

John Lovett Memorial Lecture 2004  
University of Limerick

John Purcell  
School of Management, University of Bath, UK

The HRM-Performance Link: Why, How and When does People  
Management Impact on Organisational Performance?

The search for the way human resource management impacts on organisational performance is sometimes equated with the hunt for the HR Holy Grail. Indeed in the last 20 years or so it seems that teams of researchers on both sides of the Atlantic have devoted much energy to this endeavour. No sooner have findings been announced than others express doubts. Like the Holy Grail, how do you know when you have it, and is it the genuine article? In particular while many were able to show an association between HR policies used and performance outcomes it was often hard to explain when, why and how this association existed and to identify the interconnections. This has become known as ‘the black box’ problem. In an attempt to illuminate the black box, and in so doing provide practitioners with useful, meaningful and authoritative advice, the UK Chartered Institute of Personnel and Development (CIPD) commissioned a major three year study to assess the impact of people management on organisational performance. I was lucky enough to win the contract for this research.

I want to tell you something about the research and share with you the major conclusions. One general conclusion is that there is no one type of HRM which suits every organisation – the key is to find what is most appropriate in context, and to know what is the purpose of HRM. Is it just to maximise performance or are there other criteria? And if it is to produce performance, over what time period? I will return to this at the end of the lecture but first I must describe the research, get to grips with some fundamental and inescapable theory before outlining what we believe are the key findings, some of which we did not anticipate when we started out in the autumn of 1999.

### **The Research**

Unlike many previous researchers, the Bath team of 5 researchers decided that sending out a questionnaire to HR practitioners and getting them to tick boxes showing the policies they used was unlikely to produce useful results. We wanted to get inside companies and talk with the managers, the employee representatives and, most of all, the employees. Surprisingly, very few researchers have surveyed employees. We wanted to do a survey twice over the three years in order to measure the impact of any changes. It was a big commitment from organisations to let us in but 12 did. These are shown in figure 1.

<b>Figure 1: CASE STUDY COMPANIES</b>
AIT Contact 24 Clerical Medical Jaguar Nationwide Building Society Oxford Magnetic Technologies (OMT) PricewaterhouseCoopers Royal Mint Royal United Hospital, Bath Siemens Medical Selfridges Tesco

We chose these either because of their national reputation for HR (5 were in The Sunday Times top 100 companies to work for) or because they were attempting HR innovations, and, of course, because they were willing to participate – many refused.

In each company we chose a unit of analysis to allow us to drill down to see what was really happening rather than just skim the surface. The employee survey, done face to face using carefully designed questions, some taken from national surveys for comparison purposes, was with a random sample of employees in the unit of analysis, usually around 40 in each. We collected performance data in the same area since we hypothesised that if people management was to have a performance enhancing effect it would have to show up in the operational measures used to monitor performance in each unit.

### Theory

As soon as you ask ‘why’ something does or does not happen you engage in theorising. It is not some dry academic exercise. And you need to theorise in order to direct your attention to appropriate sources of data to confirm or confound your hypotheses. Two vital ideas influenced our thinking. First, recent work on the resource based theory of the firm tries to identify the internal sources of sustained competitive advantage. In HR this has been known as HR Advantage. Crucially Boxall (1996) draws a distinction between Human Capital Advantage and Organisation Process Advantage: successful firms have better people and better processes. This points attention not just to policies which select, train, develop and reward people but to more diffuse ways of how people combine together for meaningful endeavour. Here things like team work, involvement, culture and leadership are likely to be important. The analogy with national rugby teams is obvious and powerful. All this meant we had to look very widely at the sources and nature of HCA and OPA in each firm, and sometimes we were still unclear what we were looking for, reliant on the people we talked to tell us what was important to them. How did they make sense of what the firm was trying to do, and actually doing in people management?

The second theory took us to the heart of the black box. We had to work out how we would expect the way people were managed to impact on performance. With the help of the work of people like MacDuffie in his automobile research (1995) and Appelbaum et al in their research in three manufacturing sectors in the USA (2000) we focussed on discretionary

behaviour. We argued that something must persuade, induce, cajole, or encourage employees to do more or do things better or more innovatively both individually and in working with others than they otherwise would, or were doing in the past. This extra behaviour was discretionary in the sense that it is neither compulsory, nor could be forced. It had to be given.

How then is discretionary behaviour triggered? Here we are fortunate to have a growing body of research on the psychological contract but more especially on organisation citizenship behaviour (OCB) (see Coyle Shapiro et al 2004). There is clear evidence that high levels of OCBs do influence performance, and that the OCB outcomes come from people with high levels of affective organisational commitment and high levels of job satisfaction.

What then triggers commitment and satisfaction? This is where HR policy and practice comes in. It is relatively easy to identify those policies and practices which are likely to lead to higher levels of commitment and satisfaction if properly designed and implemented. Discussing this with Peter Boxall he reminded me of an old equation

$$P = f(A, M, O)$$

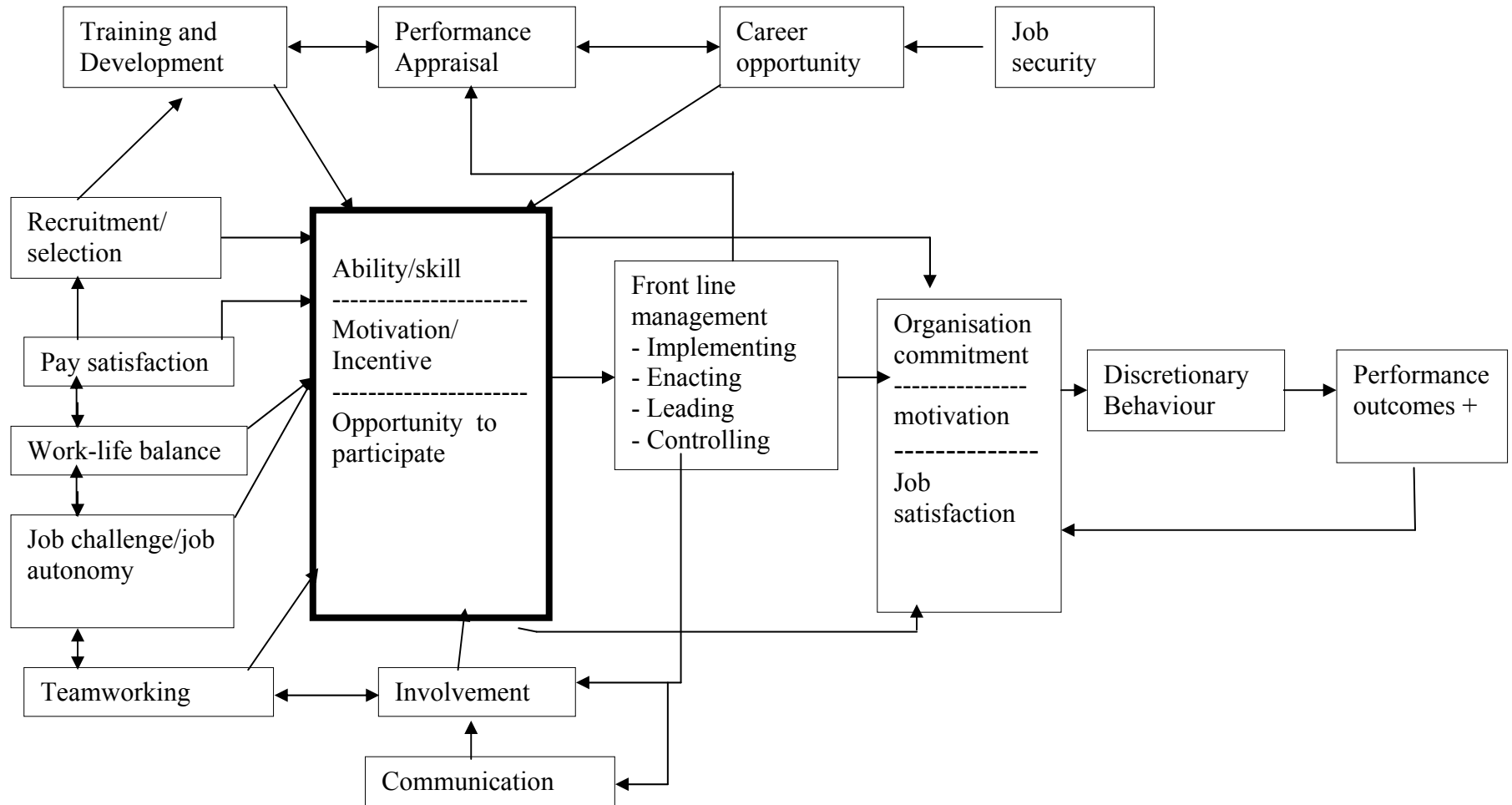
Where P is performance, A is ability, M is motivation and O is opportunity. As we later wrote in our book:

