typology. Their research is not primarily aimed at the relationship between HRM as the independent, and performance as the dependent, variable but at the arguments which influence the shape and formation of HRM practices and policies. In general, a variety of exogenous influences are seen to restrict management's room for manoeuvre. Notably, collective bargaining agreements and labor laws in the Netherlands prescribe, prohibit, and influence the HRM practices and policies of organizations. Ten Have (1993) investigated 600 industrial companies, and found that personnel management in larger companies tends to follow its own lead and is hardly related to the wider corporate strategy. He also concluded that a lack of fit between corporate strategy and personnel management had no effect on company performance.

Paauwe's (1989) main conclusion, foreshadowing that of Ten Have (1993) was also that contingency factors affect the leeway of both organization and management. Further, Paauwe (1998) argued that between ten and twelve of Pfeffer's (1994) 16 'best practices' had been in place in almost every Dutch company from the 1970s because of legislation and the role of works councils and trade unions (see table 4). For example, the Dutch trade unions (FNV, CNV, etc.) are influential in shaping HRM arrangements at the national level (SER, Stichting van de Arbeid, media, etc.), at the industry/sector level (via the collective bargaining agreement), at the company level, and at the business unit level (for example in the case of reorganizations).

-- TABLE 4 --

In the Dutch context trade unions work closely with the works councils, and every organization in the Netherlands with more than 50 employees is legally obliged to install a works council. Dutch law equips the representatives of the employees with a number of rights towards the employer/management. The institutional context is therefore a profound influence on the shape of human resource management in Dutch organizations, and we need of alternative theory (like institutional theory or network theory) to add to existing frameworks in order to understand the link between HRM and performance in the Netherlands. The managers responsible for HR management are mainly engaged in the translation of labor legislation (conditions of employment, collective bargaining agreements, etc.) to their specific business organization. It's not just a problem of "seeking strategic HRM opportunities for sustained competitive advantage", but also "following the labor regulations and agreements."

The position that externally imposed institutions automatically have a negative impact on performance is far too strong. Some organizations succeed in creating competitive advantage in an institutionalized context through a proactive and innovative attitude towards the regulations and institutions. Mirvis (1997) calls these type of organizations 'leaders' (i.e. HR innovators), in contrast to 'laggards' who have difficulties following the rules. Leaders possess organizational competencies to 'overcome institutional obstacles', while laggards generally see institutional mechanisms as a restraint and threat. As an example consider a fast-food chain that is

obliged to hire a certain percentage non-natives, let's say 10% of the total employment. The company decides to employ extra minorities in districts with a majority of non-natives. The strategic consideration of the company is 'matching the cultural background of employees with the sphere of the neighborhood and its potential consumers'. An institution (the obligation to employ 10% non-natives) is the starting point for the creation of competitive advantage through people.

The question remains whether organizations in the Netherlands benefit from HRM principles at all? Are Dutch organizations with respect to personnel management trapped in a web of institutional arrangements? Do these 'limitations' affect performance? Or are they able to offer opportunities in order to raise performance? Ostensible restrictions can stimulate creativity resulting in opportunities. We are in need for other theoretical frameworks to fully understand the Dutch context in relation to human resource management. The strategic HRM theories according to the categorization of Delery and Doty (1996) seem to neglect a number of highly relevant factors if we want to analyze the relationship between HRM and performance in a thorough way. We now consider what this might imply.

Lessons learned

Our comparison between the Anglo-Saxon and Dutch literature yields the insight that the institutional setting and the actors involved need to be highlighted and analyzed by additional theoretical approaches. In this section we present an overview of three such approaches in an attempt to stimulate debate.

1 New Institutionalism

DiMaggio and Powell (1983) state that rational actors make their organizations increasingly similar as they try to change them (homogenization). The concept that best captures the process of homogenization is isomorphism. Isomorphism is a constraining process which, say DiMaggio and Powell (1983), forces one unit in a population to resemble other units which face the same set of environmental conditions.

