Chapter 9

Summary and Conclusions

1.0 Overview: research questions and theoretical approach

In the HR management literature, it is frequently assumed that the most effective forms of HR management are those that are configured as a distinctive 'bundle' of internally consistent, mutually reinforcing practices. A very prominent idea is that, rather than the application of individual practices, the bundle of high performance HR practices is most effective, as it invokes possibilities for complementarities or synergies within an appropriately aligned system (Huselid 1995). The problem is that, while there is general consensus that the principal value of the bundle is in its capacity to boost employee work performance (Kohan & Osterman 1994; Lawler 1992; Levine 1995; Pfeffer 1998), the underlying theoretical concept of the bundle remains underdeveloped. While there is a general insistence on the need to shift the focus of research away from single HR functions and toward developing an understanding of the effects of multiple practices (see Wright and Boswell 2002 for an elaborate discussion of this development), the definition of the bundle and the practices considered to be essential to its effectiveness vary substantially across studies. For example, Becker and Gerhart (1996) examined five United States studies and found no single measure common to all the studies. Only two measures (self-directed teams and of problem-solving groups) were shared by four of these studies. Just as pressing is the challenge to develop an explanation of why the high performance HR bundle should advance not just the employees’ but also the firm’s performance.

This study has undertaken to address these gaps in the literature by specifying a theoretically grounded conceptual basis for the high performance HR bundle, its effectiveness, and its adoption. The theoretical ideas developed for this study have been tested in companies operating in two European countries: Ireland and the Netherlands.
Much of the empirical work conducted on the prevalence and effectiveness of the high performance HR bundle has been confined to the United Kingdom and the United States. Perhaps one reason for this is that it is assumed that such practices cannot be transferred to cultures other than those of Anglo-Saxon background (Lawrence 1992; Pieper 1990). Empirical studies from the 1990’s, however, conclude that processes of internationalisation may be powerful enough to erode national practices and cut across boundaries. As a result, companies in different European countries now appear to strive towards the same overall HR management strategies. In fact Brewster 1993 found that while some variation in HR practice may be found among European countries, the only clear differences among the United States, United Kingdom, and other European countries concerned the desirability of sharing company-level benefits and risks with individuals and of paying for team performance (Brewster 1993; Sparrow and Hiltrop, 1994).

Summary of the study - research questions and empirical findings: Chapter 1 introduced the study, and outlined the six research questions that have guided this study. The objective of the first question was to develop a much-needed theoretical underpinning for the high performance HR bundle. Developing this theoretical basis in turn prompted the question whether companies actually use this bundle of practices. The second research question of this study is therefore: Do companies in Ireland and the Netherlands use a distinct high performance HR bundle?

If the effectiveness of the high performance bundle can indeed be attributed to ‘complementarities’ among the constituent practices (Ichniowski, Shaw, Prennushi 1997; Huselid 1995) then performance effects should be contingent on adopting the full repertoire of high performance practices. This leads us to the third research question of this study which is: to determine whether there is evidence to suggest that the high performance bundle improves employee performance to a greater extent than other human resource management approaches used by companies, and further, whether complementarities between the constituent practices account for the superiority of the high performance human resource bundle.
The fourth research question considered whether the high performance human resource bundle improves company performance, and if so can this be attributed to the effects of the bundle on employee and production performance? In order to answer this question, the relationship between the high performance bundle and company performance is specified theoretically, from its impact at the employee level to its effects at the production system level and, finally, to the level of company performance. Particular attention is given to the moderating role of the company's business strategy and this forms the basis of the fifth research question: Does a company's business strategy moderate the relationship between high performance HR management and company performance? Finally, the sixth question of this study is: What are the processes involved in the diffusion and adoption of these practices? The theoretical framework developed to deal with this question integrates 'rational accounts' with insights into the power of institutionalisation processes in order to distinguish the conditions under which companies will adopt strategically from those under which companies will mimic the choices made by companies that are considered to be 'successful others'.