‘In other words, people perform well when:

- they are able to do so (they *can do* the job because they possess the necessary knowledge and skills);
- they have the motivation to do so (they *will do* the job because they are adequately incentivised); and
- their work environment provides the necessary support and avenues for expression (e.g. functioning technology and the opportunity to be heard when problems occur). ‘

Using AMO we were able to identify around 18 HR policies of importance. Once we had looked at the data from our employee survey of satisfaction with HR policies 11 remained. These are shown in summary in the Bath People and Performance model (figure 2)

**Figure 2 – The Bath People and Performance Model**



The final area of concern in building up a model or picture of the linkage between people management and performance was the very well established gap between what is meant to happen and actually does happen, or to be more precise the gap between espoused and enacted policy. In particular, given the whole debate about the return of HR to the line, and the growing individualisation of the employment relationship seen for example in individual appraisal, the role of line managers was likely to be crucial to effective people management. This is shown in the model in the central box between AMO and attitudinal outcomes.

I need now to turn to the results. I cannot, of course, go through everything but I do want to give the key results even at the risk of taking too much of your time. The key areas I want to discuss are shown in Figure 3

<b>Figure 3: Key Areas of Analysis</b>
*Mission, Values and Culture: the big idea *Front-line managers: bringing policies to life *The HR bundle: different for different occupations *Performance: what, why and when

### **Mission, Values, Culture: The Big Idea**

Three members of the research team would do the field work in any one company. Discussing our impressions and our findings in team meetings it became apparent that in some companies not just the senior managers but many of those we talked to at all levels referred to something about values or mission. Some used the word culture. We came to call this ‘the big idea’ since it seemed there was something simple or easy to explain that captured the essence of the firm and clearly informed or enthused HR policy and practice (Figure 4)

<b>Figure 4: The Big Idea</b>
A clear sense of mission underpinned by values and a culture expressing what the firm is and its relationship with its customers and employees.

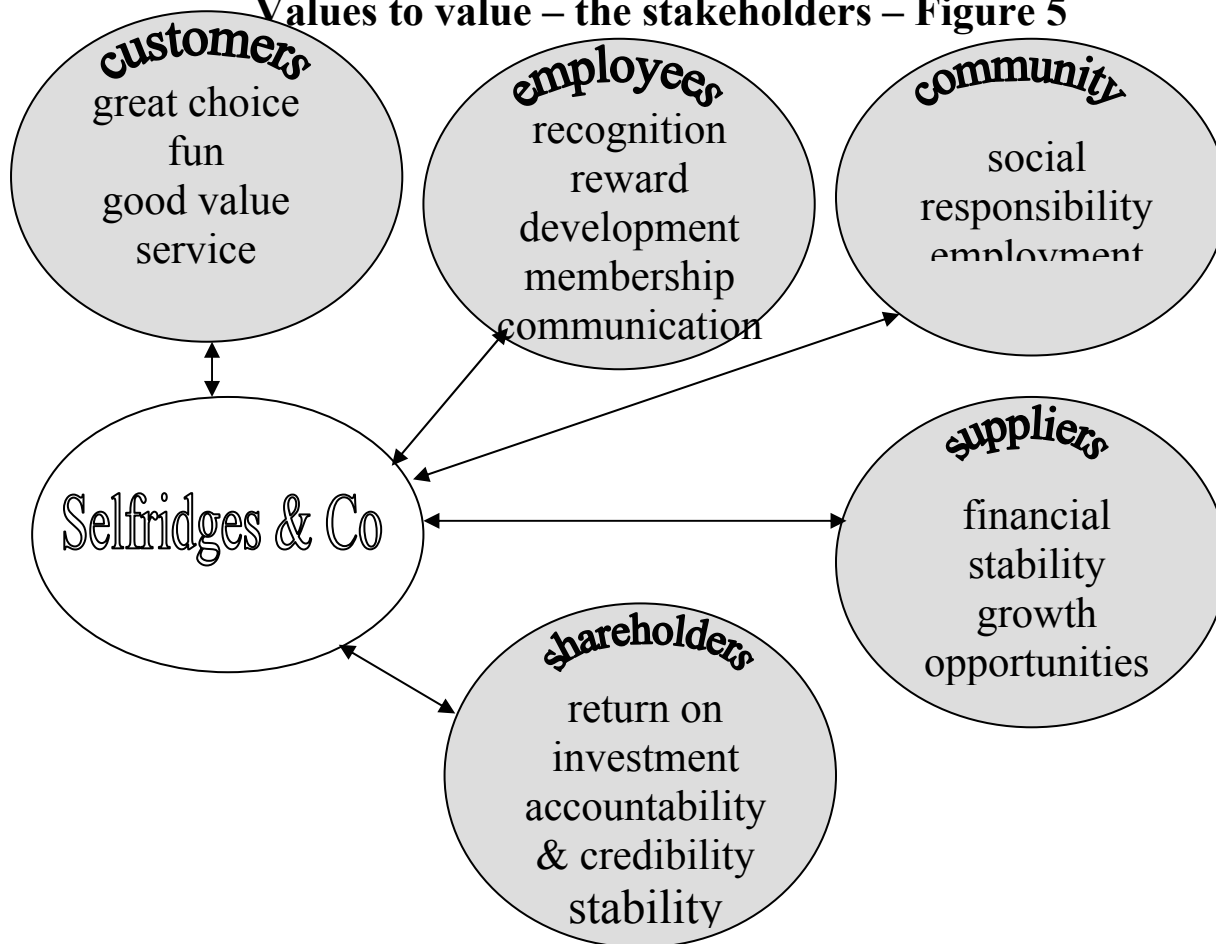
In Jaguar it was ‘quality’, in Nationwide Building Society ‘mutuality’, in Selfridges, ‘friendly, aspirational and bold’, in AIT ‘have fun and make money’.