There are two types of isomorphism: competitive and institutional. Competitive isomorphism assumes a system of rationality which emphasizes market competition, niche change, and fitness measures, and is most relevant where free and open competition exists. "It explains parts of the process of bureaucratization that Weber observed, and may apply to early adoption of innovation, but it does not present a fully adequate picture of the modern world of organizations." (DiMaggio and Powell, 1983). For a full understanding of organizational change the authors focus on an alternative perspective: institutional isomorphism. Three institutional mechanisms are said to influence decision-making in organizations:

- *coercive mechanisms*, which stem from political influence and the problem of legitimacy,
- *mimetic mechanisms*, which result from standard responses to uncertainty, and
- *normative mechanisms*, which are associated with professionalization.

In the Dutch context, coercive mechanisms include the influence of social partners (the trade unions and works councils), labor legislation, and government; examples are: Wet op de ondernemingsraden (WOR: works councils' law), Arbeidsomstandighedenwet (ARBO: law on conditions of employment), Wet op de collectieve arbeidsovereenkomst (CAO: collective bargaining law), and Flex-wet (law on flexible employment and security).

Mimetic mechanisms refer to imitations of the strategies and practices of competitors as a result of uncertainty, or fads in the field of management. It is difficult to determine whether the implication of a certain practice or policy is the result of pure blind imitation. Implementation of, for example, 360-degree feedback systems, the balanced scorecard, and employability or learning organization principles may either have a strategic foundation or may simply be a result of imitation.

Normative mechanisms refer to the relation between management policies and the professional background of employees in terms of educational level, job experience and craftsmanship. This mechanism assumes that the degree of professionalization of employees affects the nature of a management control system and its related practices.

In figure 2 the three institutional mechanisms of DiMaggio and Powell (1983) are translated to the field of human resource management. We assume that the mechanisms influence HRM strategy, goals and policies.

-- FIGURE 2 --

Greenwood and Hinings (1996) label DiMaggio and Powell's work (1983) as 'New Institutionalism' with an emphasis on legitimacy, the embeddedness of organizational fields, and the centrality of classification, routines, scripts and schema. They state that new institutionalism assumes that organizations conform to contextual expectations of appropriate organizational forms to gain legitimacy and increase their probability of survival. In the 'Old Institutionalism' of the fifties, sixties and seventies, issues of influence, coalitions, and competing values were central, along with power and informal structures. In general then, institutional theory shows how the behavior of organizations is a response not solely to market pressures, but also to institutional pressures (e.g. from regulatory agencies, such as the state and the professions, and from general social expectations and the actions of leading organizations (Greenwood and Hinings, 1996).

2 Limitations to freedom and leeway

Research by Paauwe (1989 and 1991) shed light on the factors which influence the shaping of human resource policies and practices. Based on longitudinal and in-depth case-study analysis (covering 5 to 6 years per company) he analysed both the environmental (economic, technological and social-political forces) and the organizational factors (based on Mintzberg's design parameters) that are more or less decisive in bringing about changes in HRM policies and practices. The conditions which determine the room for manoeuvre, being small or large for the parties involved, include: market conditions, historic specifics/path dependency, market structure and competitive strategy, the ratio of salary costs to total operational costs, financial credit/solvency, and the state of the labor market. For example market structures can range from perfect competition (polypoly), oligopoly to monopoly and every stage/situation represents a different degree of leeway (being small for polypoly and large for a monopolist). Using Porter's typology of different competitive strategies a company faced with a lot of price competition and many competitors

(normally implying hardly any leeway) can escape from it by changing in the direction of a differentiation or focus strategy. In this way it will create more room for manoeuvre. Considering the usually costly nature of revisions in HRM policies and practices the degree of labour intensity c.q. capital intensity is relevant as well. A retail chain firm for example is usually characterised by labour costs representing a large share of its total operating costs. Based on a low profit margin it implies that this firm is hardly in a position to differentiate itself from industry average. On the other hand refinery and oil companies are more capital intensive and their labour costs represent only a minor part of total operating costs. So they have more leeway in deviating from industry average. Schematically we can represent the different conditions and their effect upon room for manoeuvre as follows

