Human Resource Strategy to Improve Organisational Performance: A Route for British Firms?

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Introduction

Performance, in the context of organisation, is not only a broad concept which has been used synonymously with productivity, efficiency, effectiveness, and more recently competitiveness, it has also been a subject of study for social scientists from a wide range of disciplinary perspectives. Labour productivity, for example, has long been the concern of (labour) economists ever since Marx and Smith. Within this perspective, how to extract labour from labour power, one of Marx’s most fundamental insights, is seen as a basic problem of management (Harrison, 1997, p364). More recently efforts have been made by HRM theorists to try to establish a causal link between HRM and performance. This has led to a growing number of studies which examine the potential contribution that good human resource policy can make to improving organisational performance, so much so that ‘the impact of human resource management on performance has become the dominant research issue in the field’ (Guest, 1997, p263). The studies of HRM and performance are mostly cross-sectional and quantitative in nature, and contained in differing theoretical frameworks. While these studies provide us with colourful opposing findings and rich competing theoretical perspectives, the emerging field of HRM on performance suffers from a lack of unity in theory and inconsistency in research methodology. As Wood notes, ‘The studies vary so markedly between each other that there is not even a pair of studies that differs simply on one or two dimensions’. Accordingly, ‘A consistent picture does not emerge from the studies’ (Wood, 1999b, p50). As Guest pointed out, ‘statistical sophistication appears to have
been emphasized at the expense of theoretical rigour’ and ‘(i)f we are to improve our understanding of the impact of HRM on performance, we need a theory about HRM, a theory about performance and a theory about how they are linked’ (Guest, 1997, p263).

Critiques (often backed by the more academically orientated research findings) have suggested that some HR policies (e.g. performance-related-pay) may be ideologically flawed, difficult to implement and with negative outcomes for various reasons. However, the drawback in relating ‘HRM and performance’ both in theory and in practice is by no means because the assumption of using HRM to improve organisational performance *per se* is flawed. Rather, the problem lies in the simplistic perception of the link, which is often discussed without contemplating the organisational context. Assuming HR policies have a positive effect on performance (arguably a long-term one as well), then why do so many UK firms fail to take to these HR policies? Is it because they are not aware of the effect or because they are not convinced of such an effect? Even if they are convinced of such an effect, why do they still hesitate to adopt the approach? To what extent is such a rejection of high-road HR policy to improve performance a deliberate strategy or an un-informed decision? In a social and economic system such as that in Britain in which competitive strategy is often not based on high-road HRM and quality enhancement and in which firms tend to operate on a relatively short-term horizon, an equally beneficial approach may be to assume/acknowledge that HR activities and organisational performance are linked but such a relationship may be a two-way one instead of a one-way cause and effect relation. Moreover, such a two-way effect may be positive or negative. In short, we need to explore empirically the character of the HR policies firms adopt; whether they contribute positively to or affect adversely the organisational performance; to what extent the choices are conditioned by internal and external factors; and whether there is a specifically UK approach.

This paper is organised as follows. The first section briefly reviews the theoretical perspectives on HRM and performance. Section Two examines, drawing on existing empirical evidence from other studies, the strategies British firms deploy to improve labour productivity. In particular, the issue of whether they use the ‘high-road’ HRM or ‘low-road’ HRM strategy to enhance performance is investigated. ‘High-road’ HRM
strategy in this paper refers to the use of management techniques such as functional flexibility through a high level of training, high-involvement/commitment, high rewards and quality initiatives, whereas ‘low-road’ HRM refers to the Tayloristic form of work organisation in which low pay, low security, work intensification are the main characteristics. These practices are discussed in the wider context in which the British firms operate. This paper concludes by suggesting that high-road HRM may lead to better organisational performance, but it may not be a strategy that firms opt for, given the historical, social and institutional context of employment relationships in Britain.

**Human resource management and performance: a brief review**

A key focus within human resource management research in the 1990s has been on the multivariate analysis of large-scale quantitative data sets to test the relationship between HRM policies and performance. Many of these studies were carried out in the manufacturing sectors or across the whole economy (Hoque, 1999), deploying different conceptual approaches. Guest (1997) and Wood (1999b) have respectively provided a good summary of the theoretical perspectives and empirical studies that have emerged in the field thus far.

Strategic synergy, fit and integration are the key concepts running through the human resource management theory in which one or more of the following fits are emphasized if the HR strategy that a firm adopt is to be effective. First, different human resource practices should be coherent and complement each other. Secondly, there should be a fit between the coherent sets of human resource practices and other systems within the organisation. Thirdly, the human resource systems should be in line with the business or competitive strategy of the organisation. And fourthly, the human resource system adopted by the organisation should be compatible with its operating environment (Wood, 1999a). Despite the controversy of internal versus external ‘fit’, these models of human resource management suggest a symbiotic relationship between human resource strategy/policy/practice and performance. According to the HR strategy theorists (e.g. Salaman, 1992; Tyson, 1997), ‘the aims of the HR strategy process are typically concerned with devising ways of managing people which will assist in the achievement of organizational objectives. In addition, one can hope to see within the strategy-formation process the ‘official’ version of how senior management believes
these policies, practices and philosophies will contribute to organisational performance’ (Tyson, 1997, p277). A predominant theme in the research on HRM and performance is the view that identifiable strategy types exist and that subscription to one leads to superior performance. A rational determinism underlies this perspective in which an explicit strategy choice should be made from which action steps can be carried out to achieve superior financial performance, although the possibility of two-way causation has been acknowledged, i.e. ‘that firm performance itself will give rise to a change (very often perceived as an improvement) in HRM practices’ (Paauwe and Richardson, 1997, p258).