The Big Idea had a number of attributes:

- it was embedded throughout the organisation
- it connected, and derived from the same root, the way customers were treated and employees managed.
- it was enduring, not a flash in the pan, not the product of a board discussion on an away day. It had clear historical roots.
- it was encapsulated in routines about the way work was done and people behaved. In that sense it was collective, combining people in processes and routines in the sense of a taken for granted, everyday activity.
- it was measured and managed. All six companies with a Big Idea had an effective balanced scorecard or an inclusive company approach.

A good example of this is the department store, Selfridges. Selfridges sought in the late 1990s to move from a stuffy ‘are you being served?’ second rate London retail store to a ‘store for the 21<sup>st</sup> century’ in London, Manchester and now Birmingham. The new CEO, Vittorio Radice and his new team of senior managers including a new HR Director with no retail experience, Judith Waddell, sat down to work out some core values. These are shown in summary in figure 5.

**Values to value – the stakeholders – Figure 5**



These were then refined into three matrices under the general values of ‘friendly and aspirational’ and bold one which is shown here in Figure 6. Look closely at the employee column but also at the others. Values must be consistent across all five dimension, employee, customer, community, shareholder and supplier. You will see that customer values all rely on staff – the sales associates – to deliver these, while the community values reflect HR policies.

**Figure 6: An example of Selfridges Value Matrix: Friendly – everyone is welcome**

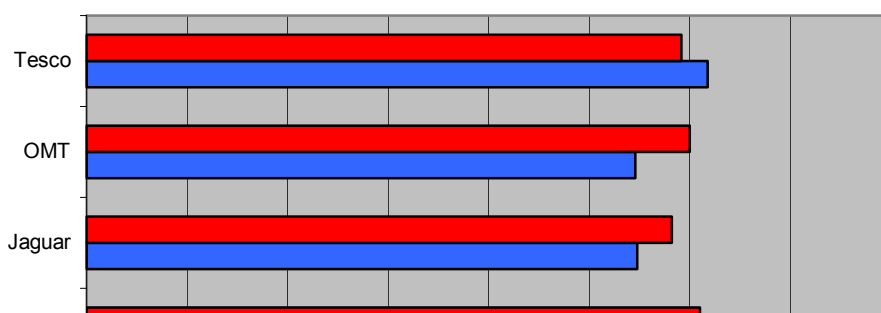
<b>Employee values:</b>	<b>Customer values:</b>	<b>Community values:</b>	<b>Shareholder value:</b>	<b>Supplier values:</b>
- how does this make me want to work here?	- how am I encouraged to shop?	- how does Selfridges reflect the spirit of the	- why should we invest in the store?	- what makes 6 Selfridges an

So well and good you may ask but where is the evidence to show that the Big Idea is important? First, scholars often make claims for such a connection. For example Jay Barney one of the doyens of the Resource Based View (and not an HR professor) asserted that:

‘Firms with sustained superior ... performances typically are characterised by a strong set of core managerial values that define the ways they conduct business. It is these core values (about how to treat employees, customers, suppliers and others), that foster innovativeness and flexibility in firms’(1986:656)

Our own data were very clear. Subjectively we had identified 6 of our 12 companies as having a Big Idea. We were interested to see what relationship there was with levels of organisational commitment. Figure 7 shows the clear results. All six were much higher. The very bottom line shows the national average taken from the most authoritative survey there is, WERS 98. The line above it shows level of commitment in the other six companies chosen for their excellence yet not exhibiting attributes of the Big Idea.

**Figure 7 Employee perceptions of organisation values**



N: 609

When we looked more closely at these data, using more sophisticated statistical techniques of multiple regression analysis, what became even more interesting was that the drivers of organisational commitment were different in the strong and weak value companies – figure 8

<b>Figure 8: Policies associated with organisation commitment in 6 strong value companies and 6 weak value companies (rank order)</b>	
<u>Strong value companies</u>	<u>Weak value companies</u>
Organisation Commitment ( $R^2.403$ ) Drivers: Communication Relationship with manager Career opportunities Work life balance support Involvement N 325	Organisation commitment ( $R^2.278$ ) Drivers: Openness Rewards and recognition Communication Effort N284

Levels of organisational commitment are higher in strong value companies and can be explained to a great extent by policies and practices which fit the values, like communications, the way managers manage, the belief that people have in opportunities for career progression and involvement, and the way the organisation tries to help people achieve a satisfactory balance between work and home. In companies with relatively weak values, organisation commitment is lower and it is more difficult to identify the drivers (seen in the low  $R^2$ ). The type of practices we can identify are vaguer like ‘openness’ – the ease of raising problems with your boss – and rewards and recognition being how satisfied people are with the way their contribution is recognised. Communication is important but not nearly so strong in its effect as in strong value companies. People who put in a lot of effort also show higher levels of commitment in these weak value companies. Not surprisingly fewer people in the low value companies are aware of how they contribute to the company achieving its objectives and fewer share the values of the company (shown in figure 7). This, of course, requires people to know and understand the business objectives of their company and its values. No wonder communication in all its meanings comes out as such a powerful link to commitment in high value firms.

### **Front line managers**

A recurring problem in human resource management and employment relations is the gap between espoused and enacted policies. What the HR director says ought to happen given a sophisticated policy, say on work-life balance or performance appraisal, is not put into practice, or not in the way it was intended. Our research was focussed on the employee experience of HR policies and practices so we sought to test the extent to which the employee said there was a policy applied in his or her area, and gauge satisfaction with that policy. There were some clear gaps between rhetoric and reality, especially in the area of involvement. But the really important finding was that the employees' experience of HR policy and practice was strongly mediated by the way front line managers sought to implement a given policy, their enthusiasm in doing so (what we call 'enacted') and their wider role in leading a team or section and in controlling things like quality, lateness and absence. In Tesco, where all policies are centrally determined and codified, senior managers saw one of the roles of store managers to be one of 'bringing policies to life'. We have explored this in detail in a recent publication for the CIPD (Hutchinson and Purcell 2003).

There are reasons to believe that the role of front line managers (FLM) – we mean here team leaders, supervisors, section managers – has become much more important in the last decade or so. The movement to 'return HR to the line' has meant that they are required to do more than they once did. And there is more to do as the employment relationship has become more individualised, seen most obviously in the spread of performance appraisal, coaching and guidance roles and managing teams.