--FIGURE 3 --

The amount of leeway implies a limited or extended scope for strategic choice (see Figure 3). Normally, and especially in an Anglo-Saxon setting, management will be the dominant party. In a Dutch setting, however, leeway is also important for the other actors, especially the trade unions and works councils, which have a major say in shaping HRM policies based on legislation. The resulting outcomes will depend on the extent to which the parties have a shared ideology, and the resources or power bases they can control. This latter aspect is part of the analysis by Schilstra (1998).

3 Industrial relations and HRM: a network analysis

Our third contribution to a more extended analysis of the relationship between HRM and performance is also based on the research of Schilstra (1998). In order to discover the influence of the institutional setting on HRM practices and policies he carried out in-depth case-studies in the metal and computer industries, sectors which represent extremes in the institutional structure.

The metal industry has had extensive collective bargaining agreement for decades, covering nearly all of the industry's workforce; the agreement in the computer sector, on the other hand, is low in both content and coverage. Building on Dunlop's systems approach (1958) and Kochan's strategic choice (1986) Schilstra (1998) developed and tested an extended model based on network analysis in order to explicitly include

actors at the sector and company levels. These interact in order to regulate the employment relationship. Using network analysis allowed Schilstra (1998) to analyze the embeddedness of the actors involved in the network, including their strategic goals and possible power bases like resources, technical skills, legal prerogatives, and legitimacy.

Schilstra's analysis (1998) is interesting because his cases represent extremes as far as their context represents a high or low degree of institutionalization. He is therefore able to show that external regulation of the employment relationship is the dominant pattern in the metal industry, whereas internal regulation is dominant in computers. Based on varying degrees of leeway Schilstra's analysis (1998) shows how the actors involved use their interaction pattern and power bases to pursue their goals vis à vis the regulation of the employment relationship. Naturally, their goals are not always those of the shareholder, so such things as the development of trust or bringing about a sense of fairness are more important in directly shaping human resource policies than possible effects on performance.

Conclusion

Summarising we can conclude that there are possibilities for including the institutional setting in theoretical frameworks in order to have a fuller coverage of the relationship between HRM and Performance. A coverage which will do justice to the European setting of bringing about HRM policies and practices, which amongst others have a relationship with performance. Amongst others because they might also have been initiated for reasons of legislation, fairness, relational rationality, distributive justice etc.

The implications for performance, discussed so far, are quite intriguing. If we relate Pfeffer's so-called best practices to the Dutch context we have already concluded that, due to institutional pressures, 12 out of the 16 are rather common in the Netherlands. This simply implies that at the level of the individual company the possibilities for achieving a competitive advantage in these areas (like for example offering work security, extensive training possibilities etc) is not feasible or very limited. On a number of best HRM practices the individual company cannot differentiate itself from

its competitors. The best practices are already enforced for the majority of companies due to the role/influence of legislation, collective bargaining, works councils, tightness of the labour market, etc.

However, a totally different perspective evolves if we opt for a more aggregated perspective at the national level. Then we might conclude that the Dutch are early Pfefferites³ and in this way have managed to achieve a highly competitive economy at an international level. The fact that Pfeffers' best practices are so widespread in the Netherlands may have contributed to the success of the so-called Rhineland model or Dutch Poldermodel. If we compare the Dutch economy with the European average then the Dutch positively outperform their EC partners on a number of economic performance indicators (like f.e. employment, job creation, economic growth). In the last 10 years the Dutch economy resembles the USA economic development to a far higher degree than for example neighbouring EC countries like Germany and France.