In the 1990s, the term ‘high-performance management’ (HPM) became increasingly popular. It has been used to incorporate what Wood and Albanese (1995) and Wood and de Menezes (1998) describe as ‘high-commitment management’ (HCM), or what Hueslid (1995) describes as ‘high-performance work practices’, and what others describe as high-involvement management, transformed workplaces, flexible production systems (Wood, 1999a). All these terms have been used to describe ‘the organisational form frequently held to be most appropriate for modern competitive conditions’ in contrast to the Tayloristic form of organisations (Wood, 1999a, p391). Although there has been no consensus across the field as to what constitutes a high-performance management system (the universalistic versus contingent best practice debate), there is wider agreement that ‘HRM practices can improve company performance by:

- increasing employee skills and abilities;
- promoting positive attitudes and increasing motivation;
- providing employees with expanded responsibilities so that they can make full use of their skills and abilities’ (Patterson et al, 1997, p13).

These three causal routes from HRM to performance provide a basis for determining ‘good’ or ‘high performance’ HRM practices (Patterson et al, 1997). Most of these claims are informed by empirical studies.

For example, drawing upon data gathered from an intensive ongoing ten-year study of over a hundred small and medium-sized manufacturing enterprises in the UK, Patterson
et al argue that ‘HRM practices can influence employee skills through the use of valid selection methods to hire appropriately skilled employees and through comprehensive training to develop current employees’ (Patterson et al, 1997, p13). Their research focuses on measuring the relationship over time between people management and other managerial inputs, and business performance outputs. They identified four areas of managerial practices which have traditionally been thought to influence company performance: business strategy, emphasis on quality, use of advanced manufacturing technology and R&D investment. Their findings ‘show decisively that people management practices have a powerful impact on performance. Whether performance is measured in terms of productivity - which might be expected to have a stronger link with the way in which companies manage their people - or profitability, in both cases the effect is substantial’ (pvii).

In a similar tone, Mahoney and Watson (1993) argue that the employee involvement (EI) model of workplace governance has the most beneficial impact on performance, although it may not be appropriate for all organisations given the high cost of establishing and maintaining employee involvement. They hypothesise that participation of individuals and teams in work design will transform the exchange from economic to social. Decentralised decisions and relaxed rules will lead to increased performance, and if individual participation is allowed, discretion will increase and the larger social exchange of obligations will result in enhanced loyalty and commitment.

Moreover, many writers (e.g. Huselid, 1995; MacDuffie, 1995; Hoque, 1999) have argued that it makes sense to assess systems of HRM practices rather than focus on individual practices. The logic behind this proposition is that firm performance will be enhanced by systems of practices (bundled HR practices) that support each other and that have a mutually reinforcing effect on employee contributions to company performance. For example, the effectiveness of a comprehensive training programme may be increased when combined with appraisals to assess employee performance and target development needs. In a survey of over 200 hotels in the UK with 25 or more employees, Hoque (1999) found that ‘further performance gains are to be found where HRM is introduced as a mutually cohesive and institutionally supported package.'
Gains are less where HRM practices have been implemented in a seemingly piecemeal, uncoordinated fashion’ (Hoque, 1999, p439).

Whilst the studies on HRM and performance have produced fruitful findings and brought about lively debates on the subject, there are still many issues which have yet to be solved. ‘Notably, there are still weaknesses stemming from the lack of appropriate theoretical frameworks, methodological omissions and inadequate attention being paid to practical implications for decision makers’ (Paauwe and Richardson, 1997, p257). These problems are recognised (e.g. Guest, 1997; Patterson et al, 1997; Wood, 1999a and 1999b; Hoque, 1999). In particular, researchers are aware of the fact that most of the studies were informed by quantitative data which paints a broad picture. They urge that other approaches, especially case studies, are badly needed in order to ‘put flesh on the bones and get a better understanding of the causal links between practice and performance and how they work in specific contexts’ (Guest, 1997; Patterson et al, 1997, pviii). In addition, many research reports using empirical data (e.g. Hoque, 1999, The McKinsey Global Institute, 1998) argue that ‘the most robust explanations result from detailed analysis of individual product markets rather than analysis at the macro level. It is in these product markets that the key decisions and judgements are made which ultimately drive productivity and economic growth (The McKinsey Global Institute, 1998, p11).

‘A theme underlying all versions of high-performance management is the synergy between a set of managerial practices: hence the need for researchers to treat practices as systems and for practitioners to select measures that ‘fit with and support each other’ (Baird and Meshoulam, 1988, p122)’ (Wood, 1999a, p395). ‘Although differing emphases are placed on certain practices and particularly on pay systems, the practices are all assumed to share the characteristic of being non-traditional, since organisations are assumed to be moving away from ‘centralized command and control structures’ (Becker and Huselid, 1998, p21)’ (Wood, 1999, p395). Training and development, job security and satisfaction, employee commitment, superior pay and conditions, and quality initiatives are often treated as (a bundle of) the key human resource techniques essential for high performance. In examining the relationship between human resource management and performance in the UK hotel industry, Hoque (1999) found that ‘the
relationship between HRM and performance is dependent upon the business strategy the hotel is pursuing; that hotels pursuing an HRM approach coupled with a quality focus within their business strategy perform best; and that HRM is more likely to contribute to competitive success where it is introduced as an integrated and coherent package, or bundle of practices’ (Hoque, 1999, p419). According to Beaumont (1995), an organisation with a strong commitment to HRM ‘competes on the basis of product quality and differentiation as well as price’ and adopts HR policies which include a high investment in training, job security and functional flexibility (p40). ‘This overall approach has sometimes been labelled the high road (Fenton O’Creevy, 1998, p 10; Osterman, 1995) to sustained economic performance, and is often put forward as the only viable option for modern organizations’ (Wood, 1999b, p11).