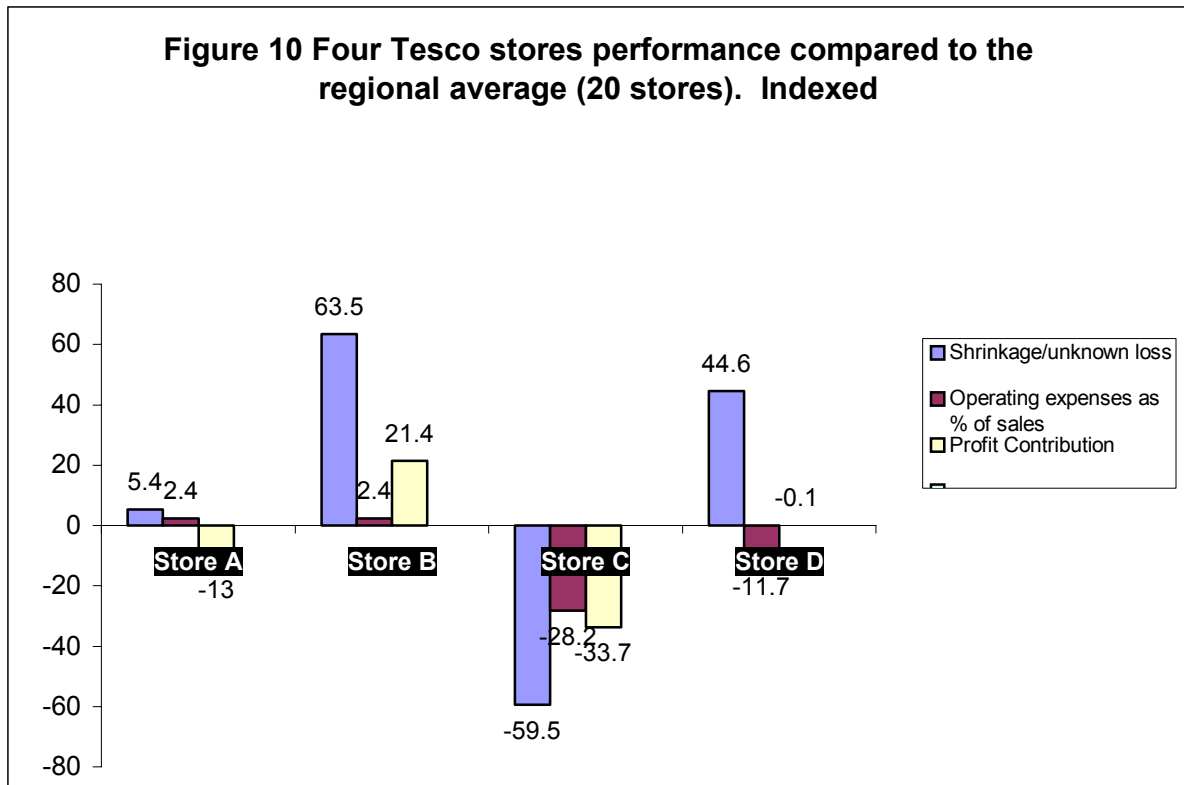
Figure 9 here shows the very strong impact that employees' satisfaction with their with their managers, based on five questions combined together [ $\alpha.86$ ], has on their commitment, job satisfaction, motivation and job discretion.



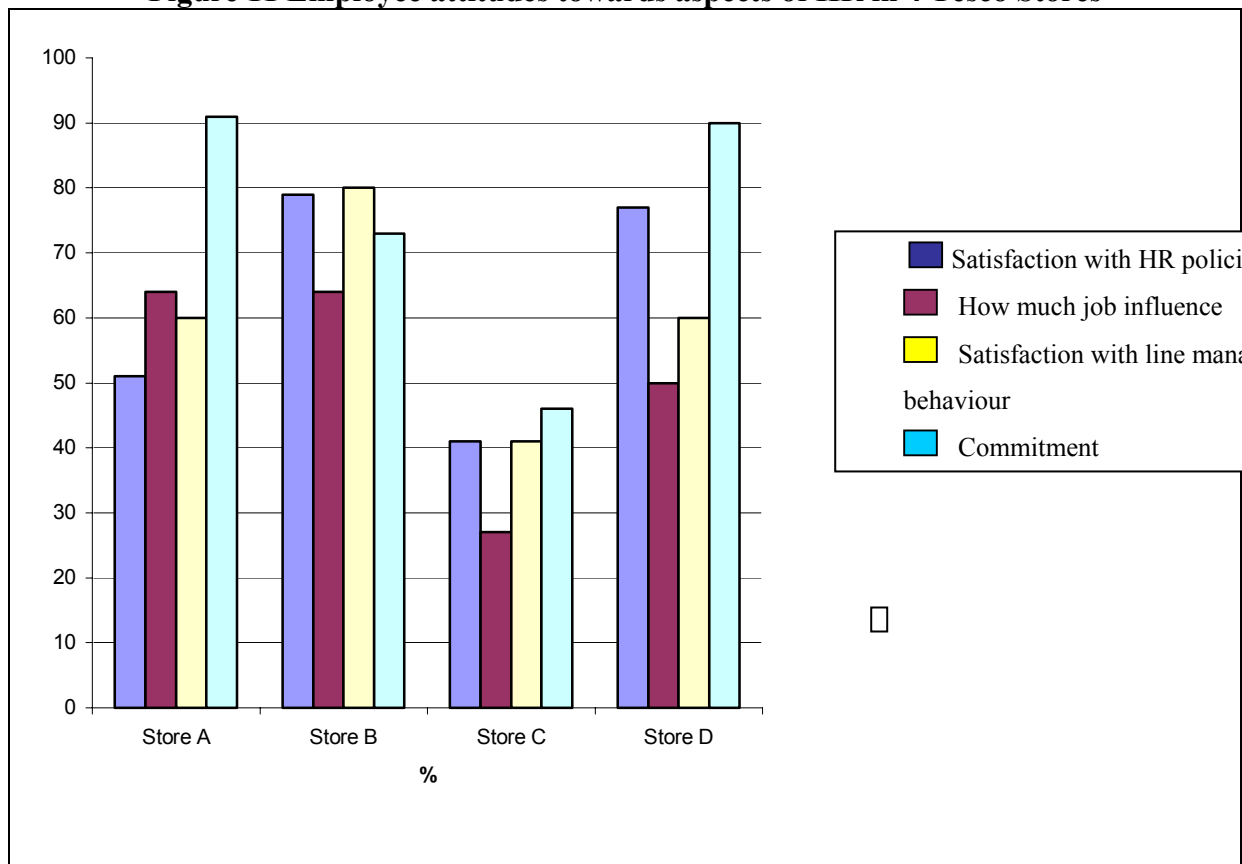
In fact, the best explanation for levels of organisational commitment and job satisfaction, crucial for triggering discretionary behaviour, is the quality of the relationship with line managers. Interestingly our measure of job discretion (one part of discretionary behaviour) was also linked to line management behaviour. Jobs may be formally designed but what gives people 'elbow room in their job', as it is sometimes put, is the way managers control or direct what people do.