We started our paper by more or less opposing the so-called best practices approach and emphasising the importance of the institutional setting. However, Pfeffer himself is probably less interested in the forces that bring about his practices, than the very fact that they indeed seem to work in the direction of better performance and outperforming others. This might also be true for the Netherlands, if we opt for the aggregated and national perspective; a pleasant, but at the same time confusing conclusion. So for future research we are still faced with the challenge of finding the right balance between the complexity of the topic and the luminance of the analyses.

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Notes

- 1 HR practices affect performance not individually but as interrelated elements in an internally consistent HR "bundle" or system. MacDuffie (1995) also encompasses more of the interaction between social and technical aspects of the production system in his approach.
- 2 Configurational theories incorporate the assumption of equifinality by positing that multiple unique configurations of the relevant factors can result in maximum performance (Delery and Doty, 1996).
- 3 The authors would like to thank Dr Ray Richardson for his inspirational comments and especially for handing over to them the phrase 'early Pfefferites'

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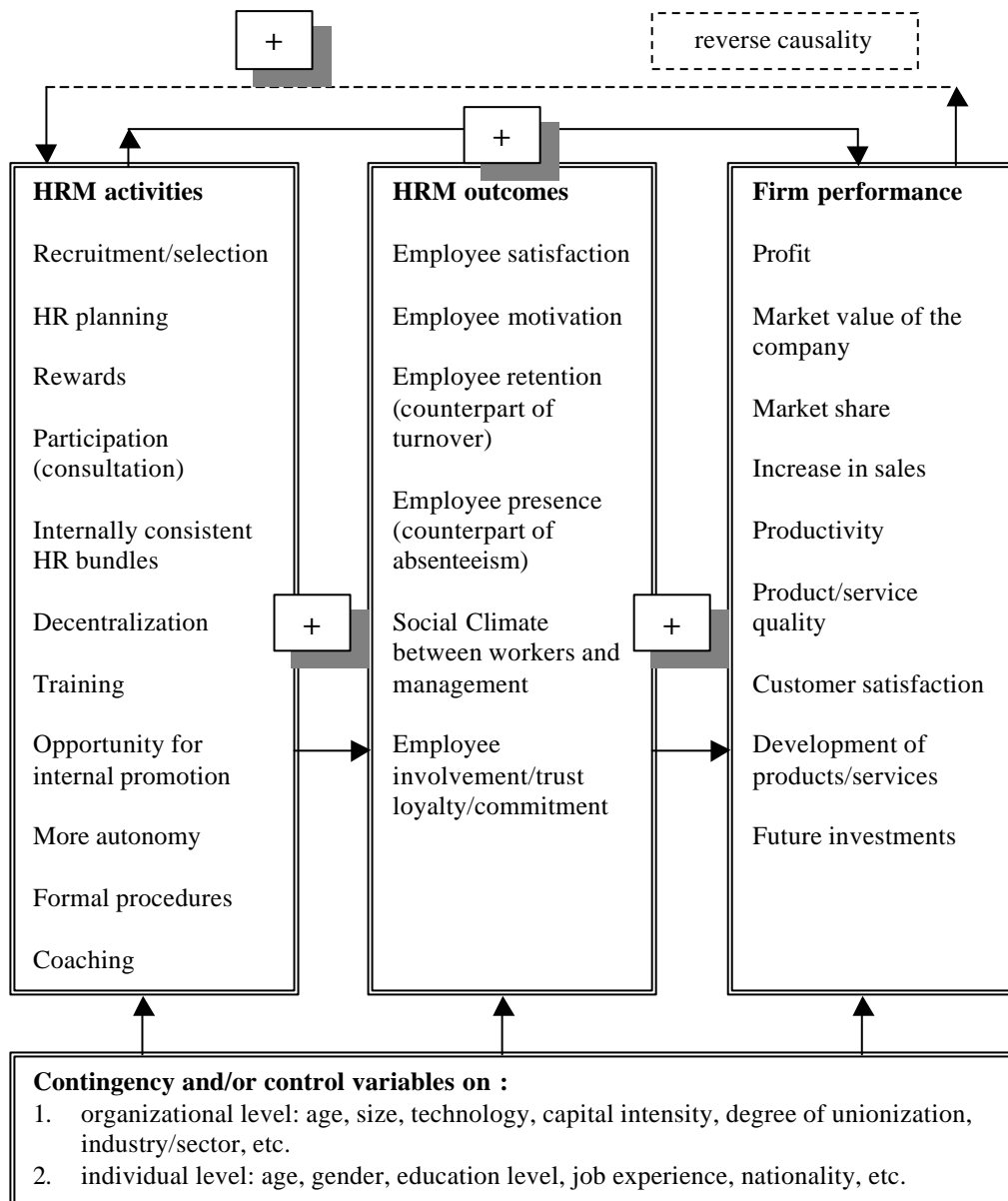
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Figure 1 HRM activities in relation to HRM outcomes and firm performance