The purpose of Chapter 2 was to derive a theoretical explanation of the relationship between the high performance HR bundle and employee performance, that is, an explanation of how HR practices affect the work behaviour of employees. The micro-foundation used in this explanation is based on an application of framing theory to the employment relationship (Lindenberg 1988; 2000; Mühlau 2000). Here, the employment relationship is understood as a relationship of 'weak solidarity', in which both parties each pursue their own advantage, but in which personal gain can be realised only if the other party cooperates and shows goodwill. This approach suggests that a principal function of human resource practices can be to establish and stabilise a weak solidarity orientation of the employee. Incentive systems are the dimension of human resource practices that evoke a long-term gain orientation and align the interests between employer and employee. Gifts work as relational signals, establishing a trust relationship between employer and employee and mobilises a relational frame that minimises opportunism. Guidance and training practices play an important role in preventing the deterioration of these orientations. Selection practices optimise the preconditions for weak solidarity. Together these five human resource practices were identified as the primary constituent practices of a high performance HR bundle.
Framing theory was also used to explicate the relationships of complementarity among the practices. It was suggested that by applying the five practice simultaneously, their effect on employee performance would be improved by three mechanisms. First, when practices are consistent in their effect, they mutually reinforce the impact they exert on employee performance. Second, the practices can flank each other. Flanking refers to the strengthening of effect of the focal practice by putting in place practices that support the working of the focal practice. Finally, practices can compensate for and thereby neutralise the potential negative effects of other practices. Based on these ideas, it was suggested that the full complement (or bundle) of high performance HR practices would improve employee performance, surpassing other forms of HR management.

Chapter 3 provides an overview of Ireland and the Netherlands. After a short sketch of the socio-economic development of Ireland and the Netherlands, the education, the industrial relations systems and the cultural orientations of both countries were compared. The chapter ends with an overview of the research in human resource management in the two countries.

Chapter 4 set out the method of data collection used for the study. In this chapter the advantages and disadvantages of several research designs for a study such as this were discussed. Given the fact that an organisation survey is the most efficient and economical method to collect data both from a large number of companies and from two countries, this method was considered to be the most appropriate. The response rates for this type of method are generally low and the main causal factor found associated with this is a lack of familiarity between sender and recipient. This chapter outlined several steps used in order to circumvent this problem and improve the success of the data collection. Response rates of 9 and 6.4 percent were secured for Ireland and the Netherlands respectively. An overview of the sample revealed that the distributions of the samples were reasonably similar in terms of the sector and size of the companies. While the Irish sample was found to be biased in terms of more recently established companies and foreign-owned companies, the Dutch sample contained companies from all categories of these distributions.
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Chapter 5 began the search for evidence to suggest that the high performance bundle is actually applied in Ireland and the Netherlands. Given the elaborate commitment required to adopt all five practices and the potential loss of complementarity from adopting only some of the practices, it was suggested that companies would adopt either all or none of the practices. It was consequently expected that, when clustering the data with respect to the five HR practices, a bi-modal structure would be the most likely end result. Using a two-stage clustering procedure on pooled data, six different configurations of the five HR practices were identified. These six types could be re-grouped into three different approaches to HR management. In accordance with the working hypothesis, one approach was characterised by the extensive use of all five HR practices. However, relatively few companies in either country use this high performance HR bundle. In Ireland, 14 percent and in the Netherlands only 9 percent make use of this bundle. In both countries, larger companies and companies with low union density are more likely to use this cluster.

In both countries, the majority of the companies use hardly any of the five HR practices. Forty-six percent of the companies based in Ireland and 57 percent of the companies in the Netherlands were classified as having no distinctive approach to high performance HR management. To this group of companies belong smaller companies that use few, if any, of the practices or that make moderate use of some practices – primarily incentives and selection. Also in this category are companies that make little use of HR management apart from some fringe benefits and formalised programs.

Contrary to the hypothesis of a bi-modal distribution of HR approaches, some companies were characterised by the selective adoption of high performance HR practices. Two different clusters were distinguished within this category. The first cluster makes extensive use of incentives, relational signalling and selection but neglects training and guidance. Twenty percent of the Irish and 21 percent of the Dutch companies use this HR approach. In both countries, this cluster is comprised of companies that are largely non-unionised but are quite well established. The second cluster employs incentives, training and selection practices, but neglects relational signalling and guidance. Twenty-two percent of the Irish and 13 percent of the Dutch companies use this HR approach. In Ireland, smaller and more recently established companies and companies that are located
in service sectors use this selective form of HR management. In the Netherlands, there is no clear relationship with any of the correlates, with the exception that this approach is under-represented among manufacturing companies. Taking these two clusters together, 42 percent of the Irish and 34 percent of the Dutch make use of a selective HR bundle.

The overall pattern revealed by the cluster analyses did not really fit the hypothesis that the distribution of HR management types would be bi-modal. On the contrary, it was found that a substantial share of companies adopted a hybrid form of HR management (a ‘selective’ approach), characterised by the adoption of some but not all of the HR practices. This finding could be explained using either of two alternatives: either the theory of complementarity among the five HR practices is wrong or the adoption of high performance HR practices is not guided by internal 'efficiency' concerns (e.g. costs benefit considerations) alone. Later in this book, in Chapter 8, a theoretical model was developed to explain the adoption of hybrid forms of high performance HR management as a strategy for reputation-seeking companies.