We have two fascinating case examples on the effect FLMS have on staff perceptions of HR policy and their commitment and satisfaction. First, in Tesco we studied four stores of similar size and located in similar market towns. We knew one was high performance, one

low and two in the middle but did not know which was which. Once we had collated our employee attitude data the company gave us the performance data. Figure 10 shows the stark difference between store B and store C in terms of key performance measures.

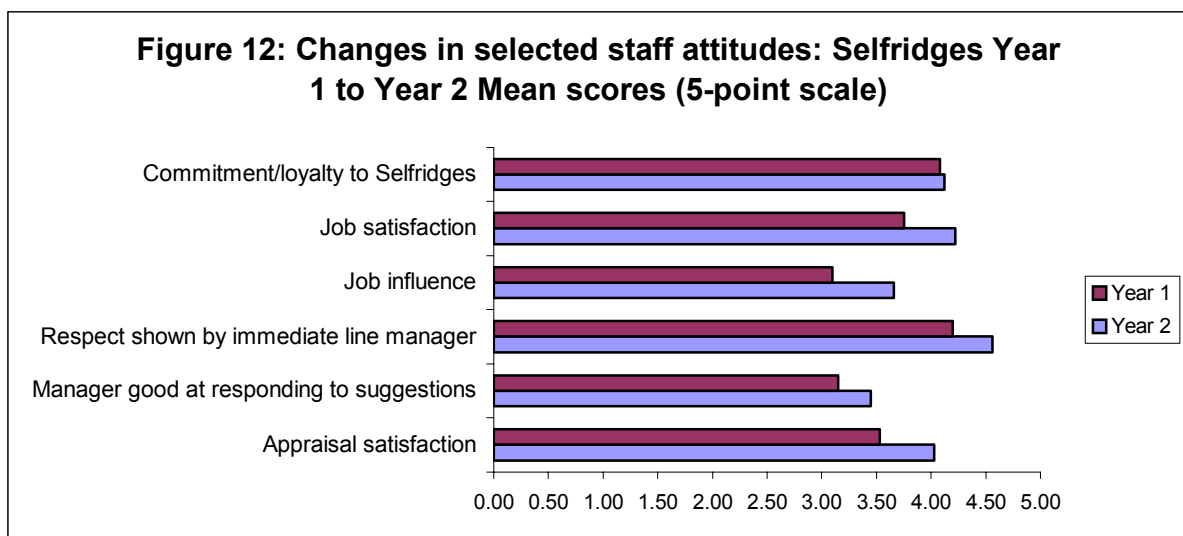


**Figure 11 Employee attitudes towards aspects of HR in 4 Tesco Stores**



If all the stores had identical HR policies found in the central HR manual how could we explain this variance? Figure 11 gives a summary of the attitude survey results. Store C in particular had employees with low scores on satisfaction with HR policies (including pay even although it was the same in other stores), job influence or discretion (especially low). Satisfaction with managerial behaviour and overall organisation commitment were lower than in other stores. Store B, in contrast, is high on all these scores. The only explanation we, the researchers, had for the performance variations was the difference in the management style of the store manager and his immediate team; their inability to bring policies to life. The HR team in Head Office strongly endorsed this conclusion. Research in bank branches confirms the vital role that branch managers play in the delivery of effective HR (Bartel 2000).

Our second illustration comes from one of three organisations where policies were introduced after our first year interviews but before we repeated them in the second year. In Selfridges some FLMs were re-appointed or moved, all were given training in aspects of people management and a new, more developmental, appraisal system was introduced and extended to all staff, even those weekend only staff. The results were powerful (Figure 12). Selfridges was already one of the top companies in our survey but it still had room for improvement. Recall too that this was one of the six companies with strong, clear values. One reason for taking this action of improving the people management skills of front line managers was evidence we provided in the first year that they were not ‘living the values’ as well as they thought they should. Similar changes in employee satisfaction with HR policy and practice were also evident in the two other companies which changed the role of FLMs to give more weight to people management – Clerical Medical and the Royal United Hospital in Bath (see the main research report Purcell et al 2003)



So what policies and practices are especially sensitive to FLM implementation and enactment? Figure 13 shows a list of policy and practice areas where there is a very strong association with satisfaction with FLMs and satisfaction with the ways the policies apply to employees themselves.

**Figure 13: Areas of HR policy and practice strongly associated with front line managers**

Performance Appraisal	Training	Team working
Work-life balance	Pay	
Rewards and Recognition	Communication	Involvement
Job security	Openness	

All significant at 0.01 N609 (satisfaction with policy correlated with relationship with manager)

None of these are particularly surprising. What is surprising, however, is that few previous researchers have chosen to look at the problem area of implementation. More serious is the fact that none of our research companies, chosen for their excellence, paid much attention to this group of crucial employees until we pointed out the results of our survey. The supervisor (now most likely called a team leader) is still ‘forgotten’ as was commonly noted 30 or 40 years ago. If we had one choice on what organisations should do to improve HR and build better links with performance, it would be improve front line effectiveness in HR. The roles line managers play in people management, backed by strong values which indicate what behaviours are expected, are the core ingredients for HR Advantage through organisation process advantage. Since much of what line managers do in people management is, itself, discretionary much more effort needs to be focussed in helping FLMs to do this part of their job. They often find it hard both in getting the time to do so and in knowing how to do it.

### **The HR Bundle – different for different occupations?**

A recurring issue in HRM is the idea that a certain bundle or combination of HR policies, properly applied, is required for the achievement of high performance. This bundle, first identified by MacDuffie (1995) has proved difficult to identify and different research groups have different lists. In part this is because the refinement of techniques can lead to a proliferation of policies. Should ‘rigorous selection techniques’ include separate policy items like ‘psychometric testing’? Even when an agreed list could be created the problem is faced on whether an organisation needs all the policies on the list or just some and whether one policy is only effective when linked to another. Reference is often made to ‘deadly combinations’ where one policy, say, individual performance pay, clashes with another, like team work.

Our approach was different from other researchers in this area. Rather than list the number of policies and determine whether there was a relationship with profits or shareholders value (Guest et al 2003) we were concerned to try to find which policies were associated with higher levels of organisation commitment and job satisfaction. In other words we looked for links between satisfaction with policies as experienced by the employees and attitudinal outcomes. To do this we needed to create a list of policies derived from our AMO model – which policies were likely to be applicable to the selection and creation of employee ability, which aimed at improving incentives or motivation to perform, and those providing opportunities to practice and participate both in the job and off the job. This inevitably took out of consideration some socially legitimate policies for example in the area of discrimination. We began with 18 policy areas but through analysis of employee data ended up with 11. These were shown around the Bath People and Performance Model. We noted that some policies contributed to two or three components of AMO. For example, teamwork can be an effective way of improving skill and ability (I learn from my team), providing a motivational force (‘I could not let my mates down’) and in being the focus of involvement activities (formal and informal team meetings and events). The 11 policy areas each were associated in one or more companies with commitment and job satisfaction.