The problem is firms do not always introduce HRM techniques in an institutionally supported and coherent package which constitutes part of an overarching policy or strategy, but in an ad hoc fashion and piecemeal manner, as critiques of British management so often point out. New organisational forms may bestow non-traditional characteristics onto firms, but the devolution of decision making may mean that local/line managers are more concerned with immediate performance which renders the HR policy more fragmented and less coherent. Equally, firms may prefer conceptually simple, more direct, more immediate and more quantifiable measures rather than the academically-preferred complex, long-term, less quantifiable measures, a category into which HR measures often fall. Companies may be willing to sacrifice long-term performance for short-term gain. Profit indicators may be the regular choice as a key financial measure. Within the non-financial measures, market share may be identified by many firms as the most important. Thus the requirement to improve market share may become the pervading influence underlying many of the non-financial performance measures such as productivity, efficiency, reliability and flexibility. The performance measures used by the companies may be in line with the stated corporate strategy. But at the same time, it may impose conflicting requirements on the employees.

There are a vast number of factors which may influence a company’s performance and the labour strategy that a company deploys to achieve its performance target. These include external factors such as the product and labour market, market share and market
environment, as well as internal company factors such as organisational culture, management styles and human resource management practice. According to Tyson (1997), ‘management ideology at the organizational level is a reinterpretation of the political ideology expressed in government policies and laws; and the impact of bargaining history and trade union activity is a function of the organisation’s decision making. Labour-market effects have an impact on virtually all aspects of the HRM role’ (p284-5). Under this organisational context, performance level is not always achieved by means of the best practices promoted in the HRM theory. This is certainly the case for many British firms. As Rubery and Wilkinson observe, ‘Most firms still fall into the ‘opportunistic’ category when researchers attempt to categorise staff policy, suggesting first that this is not always considered sufficiently central to competitive success for firms to have developed a coherent policy, and secondly that the obstacles to the adjustment of policies to fit its current ‘requirements’ can be severe’ (Rubery and Wilkinson, 1994, p10).

**HR policies in British firms compared to ‘best practice’**

The section intends to examine what British firms’ HR policies and practices may be as compared with the ‘best practices’ recommended by the HRM theorists. The discussion will draw largely on secondary data from other published research and some primary data from Cooke’s research (1999) of five large and medium size British process/manufacturing firms. In particular, the analysis will be focused on three main sets of HR practices against the ‘high road’ HRM model:

- Do UK firms increase productivity through in-house skill training and functional flexibility or by outsourcing?
- Do UK firms improve productivity by increasing employees’ job satisfaction, involvement and commitment or through work intensification and job insecurity?
- How effective are the quality initiatives in increasing organisational performance?

**Increasing productivity through in-house skill training and functional flexibility or by outsourcing?**

Training is a management tool used to develop skills and knowledge as a means of increasing an individual’s and ultimately an organisation’s current performance in terms
of efficiency, effectiveness and productivity. Employee development, training theorists argue, is another management tool, but the investment is mainly made for the future performance of the individual and organisation, and is connected to organisational objectives for the future. The tool is used to enhance the skills and abilities which the individual needs to be able to move along with the organisation and to pursue a career in line with its evolving needs.

Training and development of employees, it has been widely argued, is essential to organisations which seek to gain competitive advantage through a highly skilled and flexible workforce as a major ingredient for high productivity and quality performance. A more highly skilled workforce may increase productivity by producing a higher level of output or by producing output of greater value. A well-trained and motivated workforce may cut costs of supervision as they possess the skills to inspect their own work. They can minimise the downtime of the machinery because they are able to diagnose faults on machinery and are even able to repair them. A skilled workforce can also improve the firm’s functional flexibility since they are much easier to retrain due to their relatively broad knowledge base of multi-skills. A technically competent workforce will also give management confidence in utilising new technology and provide employers with more scope for rapid adjustment to changes in production methods, product requirements and technology. In today’s intensified international competitive climate, ‘efficient production even of technically unsophisticated products benefits from technically advanced machinery operated by a workforce with a high level of skills’ which is in turn ‘a pre-condition for successful selection of appropriate machinery and its efficient utilisation’ (Steedman and Wagner, 1990, p133). Finally, a force of well-trained and responsible office workers can improve their company’s productive efficiency through maintaining good relationships with customers and suppliers, organising smooth flows of production materials and keeping correct records to ensure that the products are delivered in time and to the customers satisfaction.

Management’s commitment to training and developing the workforce in an attempt to improve product quality and service delivery bears a symbolic significance in that it sends a signal to the workforce that they are valued in the organisation. Such a message may in turn raise the morale of the workforce and encourage their commitment to the
organisation. The training they receive at work will enable them to do their job better and give them more responsibility and creativity, hence more job satisfaction and higher motivation which longer term will enhance the organisation’s productivity.

However, firms are not always prepared to harness all these benefits. ‘Management selects, recruits and trains in accordance with its work organisation policies, perceived skill needs and with the traditions and prejudices of the society, industry, locality and firm’ (Senker and Brady, 1989, p158). The subsequent skill structure is then determined by the reorganisation of work responsibilities (Burgess, 1985). By and large, managers are more orientated towards the immediate and quantifiable economy of labour utilisation and design their manpower policy on that basis, while being less concerned with the longer-term and somewhat less quantifiable benefit they can reap from a policy which requires the continual cultivation of the skills of their workforce.