Chapter 6 began by revisiting the common assumption that, due to its complementarity effects, the high performance bundle will surpass any other form of HR management in its impact on performance at both the employee and company levels. Despite its prevalence, studies providing empirical support for this assumption are surprisingly rare. This challenge formed the primary objective for Chapter 6: seeking evidence to suggest that the high performance bundle improves employee performance more than do other HR approaches (the non- and selective-user approaches identified in Chapter 5). A second objective of the chapter was to examine the question of whether the superiority of the high performance bundle could be attributed to complementarities among the HR practices. Empirical analyses were conducted separately on the data sets to test the hypothesis that the effects of the bundle cannot be reduced to the workings of its component practices.

In Ireland, regressions on the indicators of work performance, cooperation, discipline of Irish employees suggested that the high performance bundle did indeed yield better outcomes than either of the other two types. Regression results using the Dutch data showed no advantage for the high performance bundle as
compared to the other HR approaches. While regressions on employee work performance indicate that the high performance bundle produced better outcomes than the selective HR approach, the low-adoption approach fared even better. A similar pattern was revealed by regressions on employee discipline: the high performance bundle again took second place to the selective approach to HR management.

It appears that the high performance bundle is more than just the sum of its parts, although its impact is subject to variation across different national contexts. The expectation that the bundle would have a positive effect on performance in both countries, and that the effects of single practice would disappear when controlling for the bundle effect was confirmed only for Ireland. The Irish results indicated that implementing single HR practices does not guarantee improvements in employee performance. While relational signals continued to produce positive effects even when the high performance bundle was included simultaneously, the single practice effects were unable, in general, to lower the effects of the bundle on employee performance. Specifically, controlling for single practices did not change the superior employee performance effect yielded by the high performance bundle.

The story was quite different in the Netherlands, where no evidence was found of any systemic complementarities among the component practices of the high performance bundle. Of the three HR approaches, the bundle performed best, when the approaches were entered into the analyses individually. This relationship was reversed, however, with the bundle showing the poorest additional performance when the single practices were added to the analysis. In the same analysis, it was also found that, as single practices, guidance and relational signals exhibited considerable positive effects on employee performance when controlled for the different HR management approaches.

Chapter 7 examined the relationship between the high performance bundle and company performance. Given that the bundle is much more elaborate than other HR management approaches, it stands to reason that the investments needed to implement its practices would also be more elaborate. Obviously, no practice of any kind can improve a company’s bottom line unless its benefits outweigh its costs. Neither theoretical nor empirical studies have given sufficient attention to
incorporating the costs and benefits of implementing the high performance HR bundle. To this end, Chapter 7 presented a general model depicting a causal relationship between the high performance bundle and company level performance. The most important indirect path has three components. First, it was expected that the high performance bundle would best enhance employee performance when compared to the other two HR approaches, due to complementarities among the five component practices. Second, improvements at the employee level were in turn expected to have a favourable impact on production operations. Third, production performance is subsequently an important determinant of company performance. Improvements made to the latter are expected to be manifested at the company level as improvements in such areas as profitability and market share.

The use of a differentiation business strategy was expected to play a moderating role. Because production quality and innovation are vital to the ability of a differentiating company to compete, the positive relationship between the company's production and corporate performance were predicted to be stronger for companies pursuing strategies of differentiation approach. The total effect of the high performance bundle was consequently hypothesized to have more positive effects on the corporate performance of differentiating companies than for those pursuing other business strategies. For differentiating companies, therefore, it appears that the benefits of adopting the bundle should exceed the costs arising from its adoption.

The general model was adapted to reflect the weak relationship that was found in Chapter 6 between the high performance HR bundle and employee performance in the Netherlands. In the Dutch case, no relationship was expected between the bundle and employee performance, and it was not considered necessary to adapt any of the other predictions. Employee performance was still considered to play a crucial role in high production performance and would subsequently have a direct impact on corporate performance. For companies in the Netherlands, therefore, the high performance bundle was expected to incur costs for a company without yielding any ‘bottom line’ benefits in return.

The results of the empirical analyses suggest that the model fits the Irish data quite well. In the Dutch data, the majority of the relationships were in the
expected direction but the outcomes were small in comparison with the Irish results. The results indicated that, in both countries, the direct effect (i.e. the cost effect) of the high performance bundle on company performance is negative or, at most, very small. The effects of the bundle on employee performance were positive in both countries, but largest in Ireland. This improvement in employee work behaviour in turn, boosted the performance of the company directly as well as indirectly, the latter by enhancing product quality and innovativeness in both countries.