Differences between companies both in the number of policies they used (ranging from 8 to 15) and in attitudinal outcomes led us to ask two further questions. First, to what extent does our research confirm the existence of a best practice model? Second, why should we suppose that a given policy mix is equally effective or appropriate for all categories of employees? In answer to the first question it was clear that most of our companies had designed their HR systems to be the most appropriate for their circumstances and for the type of work undertaken and the skill level of the dominant employee group. There was a base line of generic, universal policies required for survival but with differences in design to suit their circumstances and in tune with historical evolution in the sector and the firm. Not surprisingly the HR policy mix was different in Jaguar for track and assembly workers than that found in PWC for trainee and junior accountants. The difference in part was the occupational mix of employees.

By the end of the fieldwork we had some 1037 completed interviews with 609 employees whom we had interviewed once and 428 whom we met twice in successive years. On average an interview lasted 50 minutes. This enabled us to divide the sample into professionals, who, in the main, needed a professional qualification to do the job like nurses, accountants, financial sales advisers, service engineers, frontline managers, with job titles like group leader, team leader, section manager, and workers who were neither managers nor professionals but worked as sales assistants, customer service representatives, manual and clerical workers. Our analysis is not yet complete but, using multiple regression analysis, there do seem to be important differences between occupational groups. These are shown in figure 14:

<b>Figure 14: One HR bundle? Policies strongly linked to commitment and those which damage commitment.</b>	
<b>Positive</b>	<b>Negative</b>
<p><b>(a) <u>Professional (R<sup>2</sup> 47.2%)</u></b></p> <ul style="list-style-type: none"> <li>+ communication</li> <li>+ reward/recognition</li> <li>+ appraisal</li> <li>+ effort</li> <li>+ relationship with managers</li> <li>+ career opportunity</li> </ul>	<ul style="list-style-type: none"> <li>- poor management leadership</li> <li>- lack of job challenge</li> <li>- unsatisfactory work life balance</li> <li>- no pay/performance link</li> <li>- poor climate of employee relations</li> </ul>

(b) Front line managers (R<sup>2</sup> 48%)

- |                             |   |
|-----------------------------|---|
| + relationship with manager | - low job satisfaction (esp career opportunities) |
| + career opportunities      | - dissatisfied with training                      |
| + work life balance         | - lack of openness                                |
| + openness                  |   |
| + job security              |   |

(c) Workers (R<sup>2</sup> 27.6%)

- |                           |   |
|---------------------------|---|
| + communication           | - dissatisfied with career opportunities                    |
| + rewards and recognition | - poor job security   |
| + openness                | - low job satisfaction (job challenge and<br>job influence) |

Two important conclusions emerge. First, that a different policy mix is associated with high levels of organisation commitment for different occupations. These were listed as ‘positive’ and are in rank order of importance. The data are particularly powerful for professionals and FLMs who tend to exhibit higher levels of organisation commitment than workers. Second, factors which positively influence commitment are different from those where dissatisfaction weakens overall commitment. The parallels with Herzbergs ‘motivation’ and ‘hygiene’ factors (1966) is obvious.

What professionals want is excellent communication about all aspects of the business with good rewards and recognition for good work. They want to know how well they are doing, enjoy working hard but need to get with their boss and want some hope of career progression whether in the firm or in their profession. What seems to destroy commitment is poor leadership and a lack of respect from managers, boring work, lack of support to help them achieve a worklife balance, no opportunity to gain more money through better performance, and working in a place with an ‘us’ and ‘them’ atmosphere.

Front line managers: What is really important is having a good positive working relationship with their boss and senior managers generally. This includes being able to talk about problems (openness). If they feel secure in their jobs, find the firm helps them achieve a work life balance and they believe they are not stuck for ever in their current job they are more likely to be positive about their employer and show commitment. What destroys commitment is where front line managers find little job satisfaction, have inappropriate or no training and cannot talk about personal problems with their managers.

Workers value communication, want praise and reward (we were often told in answer to a general question about what else the organisation could do to encourage people to improve their performance ‘if only someone would say thank you sometimes’) and work in an open environment, able to discuss grievances and personal problems. The destroyers of commitment were working in boring jobs with little opportunity to influence how the job was done, feeling insecure and the lack of any hope for future betterment or change.

One final finding of particular importance was that where employees were dissatisfied by the way a particular policy was applied to them it had a much greater negative effect on overall commitment (-39%) than where there was no policy (-17%). In other words to do appraisals badly is much worse than having no appraisal system. The moral is obvious. It is more important to make policies work than to keep on inventing new ones.

Although we have noted differences between companies, explored more fully in the research report (Purcell et al 2003), and between occupational groups, a number of key policy areas emerge from the research as shown in Figure 15

**Figure 15: Boiling it all down – Key Policy Areas**

- careers
- training/development/learning
- job design (job challenge + job autonomy)
- involvement + communication
- appraisal
- work-life balance
- + line managers – bringing policies to life
- + values, cultures – the Big Idea

This is not a recipe for HR success but we feel confident in asserting that organisations that seek to develop policy and practice in these areas, in ways which are appropriate for their business and markets, are more likely to be successful.

### **Performance**

This, of course, begs the question of what is success. Let me end with a few conclusions we have reached in looking at and for the HR-Performance link. First, none of our company HR Directors were too bothered about proving a link, and a causal one at that, with profit or shareholder value. There were three reasons for this. They believed these were lag indicators of historical interest only, they felt the direct connection between people management and the ultimate measure was too stretched or distant with too many other variables influencing profit, and, perhaps in these sophisticated companies, they did not feel the need to justify their existence by claims of profit contribution.

They were, however, passionate about the need to maximise performance and to contribute to business or organisational success. This meant using lead indicators which identify problems and problem areas. Three types of measure were often used – labour market measures of labour turnover, retention, absence, accidents etc; employee satisfaction measures increasingly correlated with customer satisfaction survey results, and operational measures as appropriate to the business – e.g. down time, scrap rates, time delays, customer retention, revenue per unit or sales per person, etc. The more important measures were shared across functions so a few key measures were ‘owned’ by marketing, operations, HR and finance and were often included in balanced score cards.

Even this ‘though is not quite enough. All 12 of our research organisations changed significantly in the period of our study for a host of reasons - growth success, failure in key markets, mergers, exogenous shocks, financial disaster, etc. What all the organisations wanted was the ability to be flexible, to evolve, to be agile. Thus the goal of HR is not just short term performance but longer term viability and the achievement of sustained competitive advantage or excellence. The impact of people management on organisational performance is more obvious in the medium than it is in the short term and it is here that nostrums of high commitment management are particularly relevant.