In a survey as part of the case study of plant maintenance craftsmen of five large process/manufacturing firms (Cooke, 1999), the maintenance craftsmen were asked if their employers firm should provide more training for them when new technology was introduced. The vast majority of respondents (over 95%) gave an affirmative answer. Skill and training is in fact one of the common problems in the introduction of technological change reported by firms (e.g. Rothwell, 1984; Cross, 1985; Majchrzak, 1988; EITB, 1984). Firms tend to underestimate the importance of skill availability for the new technology they acquire. Decisions on investing in new technology are often made on the assumption that the skills needed for the new equipment are available or will not be difficult to obtain. Although training and other human resource issues may be talked about in advance of the innovation, they are more often than not conducted in arrears, formalising change rather than preparing for it or as a remedial action to counteract problems as they occur. But production pressure does not often allow firms to indulge in sending everybody for training at the same time just prior to the skill being needed.

In the above mentioned study of maintenance craftsmen (Cooke, 1999), the managers interviewed expressed their awareness that the maintenance staff should have been more involved in the installation and commissioning of the new equipment. ‘But it is very difficult sometimes, because at the end of the day, the main job is to achieve the
production target. And if you are limited with staff, you can’t just take people off to go on a training course or to walk around with the commissioning engineers’ (a maintenance supervisor, 1999). As implementation runs behind schedule, it is more important to get the system running before attention is given to training the workforce. It is far from rare that workers have to rely on trial-and-error learning to acquire their skills once the system becomes operational. It is also not unusual for firms to recruit readily trained workers (quite often from the manufacturer/supplier of the equipment) to fill the skill gap. In addition, the urgency for developing in-house skills to cope with the new technology may be diluted in large firms who monopolise the suppliers’ market and can obtain service relatively cheaply and quickly.

Rapid technological change and shorter product life cycle make it expensive and difficult for firms to invest in skill training of its own workforce. Under a dominant culture of short-term cost saving rather than long-term development (Atkinson and Meager, 1986), outsourcing is increasingly being used in order to cheapen the immediate labour and hence production cost. According to a recent study on large companies in the recession period of the early 1990s, ‘focus on core business’ was an action considered very important by 54% of the firms surveyed (Geroski and Gregg, 1997, p74). Firms turn to external sources for skills required by recruiting ready trained people, subcontracting the project, or using short-term/temporary employment contracts, employing freelance skilled/professional people and use their readily available expertise. These skills may be disposed of quickly when they are not needed. For example, Cooke (1999) found that what the case study firms do is to outsource maintenance work that can be bundled together in batches which either requires merely labour intensive work or work which is highly specialised and not practical or economical to be carried out in-house. What is left to be done by the in-house workforce is mainly the awkward, difficult and fragmented work which requires flexibility and firm-specific knowledge. The intention is to ensure that the cheapest maintenance service is available. The adoption of this strategy indicates that short-term cost effectiveness, rather than skill retention of the workforce, is the managerial priority. While such a strategy may be profitable in the short run, the potential consequences of discontinuity of in-house skills or delays in building up in-house expertise may be encountered.
The decision to abandon the preservation of in-house skill/knowledge in favour of a more ‘efficient’ external supply is necessarily an outcome of the combined effect of intensified global competition and a British short-termist culture entrenched by an imperfect free market system. Instead of being treated as individuals, employees are often reduced to numbers and percentages of operating costs; rather than being valued as a resource, labour is seen as a cost, an impediment to profitability which has to be pruned right down. As Ackroyd and Procter point out, ‘Output is achieved in part by some reorganization of machinery, but more significantly by a combination of a heavy dependency on the flexible use of relatively unskilled labour and a willingness to utilize external sources of production’ (Ackroyd and Procter, 1998, p171).

Increasing skill level and functional flexibility of the workforce, it seems, is not always the top choice for management. As Marchington and Wilkinson remark, ‘what is seen as core personnel and development activity is defined by line managers rather than being informed by a strong sense of professional judgement. This has major drawbacks because the need to satisfy short-term cost effectiveness is given prominence without any consideration of the problems which may be created in the longer run’ (Marchington and Wilkinson 1996, p381). Issues concerning the deployment of (the maintenance) skills thus bears a strategic importance in the competitiveness of an organisation, and previous research findings have warned us of the penalty of insufficient training. For example, the research findings of a series of comparative investigations of matched manufacturing plants in Britain and Germany carried out by the National Institute of Economic and Social Research (NIESR) into factors influencing productivity indicate that the greater skill-training in Germany has played a crucial role ‘in leading to a better quality product, to the selection and proper utilisation of more advanced machinery, and to fewer breakdowns in production’ (Steedman and Wagner, 1990, p133) in comparison with Britain. Similarly, Prais’ (1981) study of ten matched industries in Britain, Germany and the United States, concluded that two factors had impaired Britain’s performance: the inefficient size of plants, and under-investment in training.
Improving productivity through soft HR policies or by work intensification and job insecurity?

Job satisfaction, employee commitment and motivation have often been regarded as important HR dimensions to organisational performance. Employees, enthusiasts of the ‘soft’ model of HRM argue, should be treated as valued assets, a source of competitive advantage through their commitment, adaptability and high quality (of skills, performance and so on) (Guest, 1987). ‘Employees are proactive rather than passive inputs into productive processes; they are capable of ‘development’, worthy of ‘trust’ and ‘collaboration’, to be achieved through ‘participation’ and ‘informed choice’ (Beer and Spector, 1985). The stress is therefore on generating commitment via ‘communication, motivation and leadership’ (Storey, 1987, p6), ‘if employees’ commitment will yield better economic performance’ (Storey, 1995, p35).