The results for the Irish data confirm the expectation that the indirect (i.e. the benefit) effect would offset the direct (i.e. the cost) effect so that the overall effect of the bundle on company performance would be positive. In the Netherlands however it appears that the costs of implementing the bundle for the average company is a considerable drain on company performance. As expected a negative total effect suggested that in the Netherlands the extent of costs for the average company are substantially larger than the returns.

The expectation that the effects of the high performance bundle would be particularly important for ‘high differentiation’ companies was confirmed for companies in Ireland. That the links between production and corporate performance were particularly important for high differentiators was evident in that the total positive effect was highest for this category when compared to companies pursuing other business strategies. As expected the costs of the bundle had the least impact on the company performance of high differentiators, while these costs had the most negative impact on the performance of low differentiators.

A two-stage model of the diffusion of the different types of HR management was developed in Chapter 8. In the first stage of the model, the diffusion of the high performance bundle is driven by internal efficiency considerations. The model assumes that, because of the gains the bundle could bring to differentiating companies, they would be willing to bear the risks associated with adopting the bundle during the early stage of the diffusion process. Because the high performance bundle improves the operations of these companies, the model suggests that the HR practices would earn a favourable reputation among companies in general. In the second stage of the diffusion model, companies
pursuing strategies other than differentiation, because they lack the internal efficiency rationale of differentiators, would mimic in a limited way the actions of early adopters if they seek positive reputation effects by employing HR practices. The model suggests that these later, non-differentiating adopters would opt for the cheaper, more selective approach to HR management instead of the more elaborate and more costly full complement of practices.

The hypothesis that differentiators in Ireland would be likely to adopt the high performance bundle was supported by the data. Also as expected, the degree of differentiation had little or no influence in the Dutch case. For the Irish data, the hypothesis that non-differentiating companies would be reluctant to invest in the high performance bundle was also substantiated. The exposure to previous adoption was measured by a company’s co-orientation to the activities of other companies. In accordance with expectations, co-orientation was found to be associated with both the adoption of the high performance bundle and the selective approaches in both countries. The data further demonstrated that, for the Irish sample, companies combining a strong co-orientation with a low degree of differentiation predominately adopt the selective approach to HR management. As expected, this was not supported by the Dutch data.

Finally, the combination of exposure to the HR profession and differentiation increased the likelihood of adoption in Ireland. This relationship was weaker in the Netherlands, where the effect of HR exposure on its own was found to be substantial. The data provide support not only for the roles played by efficiency and interdependence (co-orientation) in the adoption of the high performance HR practices, but also confirm that these processes are not independent of one another. Moreover, the study demonstrated that institutional factors (HR exposure and co-orientation) play a larger role in the Netherlands, while internal efficiency-related concerns are more prevalent in Ireland.

**Overview of theoretical contributions**

**Theory of high performance management**: Motivated by the longstanding absence of a theory of high performance HR management, this study has developed a framework within which to answer two crucial questions: what is high performance HR management and how does it work? As with any theory,
THE development of this explanatory framework has required several steps. First, it was necessary to clarify the oft mentioned but rarely explicated attribute of complementarity assumed to be inherent in the high performance HR bundle. Approaching this attribute theoretically, complementarities among practices allow a firm to increase the returns of carrying out some practices by increasing the usage of others (Milgrom and Roberts, 1995). Applying this idea to the high performance HR bundle requires the explanation of why the combination of the five practices should have the effect of increasing their productivity beyond the levels that would have been expected had they been implemented individually.

The framework developed for this study is broader than its predecessors, in that it extends the conceptual basis to consider three mechanisms of complementarity to explain the effectiveness of the high performance bundle. It builds upon insights provided by two approaches that seek to explain the bundle’s potential for complementarity in terms of productivity gains produced by the implementation of mutually reinforcing practices. The first approach argues that the provision of formal training can be complemented by such practices as team-work and job rotation, which extend or reinforce the skills acquired though training (Ichniowski et al 1997 Foss 2000). The second approach concerns the process of ‘flanking’, whereby productivity gains arise from practices each of which, having a different function, supports the effectiveness of the others (Kandel and Lazear 1992; Lindenberg 1993 Huselid 1995; Mühlau 2000). To these insights, the framework developed in this study adds a third basis for complementarity, in which the various practices each compensate for the adverse effects of the others.

Beyond the specification of complementarity mechanisms, the second step in developing the theory of high performance human resource management was to explain how and under which conditions a firm could hope for improvements in employee performance to be manifested at the level of company performance. Such an explanation must go beyond demonstrating associations between HR practices and single-level outcomes as employee or production performance. The current framework therefore incorporates three levels of performance: employee performance, production performance and company level performance. Further, it specifies relationships among these levels as particular ‘paths’ leading from the high performance HR bundle to company performance. These paths form a basis for explaining how, having improved employee performance, the
‘complementarity’ effects of the bundle can be translated into improvements in production and, finally, in company performance.