Adapted version of J. Paaue and R. Richardson (1997), Introduction Special Issue on HRM and Performance, *The International Journal of Human Resource Management*, 8:3, June, p.260, figure 1.

Table 1 Overview results prior Research on HRM and Performance

HRM Activities:

Recruitment and Selection

- HRM activities involved in getting the right person on the right spot (*employee skill and organizational structures*) contribute to higher productivity and market value of the company. Moreover it has a slight negative impact upon turnover (source: Huselid, 1995)
- Staffing selectivity is positively related to perceived market performance (source: Delaney and Huselid, 1996)
- Evaluation and investment in recruitment and selection are positively related to labor productivity (source: Koch and McGrath, 1996)
- Selective selection is negatively related to employee turnover (source: Verburg, 1998)
- Selective selection is positively related with perceived profit, market share and investments in the near future (source: Verburg, 1998)

HR planning

- Sophisticated human resource planning activities are positively related to labor productivity (source: Koch and McGrath, 1996)

Rewards

- Reward is positively correlated to the different dimensions of the performance of the firm: product quality, product development, profit, market share, customer satisfaction and growth in sales (source: Kalleberg and Moody, 1994)
- Higher rewards contribute to a better social climate between management and the other employees (source: Kalleberg and Moody, 1994; Fernie, Metcalf and Woodland, 1994)
- Higher rewards contribute to a decrease in turnover (source: Arthur, 1994)
- Incentive compensation has a positive impact upon perceived organizational performance (source: Delaney and Huselid, 1996)
- Performance related pay affects productivity positively (source: Lazear, 1996)
- Outcome-based incentives on sales, customer satisfaction, and profit increased with intensity of competition and proportion of upscale customers and decreased with level of supervisory monitoring (source: Banker, Lee, Potter and Srinivasan, 1996b)
- Performance-related pay affects employee motivation positively (source: Dowling and Richardson, 1997)
- Flexible rewarding is positively related to profit (source: Leget, 1997)
- Excellent reward systems are positively related with perceived profit, market share and investments in the near future (source: Verburg, 1998)
- Employee share ownership schemes, profit related pay and performance related pay are positively related to financial performance (source: McNabb and Whitfield, 1999)
- Employee stock option plans affect productivity positively (source: Meihuizen, 1999)

Participation (consultation)

- Employee involvement practices (aimed at generating commitment) have a positive influence on productivity and product quality (source: Fernie, Metcalf and Woodland, 1995)
- Employee involvement results in better social climate (source: Fernie, Metcalf and Woodland, 1995)
- Commitment (vs Control) oriented HR systems have a positive impact upon productivity and result in a lower degree of turnover (source: Arthur, 1994)
- Participation in decisions is positively related with organizational commitment (source: Wallace, 1995)
- Quality and labor productivity improved over time after the formation of teams (source: Banker, Field, Schroeder and Sinha, 1996a)