Although the results of hundreds of studies in the last few decades attempting to prove the causal link between job satisfaction and performance have largely been disappointing, recent research into HRM and performance (e.g. Guest and Hoque, 1994; Wood and Albanese, 1995; Patterson et al, 1997; Hoque, 1999; Cully et al, 1999) has found that there is a positive association between these dimensions and organisational performance. The recent research is in line with that of Walton’s (1985), who argued that there has been a shift in managerial strategy from imposing control to eliciting commitment. Management, they suggest, are no longer, and should not be, content to rely on merely securing employees’ compliance through a narrow conception of the labour contract; instead, they (should) seek to win over employees’ hearts and souls by developing broad job designs, encouraging greater flexibility and involving employees in the affairs of the company (Geary, 1995). Indeed, one does not have to look hard before tumbling into companies which claim to have some sort of management initiatives in place aiming to involve their employees and to improve their job satisfaction, motivation and commitment. However, how effective are these initiatives? Are they the major tools that management deploy to improve performance?

Many researchers researching employee involvement and commitment remain sceptical about the level and significance of change. They urge caution in the manner in which apparent change is to be interpreted (Elger, 1990; Kelly and Kelly, 1991; Geary, 1993).
Drawing on the data from his study of the implementation of new work structures in two electronics plants, Geary (1993) contends that there is little evidence that employees’ commitment has been won over. Similar findings have been reported in other studies. For example, Kelly and Kelly’s (1991) review of a variety of employee involvement initiatives indicates that employees’ trust in management has not increased significantly in that ‘there is little or no evidence to suggest that these practices have altered workers’ largely negative views of management in general’ (p43-4). A number of detailed case study examinations of a variety of participative techniques have also found that the differences in attitudes between those employees who do participate and those who do not is not significant (Bradley and Hill, 1983; Hill, 1991).

Similarly, longitudinal studies of SAWGs and QCs found that, although employees enjoyed the new work practices and associated responsibilities, there was no lasting change in employees’ attitudes or commitment to the organisation (Wall et al, 1986; Griffin, 1988). Marchington (1995), likewise, observed that ‘despite the appeal of EI (employee involvement) in general terms, the evidence would suggest that it has only a limited impact upon employee attitudes and commitment, and even less on behaviour and performance’ (p295). In other words, there is little evidence which suggests that employees have become more committed to their employers (Geary, 1995).

These earlier findings are supported by the more recent ones. Cully et al (1999) found that there were more employees who felt management poor at involving employees than those who thought them good at doing so. ‘Where (performance) targets were set, around half (49 per cent) of workplaces set them in consultation with employees or their representatives. A further 35 per cent simply informed employees of the targets set, while 16 per cent of workplaces found it unnecessary to consult or inform employees of the targets’ (p117-8). Additionally, only 18 per cent of workplaces were reported by managers to have open access to all performance-related records for their employees (Cully et al, 1999).

One of the common findings in all five case study firms reported in Cooke (1999) is the lack of consultation with the maintenance group before the introduction of new technology/equipment. Over 80% of the maintenance workers surveyed considered that they were seldom or never consulted by management before new equipment was
purchased, which they had to maintain afterwards. All too often the organisation fails to recognise what individual employees have to offer. ‘There is no consultation with the shopfloor before the Company purchased any new equipment. Designing and Planning make their own decision’ (a fitter). ‘Maintenance people were not consulted enough. They are the ones who know the plant. External people don’t know what we want. Maintenance (people) can customise our needs and can control things better. They should be the first people R&D speak to’ (a shift manager). However, managers often think otherwise. Some of the managers interviewed seem to believe that maintenance workers do not need to be consulted when introducing new technology because ‘they have no knowledge of new equipment’. Instead, the company tries to ‘get information from other user companies’. This perception shows that management only focuses on the ‘new’ aspect of the technological change process but fails to see the continuity of the ‘technological trajectory’ and therefore the need for plant integration of the new and old equipment/technology. This absence of consultation and feedback severely affects the opportunity for maintenance employees to contribute their knowledge and firm-specific know-how to the firm to enhance its performance. Yet, this phenomenon is by no means confined to the firms researched in this study. ‘In practice, consultation is rare at the project planning stage, whereas it is more frequent at the implementation stage’ (Davies, 1986; Daniel, 1987; Rush and Williams, 1984; Martin, 1988, p107).

On the whole, evidence is limited which shows that British firms are making great effort to cultivate employee job satisfaction and commitment and use employee involvement as their major policies to improve performance. By contrast, productivity and efficiency in production are achieved through flexibility (functional, temporal and locational), work intensification, and exploitation of the labour market factors such as a climate of job insecurity.

**Flexibility:** O’Reilly draws a distinction between flexibility ‘used in an ad hoc manner to meet shortages and intensify work’ and flexibility ‘accompanied by an increase in training and upgrading’ (O’Reilly, 1992, p370). Both types of flexibility have been found in existing studies. For example, Geary (1995) argues that changes in work organisation have been in the direction of removing boundaries and demarcations rather
than investing in the upskilling of the workforce. It has also been argued that functional flexibility does not necessarily have to be secured through the acquisition of very high levels of skill by core workers in the way that the Atkinson model describes (e.g. Ackroyd and Procter, 1998). In their survey study of twenty large organisations in wide-ranging businesses in the UK, Burchell et al (1999) found that innovations in working practices were accompanied by training initiatives, some of which led to formal qualifications whilst others were targeted at changing behaviour and encouraging self-organisation. They also found that employers required their employees to possess a broad range of skills and be able and willing to carry out a variety of jobs ‘which might include taking on a wider range of functions (the ‘horizontal loading’ of tasks) or taking on more responsibility for the conceptualisation and/or the co-ordination of work (the ‘vertical loading’ of tasks)’ (Burchell et al, 1999, p8). But more importantly, productivity is enhanced by employees providing functional, temporal as well as locational flexibility at work (Burchell et al, 1999).