The development of a theoretical basis for complementarity entails several implications. First, the model implies that the effects of the bundle are not additive but interactive. Second, the systemic features of the bundle imply that the bundle’s potential effectiveness depends upon the simultaneous application of all five practices. Third, the bundle evokes costs as well as benefits; unless these costs are absorbed, the complementarity effects of the bundle may not result in a net benefit to corporate performance. Fourth, because the high performance bundle represents a set of practices conducive to their competitive need for quality, companies using strategies of differentiation should be in the best position to absorb the costs of implementation, and therefore stand to gain most in terms of corporate performance. A fifth implication of the model is that, for differentiators, the opportunity costs of not adopting the full complement of high performance practices can be expressed as the value of foregone productivity and performance gains (due to the three forms of complementarity) less the costs associated with implementing the bundle. Finally, the model suggests that the five practices will co-evolve; rather than adopting them individually, companies will apply them simultaneously in order to reap the rewards of the bundle’s potential complementarity.

**Diffusion of organisational innovations - the case of the high performance HR bundle:**

The most appropriate approach to explaining the adoption of the high performance HR bundle is to develop a general model of organisational diffusion, using the high performance HR bundle as an example. Such a model can illustrate the most important processes typically involved in the dissemination of innovative organisational practices. As do many sociological diffusion models, this model rests on the assumption that the rate at which innovative practices are adopted is a function of the ‘degree of diffusion’, or the number of previous adopters. This model, however, incorporates the economic concept of rational imitation into the sociological concept of the process of institutionalisation in a novel manner. In this model the successful adoption of HR practices by pioneer companies create a favourable reputation of these practices which renders them as
signals for high performance. In this situation it becomes rational for the reputation seeking company to adopt these practices, albeit in a selective fashion, even if these practices do not contribute directly to a company’s ‘bottom line’.

**The high performance HR bundle: grafted on or taken root?**

Mass production and marketing strategies are associated with the American experience and these have become standard features of European practice as well. Consequently, it may be tempting to assume that high performance HR management – and particularly its alignment with corporate strategy (Schuler and Jackson 1987) would be widely embraced by companies in and also similarly effective in various European contexts. This study has provided the opportunity to examine the use and effectiveness of an array of five HR practices that are widely considered to be associated with high performance outcomes. Among the most striking findings is that, while the bundle is indeed used in both countries, it is effective only in Ireland.

This finding raises several questions. First, why is the high performance bundle ineffective for improving company performance in the Netherlands? Second, given the lack of benefits provided by the high performance bundle in the Dutch sample, why is the bundle adopted at all? Is the adoption of the bundle in the Netherlands simply to be understood as a fad or fashion that will fade in time, making way for the latest trend? Will the high performance bundle continue to be used in Ireland and if so, is it likely to continue to be effective? Answers to these questions lie outside the realm of the theoretical ideas developed for this study. In the discussion that follows, therefore, relevant insights garnered from various theoretical approaches have been used to provide a framework for addressing these questions.

The failure of the high performance bundle to mobilise employee performance in the Netherlands is the key mechanism leading to its ineffectiveness in generating improved company performance in that country. Theoretical perspectives developed by Maurice *et al.* (1980) and Sorge (1991) demonstrate that institutional and cultural contexts shape strategic choices made by management in terms of organisational forms, activities and practices (Kochan, Katz and McKersie 1986). In Chapter 7, it was suggested that the institutional environment
in the Netherlands might impede the successful implementation of the high performance bundle, even as the Irish institutional context may foster its effectiveness. Differences in important societal characteristics of Ireland and the Netherlands have consequences for the effectiveness of company practices. Chapter 3 demonstrated key differences in terms of the distributions of education and skills, in prevailing employment and wage opportunities, and in the role played by the expectations and work orientations of employees. In Chapter 7 these were incorporated as significant societal factors that may moderate the relationship between the high performance HR bundle – and employee performance in these two countries.

As a moderating factor, it was suggested that the more generalised educational profiles and the greater differences in education and cognitive skills of Irish labour market participants versus the more developed and stratified vocational system and the more equal distribution of education and cognitive skills in the Netherlands, would produce different returns for selectivity and training practices in the two countries. In Ireland, company-provided training is a vital supplement to the formal educational system. Additionally, because educational credentials are a less reliable signal of the specific skills and work-related qualities in Ireland when compared to the Netherlands, selectivity should play a substantial role in Ireland as employers need to expend more effort in order to identify the applicant which best matches the job requirements.