I leave it to you to decide if we have found the HR Holy Grail. In the end we felt our contribution to this search was to point students and practitioners in the right direction so they can find those policies and practices most suitable for them. After all, to quote Robert Louis Stephenson

‘To travel hopefully is a better thing than to arrive, and the true success is to labour’

## References

- Appelbaum, E., Bailey, T., Berg, P. and Kalleberg, A. (2000) *Manufacturing Advantage: Why High-Performance Systems Pay Off*. Ithaca, NY: ILR Press
- Barney, J. (1986) 'Organizational Culture: Can it be a source of competitive advantage?', *Academy of Management Review* 11:3 pp 56-665
- Boxall, P. (1996) 'The strategic HRM debate and the resource-based view of the firm'. *Human Resource Management Journal* 6(3):59-75.
- Boxall, P, and Purcell, J. (2003) *Strategy and Human Resource Management* Palgrave.
- Coyle-Shapiro, J., Kessler, I. and Purcell, J. (2004) 'Exploring Organizationally Directed Citizenship Behaviour: Reciprocity or "its my job"' *Journal of Management Studies* 41(1) 85-105
- Guest, D., Michie, J., Conway, N. and Sheehan, M. (2003) 'Human Resource Management and Corporate Performance' *British Journal of Industrial Relations* 41(2): 291-315
- Hertzberg, F. (1966) *Work and the Nature of Man*. Cleveland, OH: The World Publishing Company
- Hutchinson, S. and Purcell, J. (2003) *Bringing Policies to Life: the vital role of front line managers in people management* London CIPD
- MacDuffie, J.P. (1995) 'Human resource bundles and manufacturing performance: organizational logic and flexible production systems in the world auto industry.' *Industrial and Labor Relations Review* 48(2): 197-221.
- Purcell, J., Kinnie, N., Hutchinson, S., Rayton, B. and Swart, J. (2003) *Understanding the People and Performance Link: Unlocking the Black Box* London CIPD

### *Case Study Organisations – Brief Outline*

#### **Ait**

Ait are a software organisation engaged in the production of information systems solutions for around 20 clients who are mostly in the financial services sector. Established in 1986 by four employees, they have been a plc since 1997, although their status has recently changed and they are now listed on the alternative investment market. At the time of our research they employed around 400 people in Henley on Thames, Britain's own 'silicon valley' where the market for experienced, skilled staff is very tight.

The product market is intensely competitive and the technology is changing rapidly.

Work is organised around the idea of multiple teams and multiple roles. All employees belong to at least two teams and professional employees belong to three and this attempts to overcome the normal functional boundary problems found in many larger organisations. Operational teams are based around projects for particular clients and will include various specialists under a project manager or director; vocational teams bring together specialists, e.g. testers or business analysts and T-groups provide a means of upward and downward communication for all employees.

Our interviews for the employee attitude survey focussed on two project teams, and we interviewed 36 non-managerial staff in year 1 (such as developers, systems analysts and testers) and 33 in year 2.

(However, as noted earlier, since the period of our research ait have undergone a number of substantial changes, although the basis of the policies and procedures described here are still in place).

#### **Clerical Medical**

Clerical Medical employs around 2000 staff and is one of the largest financial services providers in the UK operating mainly through independent financial advisers. Demutualisation in 1996 was swiftly followed by a merger with the Halifax Group, and is now part of its life and service pension division.

Our unit of analysis was customer services where we focussed on four departments: new business services, corporate and executive pensions, final salary and annuities. During the

course of our research there was a lot of emphasis placed on improving customer services through a number of HR initiatives, including 'Living the Brand, a campaign aimed to link individual jobs with the direction of the organisation and improved customer service, and changes at team leader and management level. For our attitude survey we interviewed 29 people in year 1 and 34 in year 2, the majority of whom were senior administrators and administrators.

## **Contact 24**

Contact 24 is a call and contact centre based in Bristol which, since September 2000, has been owned by Havas, a large French based advertising and communication organisation. Contact 24 provides contact and call centre services to a wide range of clients including supermarkets, car manufacturers and financial services organisations. It employs around 950 employees (excluding temporary employees) on two sites and they also provide a managed service activity on two other sites for outside clients.

Contact 24 provides a variety of services to its clients. Dedicated contracts have been increasing recently and involves teams of customer service representatives (CSRs) working exclusively for one client. With the exception of the small bureau which carries out tactical work for a range of clients, the call centres are organized into client teams, ranging from 200 to 20 employees. The organisation works closely with many clients to ensure that the CSRs who work on dedicated project teams are those most suitable for the particular service or product offered. Customer demand varies in often unpredictable ways creating pressure on managing appropriate staffing levels.

Our employee interviews focussed on CSRs from one call centre site, working for four client teams where we interviewed 33 in year 1 and 40 in year 2. The majority of these employees were young (55% were under 30 years of age) and had very short job tenure (only 25%, for example, had worked for the organisation for 2 years or more) - a fairly typical profile for a call centre workforce.

## **Jaguar Cars**

Jaguar Cars have seen a revival in growth in recent years resulting in the launch of new models and substantial expansion of manufacturing capacity. Much of this was down to the success of a number of quality initiatives launched in the 1990s, many of which were driven by Ford who took over the organisation in 1989. Today Jaguar has three sites, Browns Lane, Coventry, Castle Bromwich and the new, revitalized old Ford plant at Halewood.

Our research was conducted at the Browns Land plant in Coventry. We interviewed 41 manual workers in the first year, mainly from the trim and assembly and 37 in the second year.

### **Nationwide Building Society**

Employing around 14,000 staff, the Nationwide is the country's largest building society, providing a broad range of financial products and services to over 10 million members including mortgages, savings, current accounts, life assurance, personal loans and household insurance. In recent years Nationwide has become well known for its commitment to mutuality and as more and more building societies convert to PLC status this characteristic of ownership has come to distinguish them in the market place and been used to their competitive advantage.

The unit of analysis chosen for our study was the sales force for the southern region, which at the time of our first interviews in July 2000 employed 46 financial consultations (FCs), 44 of whom were interviewed on a structured basis for the employee attitude survey in year one. By the time of our second survey the sales force had grown and 49 were interviewed in year 2. The sales force covers a large geographical area encompassing a wide variety of customer needs. Labour turnover for financial consultants was about 5%, much lower than the industry average, and in our sample just under half (41%) had worked for the Nationwide for 10 years or more.

### **Oxford Magnet Technology**

Oxford Magnet Technology (OMT) designs and manufactures superconducting magnets and is a jointly-owned subsidiary of Siemens and Oxford Instruments. Siemens owns a controlling interest in the firm, but allows complete discretion in operation. This is important to the market position of OMT. Approximately two-thirds of the business conducted by OMT is for Siemens, but the remaining one third is for a range of other clients.

OMT makes superconductive magnets for use in magnetic resonance imaging equipment. The production process is quite involved, and can take as long as 28 days to complete, depending on the magnet being produced. Unfortunately, it is largely impossible to test a magnet during this production process, and so there is a substantial investment in work in progress by the time a given magnet reaches the test phase.

Our unit of analysis in OMT consisted of staff surrounding two magnet projects. The attitude survey covered 40 members of the magnet design teams as well as those involved in the assembly of these two products in both years 1 & 2.

### Price WaterhouseCoopers (PWC)

At the time of our first interviews PricewaterhouseCoopers (PWC) was still readjusting from the merger between Price Waterhouse and Coopers which took place in July 1998. Our research focussed on one of the five lines of services known as ABAS (Assurance and Business Advisory Services) whose main business activity is to conduct audits and provide assurance to clients on their business. We looked at three offices in the Southern region of ABAS-Southampton, Reading, and Uxbridge, interviewing senior associates, assistant managers and managers for the employee attitude survey. In year 1 we interviewed 43 employees, but in year 2 this fell to 27 due to a reorganisation of the ABAS line of business which affected the offices we were studying and made it difficult for us to make realistic comparison between the two years.