A finding which is common to all the case companies in Cooke’s study (1999) is the readiness of the interviewees to point out the need to be flexible at work, whether it is in firms where formal flexi-skill initiatives have been introduced or in firms where traditional work crafts demarcations still prevail. When asked what kind of flexibility they need, most interviewees replied that they should be prepared to do different jobs which are of lower skill requirements (e.g. mundane tasks), to cover anybody at short notice and to go to different sites. This implies that flexibility is more about attitude and scope of responsibility and not necessarily cross-skill flexibility.

Work intensification: Another major method firms can use for improving productivity is through work intensification, partly as a result of downsizing and/or increased quantity of production. For example, the rising profit in a printing company (Cooke, 1999) was mainly achieved by successive reduction of manning level per press (from the original 17 men per press 15 years ago to currently 4 men per press) and at the same time doubling the amount of production. It has been argued that there has been a productivity ‘miracle’ in the 1980s owing, in large part, to successive governmental legislation to curb the trade union power (e.g. Metcalf, 1989; Nolan and Marginson, 1990). Management is now far more aware of the need to use labour resources
efficiently in production; ‘restrictive practices’ have diminished; strikes have fallen off; and the closed shop is less of a problem. The performance gains of recent years owe more to workers’ ‘fear’ and the enhanced power of management than to a new spirit of co-operation. Nolan et al (e.g. 1989, 1990) argues that the productivity gains in British industry in the 1980s can be attributed to three aspects: increased work intensity, the sharp recovery of output with a significantly reduced industrial workforce after 1982, and piecemeal changes in the technical and organisational structure of production. Amongst these three, work intensification has been seen as the chief source of rising productivity (e.g. Metcalf, 1989; Nolan et al, 1990) rather than through investment in plant and human resources. ‘Productivity and profitability in the economy have been rising, but this has been accompanied by a steady erosion of working conditions, and more extensive use of existing plant and labour’ (Nolan and Marginson, 1990, p242). This work intensification can be said to have been facilitated by the readily available computing and communication technology. In the 1990s, there has been an ‘audit explosion’ in the management of corporate performance, i.e. a drive to make organisations more efficient by gathering more information on different performance indicators. The telecommunication system also enables the performance level of individuals to be monitored more closely (in real time).

Therefore, productivity gains are not necessarily achieved by firms practising good HR strategy. In their survey of surveys, Guest and Conway (1999) also conclude that work has been intensified especially among the managerial and professional workers. Nolan (1989) and Nolan et al (1990) argued that labour intensification may, in the longer term, damage the dynamic structure of the economy by eroding the incentive for employers to undertake essential investment. If employers are able to make significant gains in productivity and profitability by working existing production systems more intensively, they may feel under less pressure to upgrade their plant, equipment and human resources. In other words, short-term gains may be secured at the expense of longer-term dynamism.

**Pay and job insecurity:** This strategy represents the carrot and stick for the workers. Pay has long been used as a management tool, albeit not always successfully, to extract labour effort (Rubery, 1997). Firms may attract and retain their workers by paying them
a wage higher than the average going rate available in the currently unpromising labour market in which wages are ‘already downwardly flexible’ (Rubery, 1997, p365). This effect of ‘carrot’ can be effectively reinforced by that of the ‘stick’ -- the introduction of a sense of job insecurity through outsourcing, especially in firms in which same work is carried out by both permanent staff and temporary/agency staff. Labour productivity and efficiency is therefore gained by a stable and hard-working workforce who are under the threat of job security. Employee commitment and flexibility is secured by playing the labour market factors effectively.

The strategy of deploying external temporary labour to cheapen labour cost and to reduce the bargaining power of the in-house workforce is perhaps somewhat characteristic of the British practice. According to Goold and Campbell (1986), many British manufacturing firms adopt the ‘financial control’ type of management style in which control is exerted predominantly in response to the short-term performance and profit targets. It has also been widely pointed out that the British industrial relations is largely based on low-trust management-labour relations in which hard bargaining takes place on any (major) organisational change (e.g. Sorge and Warner, 1986; Steedman and Wagner, 1987, 1989; Streeck, 1989; NIESR, 1990). Burchell et al (1999) identify as one of the ‘most striking findings’ from their survey ‘the degree to which employees did not trust management to look after their best interests’ (p36). Nearly half of the people (44%) held the view ‘that management could be ‘trusted ‘only a little’ or ‘not at all’’ (p36). They conclude that ‘there is certainly a dearth of trust on the part of the workforce’ (p37). Worse still, for whatever trust there is between employers and workers, it may be the trust of the calculative type which involves expectations about another, based on a calculus which weighs the cost and benefits of certain courses of action to either the trustor or the trustee (Lane 1998). For instance, Guest and Dewe (1991) observed from their study of three manufacturing plants that for most employees, commitment to their employer was calculative rather than deep-seated. This type of trust in a harsh business environment can only too easily trigger a ‘low trust spiral’ in which any withdrawal of trust from one party is interpreted as a gesture of mistrust which in turn leads to a defensive withdrawal of trust from the other (Fox, 1974). The low-trust relations typical to the British industrial relations are alleged to be partly responsible for the British firms’ inability/unwillingness to adopt a high-skill,
high-tech production strategy, a ‘high road’ strategy which their European and Japanese competitors who operate in a high-trust relationship are able to pursue.