Results of the data analyses in Chapter 6 suggested that companies in the two countries differ significantly in terms of two practices: training and selectivity. As expected, the application of both practices was significantly higher in Irish than in Dutch companies. Furthermore, of all five HR practices Irish companies appear to invest the most resources in the training and selection of their employees (for details, see Tables 2.1, 2.2 and 2.3, Chapter 2).

The second societal effect factor suggested to moderate the relationship between the high performance bundle and employee/company performance was the different industrial relations systems that prevail in the two countries. The industrial relations has consequences primarily for effectiveness along the “benefit” dimension of high performance HR practices As outlined in Chapter 2, such benefits may take any of a number of forms, including relatively high wages,
advantageous fringe benefits or long-term employment security. Industrial relations in the Netherlands are traditionally characterised by neo-corporatist arrangements (Visser 1992), underpinned at the national level by an emphasis on collaboration between employer and employees. As a consequence in the Netherlands many labour standards regarding fringe benefits, employment protection and employee representation are mandatory or governed by collective agreements at the industry level (OECD 1994). There is little variation, therefore, in the wages and benefits offered by companies in the Netherlands (Teulings and Hartog 2000).

An additional difference between the industrial contexts of the two countries is that Dutch employees are undergirded by a generous and elaborate welfare system, and are therefore less dependent on company-provided insurance and pensions than are the Irish. Furthermore, it was suggested that the Irish experience of long-term massive unemployment results in the attachment of a particularly high value on long-term commitment given by companies. As a consequence, it was suggested the relative benefits associated with the high performance HR bundle could be expected to be less effective in stimulating employee performance when applied in the Netherlands, where inter-company differences are smaller and the conditions of the labour market are more secure.

Finally, the social values of Ireland may have more in common with the United Kingdom and the United States than with the Netherlands. According to Hofstede's framework (1980; 1993), there are striking differences between the Dutch and the Irish and these differences suggest implications for the implementation of a high performance work culture. The main differences found were with regard to the masculinity/femininity dimension and, to a lesser extent, that of uncertainty avoidance. While high masculinity is associated with a strong emphasis on earnings, competition, advancement and achievement (the Irish), high femininity is associated with an emphasis on harmonious working relationships, equality, the avoidance of conflict and the quality of working life (the Dutch). In a masculine culture – Ireland, for example – a performance centred work culture is highly legitimate, and supportive HRM practices providing performance-contingent rewards will appeal to the strong advancement and achievement orientation of the people. In a feminine culture – the Netherlands, for example – the possibilities of motivating employees through
differential rewards are limited by the strong emphasis on equality and solidarity. Also in a feminine culture, high performance can be mainly achieved indirectly by cultivating a work atmosphere that is primarily perceived as harmonious and enjoyable. Consequently, it was suggested that the high performance HR bundle, which incorporates strong incentives, would be difficult to implement in such a culture. In line with this reasoning it should be noted that it was found that incentives are used less frequently in the Netherlands than in Ireland and, where they are in place, they may even have an adverse effect on employee performance (see Chapter 6).

Considerable differences also exist with regard to the extent of uncertainty avoidance: out of 53 countries, the Dutch rank 35th and the Irish 47th (Hofstede, 1991). In the work context, uncertainty avoidance implies mainly that employees are unable to cope with ambiguity and unstructured situations. In these cultures, rules and regulations provide a sense of structure in what would otherwise be perceived to be unstructured environments. Further, uncertainty avoidance triggers a strong need for behavioural confirmation and for approval from fellow workers and supervisors. The clarification of work-related expectations is therefore an essential component of employee well being.

A company can prevent the occurrence of role ambiguity and provide orientation and support to the employee by taking an active role, for example, in the development of employees’ futures, their jobs and their careers. Companies can also take steps to embed their employees in the prevailing organisational culture. Such efforts are referred to as ‘guidance’. Unlike the other components of the high performance HR bundle, guidance was expected to be more important and more effective in the Netherlands than in Ireland. In accordance with this suggestion, the only dimension other than relational signalling found to be significantly related to employee performance in the Netherlands was guidance (Chapter 7).

The second question framing the discussion in this section concerns why Dutch managers would ever adopt the HR practices in the first place, given the lack of benefits suggested by the Dutch sample. The apparent ‘irrational’ adoption of the high performance HR practice in the Netherlands can neither be explained within the scope of the theoretical ideas of this study but the literature, however, suggests
four possible alternatives. For the sake of clarity, relevant aspects of Ireland and the Netherlands will be compared throughout the discussion of these points.