### Royal Mint

The Royal Mint employed around 1000 staff at the time of our research in the manufacture of circulation coins, collector coinages, coin blanks and medals for both UK and overseas customers. Although it had market dominance for much of its working life, during the latter half of the 1990s the trading environment began to change with increased overseas competition, higher customer demands and the threat of the loss of some traditional overseas markets. At the same time however the introduction of the single European currency afforded new market opportunities in the form of the Euro and the potential for considerable growth. As a result major investment took place in capital equipment and new working practices were introduced with an emphasis on quality, flexibility and teamworking.

The unit of analysis was one of the production departments known as MRB (melting, rolling and blanking) where the first stage of the coining process takes place. The workforce here is

long serving employees (81% had worked for the Mint for 10 years or more), and heavily unionized (91% were member of a union). Employees in this area had been top earners in the Mint over the last 25 years, and had one of the worst employee relations in the organisation. We interviewed 42 operatives in year 1 and 33 in year 2. (Unfortunately major changes were taking place during the time of the second year interviews which prevented us from conducting the full number of interviews).

### **Royal United Hospital, Bath (RUH)**

The RUH is a district general hospital employing around 3,500 staff on a single site in Bath. It was a first wave Trust, achieving trust status in 1992. Like many NHS hospitals it has been through turbulent times. Five years ago it suffered a financial crisis and brought in a new chief executive who introduced radical changes leading to national recognition and increased funding. However, during the course of our research the Trust suffered further difficulties because of problems with meeting performance targets, changes in the top management team and bad news reported almost daily in local newspapers.

Our research focussed on one clinical department where we interviewed 40 staff in the first year and 39 in the second year for our attitude survey. This covered a range of non-managerial jobs both on and off the wards, including nurses, HCAs, administrative staff, technicians and porters.

### **Selfridges Plc**

The Selfridges story is one of corporate renewal where people management has played a vital role in creating a highly successful and expanding, up-market retail department store. Widely described as the embodiment of Grace Brothers in the 1980s and early 1990s it began the process of renewal and growth in the mid 1990s with the appointment of new management, especially the visionary Chief Executive, Vittorio Radice. In 1998 Selfridges de-merged from the Sears group and opened up a new UK store at Trafford Park, Manchester. Subsequently, in 2002 another second store has been opened in Manchester City centre and the Birmingham store will open in 2003.

Selfridges trades as the 'house of brands', and as a consequence a high proportion of sales associates are concessionary staff, in other words staff not employed by Selfridges at all but by the brand organisation with a concession to sell their products in store. At Trafford Park, for example, some 200 of 450 staff are concession staff. To the customer, however, these staff appear as Selfridges own staff. In addition there is a heavy reliance on part-time staff

(65% at Trafford Centre). These characteristics obviously present challenges in terms of managing the workforce.

The unit of analysis was the Manchester store at Trafford Park, and we focussed on two departments – Ladieswear and Household. We interviewed 40 sales associates in year 1 and 41 in year 2. Of these 95% were women and half were under 30 years of age. Given that the store had only been open for a few years the length of service was usually less than two years.

### **Siemens Medical Solutions**

Siemens Medical Solutions is a wholly owned subsidiary of Siemens AG. It is a market leader, employing 550 staff in the UK and provides a wide range of high technology medical capital equipment, IT solutions and managed technology services to the NHS and private healthcare sector. The division of the organisation which we focused on was Technical Customer Services, which deals with the installation, commission and service of all medical equipment made by Siemens, including MRI body scanners incorporating magnets from OMT.

Our employee attitude survey centred on one of 5 regions- the South West and Wales region and comprised regional service engineers as well as the engineers engaged in the provision of UK technical support and customer service representatives. The technical support team and national call centre staff are based at the UK headquarters for Siemens in Bracknell, while regional service engineers are home based but are co-ordinated and despatched by the UK call centre. In total 27 employees were interviewed in year 1 only.

### **Tesco Stores**

Tesco, the largest supermarket chain in the UK, employed (in 1999/2000) around 170,000 staff in 659 stores across the country. The organisation underwent considerable change in the mid 1990s in order to improve its competitive position, with a much greater emphasis on a customer facing culture. Through a policy of improving customer service and lowering prices Tesco has successfully increased its market share in recent years although the industry has seen very little growth.

One of the characteristics of Tesco which particularly attracted us to this organisation for research purposes was the operation highly standardised policies, procedures and processes

across all stores, including HR polices. Our research focussed on four stores in a single region. All were in market towns with similar socio –economic profiles. Our interviews for the employee attitude survey were with the section manager population (a first line managers position). In year one we interviewed 43 section managers, representing two thirds of the section manager population in those stores and in year 2 we interviewed 40 section managers.

## **Appendix 2 – Variables used in statistical analysis**

### **Outcomes**

#### Commitment 0.7345

*'I feel proud to tell people who I work for'*

*'I feel loyal to my company'*

*'I share the values of my company'*

#### Job Satisfaction 0.6302

*'How satisfied are you with the amount of influence you have over your job?'*

*'How satisfied are you with the sense of achievement you get from your job?'*

*'How satisfied are you with the respect you get?'*

#### Motivation

*'How motivated do you feel in your present job?'*

#### Effort (0.6459)

*'... my job requires me to work hard'*

*'... not enough time for job'*

*'... worry about outside working hours'*

### **HR Variables**

#### Relationship with managers (0.8622)

*How good are managers at ...*

*'Keeping everyone informed about proposed changes?'*

*'Providing everyone with a chance to comment on proposal?'*

*'Responding to suggestions from employees?'*

*'Dealing with problems at the workplace?'*

*'Treating employees fairly?'*

#### Rewards and recognition (0.733)

*'How satisfied do you feel with your pay?'*

*'How satisfied are you with your pay compared with the pay of other people that work here?'*

*'Overall how satisfied do you feel with the rewards and recognition you receive for your performance?'*

*'How satisfied do you feel with the benefits you receive – other than pay?'*

#### Communication (0.6547)

*'How satisfied do you feel with the amount of information you receive about how your company is performing?'*

*'I am fully aware of how I contribute to the company achieving its business objectives'*

*'Everyone here is well aware of the long term plans and goals of the organisation'*

#### Performance appraisal

*'How satisfied are you with this method of appraising your performance'*

#### Training

*'How satisfied do you feel with the level of training you receive in your current job?'*

#### Career Opportunities

*'Overall, how satisfied do you feel with your current career opportunities?'*

#### Teamworking

*'Describe the sense of teamworking'*

#### Work life balance

*'How well do you feel that your company does in helping employees achieve a balance between home life and work?'*

#### Involvement

*'Overall how satisfied are you with the influence you have in company decisions that affect your job or work?'*

#### Openness

*'To what extent do you feel that your company provides you with reasonable opportunities to express grievances and raise personal concerns?'*

#### Job security

*'I feel that my job is secure'*