Internally consistent HR bundles

- Stimulating personnel management has a positive impact upon employee commitment, organizational support, training & education facilities, level of education and expectations with respect to wage increases (source: Leijten, 1992)
- Stimulating personnel management has a negative relationship with illness (source: Leijten, 1992)
- Bundles of internally consistent HRM practices are associated with higher productivity and quality (source: MacDuffie, 1995)

Decentralization

- Decentralization of authority will result in a lower degree of turnover (source: Arthur, 1994)

Training

- Training has a positive impact upon the different dimensions of the performance of the firm: product quality, product development, market share and growth sales (source: Kalleberg and Moody, 1994)
- More investment in training results in higher profits (source: Kalleberg and Moody, 1994; d'Arcimoles, 1997)
- More investments in training result in a lower degree of turnover (source: Arthur, 1994)
- Training has a positive impact on the relationship between management and the other employees (source: Kalleberg and Moody, 1994)
- Training has a positive impact upon perceived organizational performance (source: Delaney and Huselid, 1996)
- Management development is positively related to profit (source: Leget, 1997)
- Focus on training is positively related with perceived profit, market share and investments in the near future (source: Verburg, 1998)
- Training practices affect perceived organizational performance positively (source: Harel and Tzafrir, 1999)

Opportunities for internal promotion

- Internal promotion opportunities are positively related with perceived profit, market share and investments in the near future (source: Verburg, 1998)

More Autonomy

- Autonomy is positively related to job satisfaction (source: Wallace, 1995)

Formal Procedures

- Formal procedures (with respect to downsizing) are positively related to the number of dismissals/lay-offs (source: Fernie, Metcalf and Woodland, 1995)

Coaching

- Coaching is positively related to profit (source: Leget, 1997)
-

HRM Outcomes:

Employee satisfaction

- Job satisfaction is positively related with organizational commitment (source: Wallace, 1995)
- Employee satisfaction has a negative effect on employee absence due to illness (source: Boselie, Koene and Paauwe, 1998)
- Employee satisfaction is positively related to comparative productivity and reduced labor costs (source: Guest, 1999b)

Employee motivation

- Motivation by means of reward systems contributes to an increase in productivity (source: Arthur, 1994; Fernie, Metcalf and Woodland, 1995; Huselid, 1995)
- Motivation through rewards contributes to a higher market value of the company (source: Huselid, 1995)
- Motivation is positively related with employee satisfaction and employee commitment (source: Guest, 1999a)

Employee retention (counterpart of employee turnover)

- Turnover results in decreased productivity (source: Katz, Kochan and Weber, 1985; Arthur, 1994)
- Voluntary dismissals have a negative impact upon profits (source: d'Arcimoles, 1997)
- Tenure (of employees) has a negative effect on employee absence due to illness (source: Boselie, Koene and Paauwe, 1998)

Employee presence (counterpart of absenteeism)

- Absenteeism results in decreased productivity (source: Katz, Kochan and Weber, 1985; Arthur, 1994)
- Absenteeism has a negative impact upon profits (source: d'Arcimoles, 1997)

Social Climate between workers and management

- Social climate and commitment of employees have a positive impact upon productivity and product quality (source: Katz, Kochan and Weber, 1985)

Employee involvement/trust loyalty/commitment

- Employee commitment is positively related to comparative productivity, quality, and financial performance (source: Guest, 1999b)
-

Contingencies on Organizational Level:

- Degree of unionization is positively related with productivity (source: Arthur, 1994; Huselid, 1995)
- Union presence is negatively related to the employee satisfaction with the amount of influence over job (source: Delbridge and Whitfield, 1999)
- Firm size (number of employees) has a positive effect on training and development facilities and absence due to illness (source: Leijten, 1992)
- Size of the organization has a positive relationship with profit and a negative relationship with employee turnover (source: Huselid, 1995)
- Size is positively related with net profit (source: Koene, Vogelaar and Soeters, 1998)
- Size is negatively related to the employee satisfaction with the amount of influence over job (source: Delbridge and Whitfield, 1999)
- Establishment size is positively related with commitment (source: Scholarios, Ramsay and Harley, 1999)
- Size (200-10.000 employees) is positively related with financial performance (source: McNabb and Whitfield, 1999)
- Firm age has a negative relationship with perceived organizational performance (source: Delaney and Huselid, 1996)
- Establishment age is positively related with commitment (source: Scholarios, Ramsay and Harley, 1999)
- Research & Development intensity has a negative impact upon employee turnover and profit (source: Huselid, 1995)
- Capital intensity is positively related to productivity and profit, and it's negatively related to employee turnover (source: Huselid, 1995)
- Working in the public rather than the private sector is positively related with motivation (source: Guest, 1999a)
- Public sector is negatively related to the employee satisfaction with the amount of influence over job (source: Delbridge and Whitfield, 1999)
- Production sectors are negatively related with commitment (source: Scholarios, Ramsay and Harley, 1999)
- Deep economic recession is results in poor company performance and poor HRM (source: Lahteenmaki, Storey and Vanhala, 1998)

Contingencies on Individual (employee) Level:

- Employee age is positively related with motivation (source: Guest, 1999a)
 - Employee age is positively related with commitment (source: Scholarios, Ramsay and Harley, 1999)
 - Working on fixed term is positively related with motivation (source: Guest, 1999a)
 - Having a lower income is positively related with motivation (source: Guest, 1999a)
 - Being more senior in the organization is positively related with motivation (source: Guest, 1999a)
 - Employee age is positively related with propensity to remain with the company (source: Flood, Turner and Pearson, 1999)
 - Gender (female) is positively related to the employee satisfaction with the amount of influence over job (source: Delbridge and Whitfield, 1999)
 - Gender (female) is positively related with commitment (source: Scholarios, Ramsay and Harley, 1999)
-

'Reverse Causality'

- Increasing profits result in higher investments in training ⇔ 'reverse causality' (source: Hendry, Pettigrew and Sparrow, 1989)
 - High-performance organizations use advanced human resource management strategies and techniques in order to attract and retain talent (source: Hiltrop, 1999)
-

Table 2 Overview of Empirical Research USA and UK

	Arthur (1994)	Huselid (1995)	MacDuffie (1995)	Guest and Peccei (1994)	McNabb and Whitfield (1997)
Country	USA	USA	USA	UK	UK
Theory	Contingency Behavior Control	Resource-based Behavior	Resource-based Sociotechnics	Stakeholder	Stakeholder
Use of HR Clusters	HR systems	HR systems	HR bundles	HR bundles	no
Performance Indicators	productivity quality employee turnover	productivity employee turnover Tobin's q GRATE	productivity quality	employee turnover HRM-, professional- and administrative effectiveness	recognized union closed shop flexibility team working financial performance
Sample	single sector: steel minimills	major industries: profit & non-profit	single sector: automotive assembly	single sector: national health service	multiple sectors
Number of observations	N=30	N=968	N=57	N=303	N=274
Response rate	R=56%	R=28%	R=63%	R=51%	R=83%
Research method¹	quantitative (survey)	quantitative (survey)	quantitative (survey)	quantitative (survey)	quantitative (survey)
Input from	HR managers	HR managers	departmental managers staff group	HR managers general managers	HR managers financial managers union representative

1. all the studies are cross-sectional.