To begin, the paradox of the Dutch case may be due to the profile and structure of the function of HR in the Netherlands. In Ireland, top HR specialists are most likely to come from within the organisation itself, reflecting a high degree of decentralisation and an extensive knowledge and understanding of the company’s business operations and its associated HR requirements. On the other hand, top HR functions in the Netherlands are performed by specialists from other organisations or are contracted out entirely (Sparrow and Hiltrop 1994; Hoogendoorn 1992). This situation has attracted the criticism that in-house personnel functions have become so specialised that they are unable to meet the needs of line managers (Hoogendoorn 1992; Sels 1992). ‘Outsiders’ are less familiar or experienced with the operations and developments within a given company and this, in turn, makes tailoring HR arrangements to fit the particular needs of the company more difficult.

The suggestion above should be tempered, however, by considering the fact that the role of HR in the Netherlands has traditionally been based on an accountancy background (Hoogendoorn, 1992). In theory, such a background should imply a strong focus on such bottom-line considerations as cost control and labour efficiency. This may, in fact, lie behind one aspect of the cluster structure in the Netherlands. Of the companies that do not use the high performance bundle in the Netherlands, a majority (58 percent) fall into the category of ‘non-users’, which may very well reflect a cultural appreciation of frugality.

A second explanation highlights the role played by local norms and values in the Netherlands. Sorge (2001) discusses the very particular definition of the HR management function in the Netherlands. As in many countries, this function is seen as having a greater purpose than the earlier, more restricted role of the personnel manager. What is distinctive, however, is the extent to which the HR function in the Netherlands has been endowed with a 'caring' or humanitarian dimension. This conception of the HR function fits well with – and in fact reflects – the local sense of appreciation for tempering business with a sense of morality (or what Sorge refers to as “an infusion of preacher elements” (Sorge, 2001, p. 80).
The particular appreciation attached by the Dutch to the humanitarian dimensions of the HR function suggests normative isomorphism, as this dimensions is consistent with and may even symbolise local values and norms. Under these circumstances, the HR function may be evaluated less in terms of its efficiency and more appreciated for its normative basis, that is its capacity to contribute to the quality of work life and issues of relational and solidarity in the workplace. While, on the face of it, this would be a coherent account, taking this position to its natural conclusion suggests that Dutch HR managers may be likely to engage only the guidance and relational signalling dimensions of the HR bundle. Analyses in Chapter 6 provided specific support for this expectation. What is not clear, however, is why, given their ineffectiveness, Dutch HR management would use the remaining three practices.

A possible explanation is that, when the data were collected in the Netherlands, the diffusion process had not yet developed beyond the initial stages, and that it was consequently too early for companies to realise that the bundle was not effective. This explanation is however problematic. It may help to explain why differentiation was not (yet) related to adopting the bundle. But this ‘early stage’ phenomenon would not mean that prevent the pursuit of a differentiation strategy from nevertheless moderating the impact of the bundle on performance at the employee and company levels. According to the general model outlined in the previous chapter, unless differentiators experience improvements from adopting the bundle, it will not develop a reputation for delivering performance effects, and will thus be neither widely sought nor widely appreciated as a legitimate and innovative management technique.

Another possible explanation for the paradoxical adoption of what, in the Netherlands, is an ineffective bundle of HR practices, can be traced to the economic recession experienced by this country in the 1970’s. These circumstances created a climate within which activities were accounted for, luxuries were few and all belts were tightened, in an effort to ride out the leaner years. Prior to this time, the role of the personnel manager was limited. The institutional environment at that time was characterised by tripartite consultation aimed at achieving consensus between all concerned parties. This implied that managers operated largely in the absence of any autonomous personnel policy
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(Looise and Paauwe, 2001). In these lean years, the role of personnel management was confined to the implementation of collective and labour agreements. The 1980’s, however, ushered in an opportunity to overhaul. The Wassenaar agreement marked a steady dismantling of bargaining at the national level. These developments provided HR management with the scope to acquire a more strategic role and provided HR managers with the opportunity to gain the role of a strategic partner by persuading companies of the value of adopting HR practices. Given the notorious lack of HR evaluation and cost/benefit analysis, HR managers may as a result of this lack been quite successful in ‘pushing’ for the adoption of these practices.

The processes underlying the willingness of the Dutch to adopt the high performance HR bundle can be examined using the ideas of the theory of inter-organisational imitation. This theory argues that the likelihood of a practice being adopted by one organisation increases with the use by other organisations (DiMaggio and Powell 1983; Davis 1991; Haunschild 1993; Haunschild and Miner 1997). Additionally, two other modes of imitation appear particularly appropriate in the Dutch case: trait-based and outcome-based imitation. Trait-based imitation assumes that organisations adopt practices that, in their use in other companies, have exhibited such traits as prominence or reputation. Outcome-based imitation describes a process whereby organisations imitate practices that appear to have produced good outcomes in the past for other organisations or contexts, and avoid practices that have produced bad outcomes.