**Quality initiatives and organisational performance**

Quality has been a central theme in HRM (or treated as a close relation to HRM) in which product/service quality is widely seen as an important way of improving organisational performance by attracting and retaining satisfied customers. During the 1980s, increased competition from overseas, rapid innovation of new technology and shareholders’ profit demand left many organisations with no choice but to look for ways to keep costs down and to organise the work of employees in ways that are more profitable. Consequently, there has been a widespread uptake of quality initiatives. ‘Quality management, or more accurately its managerial plausibility, is at least in part a reflection of the necessity for large corporations to find new and innovative ways of competing constructively, and of managing a fragmented workforce’ (Kerfoot and Knight, 1995, p222). In theory, quality management initiatives, e.g. JIT and TQM, incorporate the values of the ‘soft’ model of HRM in which superior performance is achieved through effective leadership (Deming, 1986), ‘shop-floor empowerment, trust and mutual dependency’ (Sewell and Wilkinson, 1992, p98). In a similar vein, some writers of HRM and performance (e.g. Kochan, 1992; Beaumont, 1995; Kochan and Osterman, 1995) take the approach that ‘organizations adopting high-involvement management in alignment with total quality management should outperform all other organizations and there is an interactive effect between the adoption of high-involvement management and total quality management on performance’ (Wood, 1999b, p11-12).

One of the major criticisms levelled at the British management in their implementation of quality initiatives is their lack of skill and the narrowness of their focus on quality. ‘Quality ... needs to be extended to all aspects of an organisation’s activities, not just the standards associated with finished products. It is here that the distinction is said to lie between ad hoc quality initiatives and total quality management as a way of running a company’ (Kerfoot and Knight, 1995, p231). In a case study of a large (over 700 employees) British manufacturing company, Cooke (1996) found that most managers (at different levels) had a narrow perception of productivity. The traditional thinking
and the nature of the product draws a line between ‘production’ and ‘non-production’, ‘skilled’ and non-skilled’ workers with training efforts more focused on the first group. Quality initiatives were only practised on the shopfloor and certain departments in the Company instead of being applied to all. Productivity measures were only applied to the ‘production’ workers whereas the efficiency and effectiveness of other parts of the workforce such as the office workers was not measured, even though arguably their productivity may be equally as important in contributing to the performance and competitive advantage of the company as a whole.

Employee suggestion schemes is one of the major techniques in TQM initiatives. All five case study firms in Cooke’s study (1999) had a suggestion scheme in one form or another. In two of the firms, once the suggestion is accepted, the suggestion maker will be given a small financial award as a recognition. Although their corporate-wide suggestion scheme has had positive results, the existence of this formal route for employees to contribute their innovative ideas to the firm do not yield the best fruits. The maintenance managers tend to avoid excessive publicity of their people’s innovations because of the company’s obsessive drive of cost cutting. The more efficient they become (by innovation), the less money they will be given to keep the plant going and the more they are expected to achieve.

The above evidence demonstrates the incoherent practice of quality initiatives with outcomes not all pointing to the same direction. The truth is, quality initiatives adopted in the 1980s and especially 1990s are essentially competitiveness driven. ‘The real test of it is its ability to satisfy customers in the market-place’ (Wilkinson and Willmott, 1995) rather than its implication on the employees. For example, Cully et al (1999) point out that ‘there were less than 1 per cent of workplaces where employees were given sole responsibility for monitoring the quality of their own work’ (p119). The vision of quality management is often ‘restricted by an exclusive concern with efficiency and effectiveness, to the exclusion of the rationality and defensibility of its values and priorities’ (Wilkinson and Willmott, 1995, p16). The emphasis upon responsibility is not infrequently ‘directly concerned with the elimination of waste and removing the duplication of effort through changes in job design and work process. It does not necessarily extend to the enhancement of working conditions or greater
control over key decisions about investment, the fundamentally hierarchical division of labour, or the organisation of work’ (Wilkinson and Willmott, 1995, p4). Quality initiatives in this sense appear to line up more closely with the ‘hard’ model of HRM which emphasises the ‘quantitative, calculative and business strategic aspects of managing the headcount resource in as ‘rational’ a way as for any other economic factor’ (Storey, 1989, p6). Its focus is ultimately human resource management’ (Storey, 1995, p35, original emphasis).

Discussion and conclusions

Researchers on HRM and performance have been trying to prove the vital causal link between good HRM policies and organisational performance and argue that firms should adopt well-fitted (and bundled) HR policies in order to increase their competitiveness. Amongst other things, functional flexibility through investment in training, increasing job satisfaction, employee involvement and commitment, quality initiatives are seen as central to sustained economic performance. While acknowledging the potential benefits of these ‘soft’ HR policies, this paper has explored to what extent British firms have been deploying these policies as their major weapon to improve their performance. In particular, this paper has argued that, by and large, British firms have not implemented or not been able to implement HR policies and quality initiatives in a wholesale manner with convincing symbiotic benefits. Instead, their implementation of HR and quality policies has been patchy, pragmatic, incoherent in places and with inconsistent outcomes at times which is not necessarily in the best interest of their employees and/or organisational performance in the long-term. For example, one of the emerging features in the firms’ human resource practices is the fragmented manner in which labour/skill is sourced and service provided. The major concern of the firms appear to be keeping the immediate operating costs down rather than investing for the future.