Table 3 *Illustrative overview of Dutch empirical research*

	Leijten (1992)	Leget (1997)	Verburg (1998)	Paauwe (1989)	Ten Have (1993)	Schilstra (1998)
Country	NL	NL	NL	NL	NL	NL
Theory	contingency stakeholder	cybernetics socio-technics	contingency configuration	contingency stakeholder industrial relations systems	contingency transaction cost sociotechnics	industrial relations stakeholder network
Use of HR Clusters	HR Typologies	no	HR Clusters	n.r.	n.r.	n.r.
Performance Indicators	absence employee turnover commitment profit conflicts	profit	employee turnover commitment profit market share	n.r.	n.r.	n.r.
Sample	single sector: metal industry	multiple sectors	multiple sectors	3 sectors: furniture, architecture and insurance	multiple sectors	2 sectors: metal- and computer industry
Number of observations	N=58	N=91	N=47 (NL) and N=42 (China)	N=6	N=437	N=14
Response rate	R=55%	R=52%	R~100%	n.r.	R=73%	n.r.
Research method¹	quantitative (survey)	quantitative (survey) and qualitative (interviews)	quantitative (survey)	qualitative (case study)	quantitative (survey)	qualitative (case study)
Input from	HR managers 10% of employees	line managers HR managers	line managers HR managers	line managers HR managers works council trade union	panel data	HR managers works council trade union

1. all the studies are cross-sectional except for that of Paauwe, which uses a longitudinal approach.
n.r. = not relevant

Table 4 Pfeffer's 'Best Practices' and Paauwe's Comments

Best Practices (Pfeffer, 1994):	HR Practices that are common in the Netherlands (Paauwe, 1998):
1) Employment Security	Yes
2) Selectivity in Recruiting	--
3) High Wages	Yes
4) Incentive Pay	--
5) Employee Ownership	Yes
6) Information Sharing	Yes
7) Participation and Empowerment	Yes
8) Self-managed Teams	Yes
9) Training and Skill Development	Yes
10) Cross-utilization and Cross-training	--
11) Symbolic Egalitarianism	--
12) Wage Compression	Yes
13) Promotion from within	Yes
14) Long Term Perspective	Yes
15) Monitoring of Practices	--
16) All-embracing Philosophy	--

Sources: Pfeffer (1994) and Paauwe (1998)

Figure 2 *HRM and New Institutionalism*

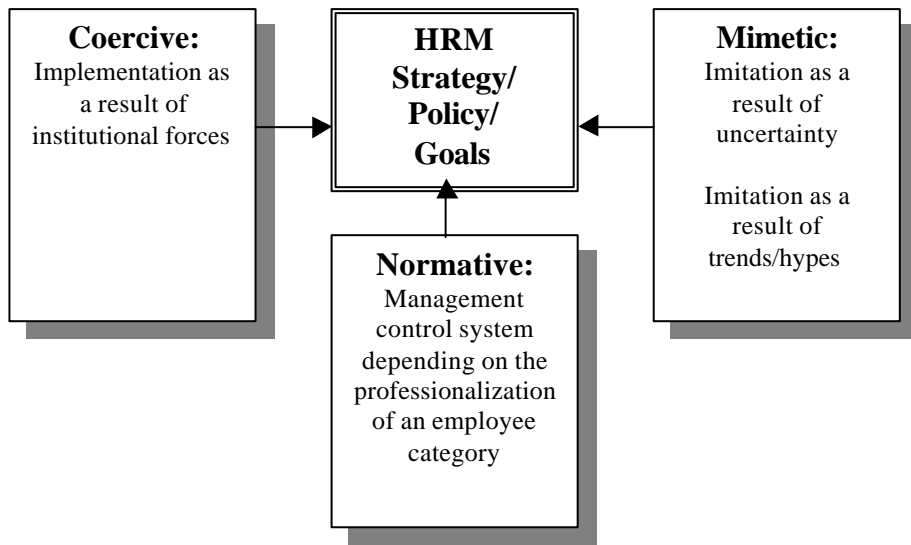


Figure 3 *Limitations to freedom and leeway*

Conditions	Room to manoeuvre	
	<i>Large</i>	<i>Small</i>
Market structure	Monopoly	Polypoly
Competitive strategy	Differentiation/focus	Price
Ratio labor/total costs	--→0	-→1
Financial leeway	present	absent

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