The reputation of the United States as a spearhead of capitalism earned American management practice and theory a favourable reputation. For managers seeking association with highly regarded practice, then, the United States would be a desirable role model to imitate. Sorge (2001) and Looise and Paauwe (2001) make the point that the Dutch tend to adopt international management ideas, particularly those originating in the United States. The findings reported in Chapter 8 provide empirical support for this explanation. Three factors were found to have significant influence on the adoption of the high performance HR bundle in the Netherlands: status, imitation, and union density. The hierarchical status of the organisational officials seeking to apply new practices affects their ability to persuade the ‘powers that be’ of the utility and appropriateness of adopting these practices. The extent to which companies express admiration of or
mimic the practices of other companies in their own decisions also affects the likelihood of adoption. Finally, lower union density in the Dutch sample increases the likelihood of adopting the high performance bundle. The latter finding reflects the increased leeway provided to HR management as unions and collective agreements recede, allowing HR managers to increase the field of their functioning.

The future of the high performance HR bundle

Most empirical studies conducted in Europe have had the purpose of seeking a modal form of HR management in single countries and, in the case of multiple countries, establishing whether this form differs among countries. With respect to one set of five practices, this study has tried to establish how companies use these five practices, to identify factors affecting their adoption and to determine their effectiveness for the companies that have used them. In addition, this study raises several important issues to be considered in future research. First, it did not cover the implications of the high performance HR bundle for employee welfare. More than ever before, finding an appropriate balance for employee well being is an important challenge for companies. Changes in the employment relationship have led to dramatic changes in the expectations of both parties and in their commitment to that relationship.

The role of relational signals has perhaps never been more important than it is currently. Change and re-structuring have increasingly become an inevitable part of development. Flatter hierarchies, greater flexibility, increasing responsibility, and outsourcing are all examples of how organisations must reconsider the ways in which they structure their work. Non-standard forms of employment (Atkinson 1984) have increased dramatically in many European countries (Brewster et al 1994). For employees working in these companies, the uncertainty accompanying these changes arises from such harsh corporate realities as shortened planning horizons within which the careers of employees can be accommodated. As a result, employee behaviour has changed as has the ways in which employees are managed, thus leading to fundamental alterations in the relationship between employer and employee.
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The examination of how certain HR practices affect the levels of stress experienced by employees, their implications for facilitating a favourable balance between work and family, and their implications for solidarity among employees and between employees and employers represents a fruitful direction for future research. Multi-level research designs involving the collection of data from both employees and companies should be particularly appropriate for this purpose, as this allows the testing of the nested-structure of the data, and the implications of high performance HR management for employee well-being. As implied by the only prior study combining employee and organisational level measures (Applebaum et al. 2000), however, such designs tend to be confined to quite small and selective samples of organisations. The inclusion of several data collection points, particularly at the company level, would also be worthwhile.

Given the barrage of ideas and advice that companies currently experience, a second fruitful avenue for research would be to confirm that the high performance HR bundle represents a long-term trend in company practice and not simply a fad that will, with time, disappear and be replaced. Such studies would obviously require longitudinal data. Panel data would be most desirable for examining the effectiveness dimension, and would provide insight into changes and developments in organisational practices while also permitting the unravelling of the infamous problem of confounding the relationship between company practices and company performance. Although many suggest the desirability of quantitative performance data, the enormous difficulties associated with recruiting corporate participants willing to provide information on financial indicators inevitably raises the threshold of cooperation. Relying on publicly available information restricts the sample to the select group of companies making this information available. In this study, for example, relying on this type of data would have eliminated a large part of the Irish sample, because Irish companies are not obliged to make this type of information publicly available.

Given that innovative work organisation practices are not correlated with the high performance HR bundle (Mühlau and Horgan 2003), the role of work design was not covered in this study. Future research addressing the organisation of work and industrial relations practices would serve both to broaden and to deepen the scope of the study.
Consideration should also be given to the fact that such generic typologies of business strategy as those articulated by Porter may not be a valid starting point. Generic strategies may not be mutually exclusive (see Hill, 1988). Furthermore, it would be interesting to examine the process of strategy implementation, and in particular how this process involves a corporate learning process concerning HR management. Because strategic planning is most likely to be a multi-stage and multi-level process, such research would ideally require a longitudinal, multi-level design. Finally, the systematic examination of the implications of these issues would be of particular interest, given the important role played by country-specific institutional arrangements and cultural orientations. Such research would require the collection of both company and individual level data in a variety of countries.