Yet, the long-term improvement of assets requires adequate resources, in terms of finance and human skills, and a conducive working environment. ‘Capabilities are built up over relatively long periods and need constant replenishment. This implies an orientation towards encouraging learning. As much of this is firm-specific ‘know-how’, it depends on long-term commitment as well as identification with firm objectives. This
requires continuity of employment for trained and knowledgeable personnel, to keep the ‘know-how’ and ‘know-why’ inside the organisation. Skills are difficult to acquire ‘off the shelf’ or change quickly’ (Swann, 1993, p38-39). Firms of the 1990s typically operate in an opposite environment in which ‘the idea that shareholder value is the central objective of a business is becoming almost ubiquitous in Britain’s boardrooms’, in which ‘long-run survival and international competitiveness’ is sacrificed ‘for the applause of short-term profits’ (Financial Times, 25 October, 1996), and in which strategies of high pay, job security and better career prospects to retain labour are unlikely to work in an increasingly fragmented and opaque labour market (Rubery, 1996). Besides, firms may not be willing to do so even if they are able to.

The incompatibility of the British business environment and that required for soft HRM have been questioned by many authors. For example, Michie and Sheehan (1998) find that policies aimed at increasing labour market ‘flexibility’ actually have a negative effect on the profitability of firms engaging in R&D and introducing new technology.

In discussing the relationship between HRM and decentralisation, Kirkpatrick et al (1992) questioned: ‘Can the long-term aspects of HRM so central to its whole philosophy survive in a decentralised line environment dominated by short-term pressures? Our analysis suggests not’ (p146). For Delbridge and Turnbull (1992), ‘high-trust employment relations are contradicted by tight surveillance’ and extreme standardisation of jobs ‘belies any notion of worker empowerment or multi-skilling as work is continually intensified (management by stress)’ (p60).

Critical writers have been sceptical about the outcomes of HRM and quality initiatives in part because of their conceptual limitations and in part because of the adversarial UK business environment for them. For years, Britain has been criticised for its UK-specific historical, social, political and institutional context which is inconducive to innovation and long-term economic performance (e.g. a voluntary approach to training/poaching, a low-trust management/labour culture, the weakening of trade union power, and a deregulated labour market). British managements are frequently portrayed in commentaries on organisational changes as adopting new management practices in an ad hoc or pick-and-mix manner. ‘Within the TQM literature there has been a long-standing scepticism of management’s willingness to adopt wholesale
change, and more recently doubts have been expressed specifically about their over-concentration on quality assurance systems to the neglect of human resources matters’ (Wood, 1999, p398).

Increasingly, the British employers are confronted with a dilemma created by the pressure to reduce costs on the basis of existing technology and resources on the one hand, and the need to improve service quality and productivity on the other. Employers are torn between the lower wage costs and numerical flexibility that can be achieved from unregulated casual employment, and the higher costs but superior productivity of permanent labour (The McKinsey Global Institute, 1998). The McKinsey Global Institute’s survey and case study evidence revealed that employers regarded casual employment as having an adverse effect not only on productivity and service quality, but also on the morale of permanent employees -- and yet they continue to hire such workers on a more regular basis in ever greater numbers. The McKinsey Global Institute’s report (1998) further pointed out that UK’s low productivity and high employment rates are achieved through the flexible labour markets in which employers simply tolerate lower productivity (relative to Britain’s competitor countries) and reward it with lower wages. ‘By contrast, countries with less flexible labour markets, such as France and Germany, have to some extent priced low-skilled jobs out of existence because the minimum cost of labour to employers is too high to sustain them’ (p6).

Deakin et al (1998) suggest that ‘Economic concepts specifying performance goals include the notions of allocative (or static) efficiency and dynamic efficiency. The former refers to the allocation of scarce resources to their most productive uses while the latter has a broader connotation which is related to the capacity of a productive system to survive external shocks through innovation and adaptation to a changing external environment’ (p4). According to this definition, it may be reasonable to suggest that British firms are better at (or say focus more on) static efficiency than at dynamic efficiency. In a similar vein, Michie et al (1998) argue, ‘whereas the high commitment route promises to achieve both high productivity/profits and high satisfaction/commitment, the high performance route is only concerned with the
former’ (p14). High performance, and not necessarily high satisfaction/commitment of the employees, is what British firms seek.

It is not the intention of this paper to deny the benefits of HRM to performance. Nor is it the intention to discredit the productivity gains achieved through the implementation of HR policies (e.g. flexi-skilling) and quality initiatives (e.g. suggestion schemes, plant care). Rather, it is argued that the high-road HRM route to performance/competitiveness requires a stable and high trust environment which is currently unavailable to most British firms (although firms themselves have played a role in creating the current environment). Viewed in this light, the investigation into the links between human resource strategy and performance should necessarily be lodged in a broader context. For instance, where does the firm’s performance pressure come from? To what extent is the way firms manage their performance constrained by external and internal factors which are beyond their control, e.g. legislation, labour/product market, finance/funding situation, inter-firm relationships, and traditions of management-labour relations? How (efficiently) are performance targets set, measured and monitored in/by the firm and what is the likely impact of these practices on the long-term performance of the firm, on the well-being and experience of work of the individuals? What may be the aggregated impact at a societal level? etc. Weighing up the existing evidence, human resource strategy is perhaps more appropriately called human resourcing strategy in which employees are often treated as ‘numbers’ and calculated as ‘cost’, as Horace wrote over two thousand years ago: ‘We are just statistics, born to consume resources’. What, then, may be the real cost for the future for the individual, the firm and the society?
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