

Unraveling the different black boxes:
In search for theories explaining the black boxes between HRM and Performance

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Abstract

A black box can be defined as ‘*an unclear mechanisms going on between the input and the output of a relationship*’ (Boselie et al, 2005). Wright and Gardner (2003) define it as ‘a stage which is still a little mysterious’. HRM is a broad concept and is influenced by many factors such as: the institutional context, sector/industry, organizational characteristics, individual employees and their attitudes as well as their behaviors so we need to make a distinction between different levels of analysis in order to incorporate all the different factors. In other words, if we want to say something about the HRM and performance relationship and the black box in between, we must distinguish different levels of analysis and probably different black boxes. The micro level of HRM is closely related to Organizational Behavior and Occupational Health psychology and is focused on the individual employee and its attitudes and behaviors (Wright & Boswell, 2002). The meso level of HRM examines the impact of HRM practices at the organizational level and the macro level of analysis is concerned with issues outside the organization and the influence of its context. As we want to unravel the black box between HRM and performance the following question arise: ‘*Which theories are available as possible candidates in analyzing and unraveling the black box between HRM and performance?*’

As indicated above HRM and performance does not manifest itself at one level of analysis, so we assume that there is a possibility of more than one black box and that there are more theories available/suited for answering this question.

This paper can be seen as a journey towards unraveling different black boxes and finding theories most likely to be a candidate for explaining the specific black box, based on a literature study. Review articles enable us to find the information and theories needed to unravel the black boxes. Finally, theories are evaluated based on criteria from Goudsblom (1974). Goudsblom (1974, 18) specifies four criteria as requirements to which all scientific theories should adhere to. The first one is preciseness and fact finding, hereby he refers to the observation of reality, is the theory accurate and does the degree of detail in observation meet reality? Social research should not only be precise, but it should also have a certain scope, which is the second criterion. This is all about whether the model covers all the aspects of the society and also includes external validity of a study. The third criterion is derived from both precision and the scope of a theory and is called ‘systematic rigor’. Ideas must be verified, based on methodological reasoning. The last criterion is all about societal relevance, is the theory relevant in the societal context?

Boselie et al (2005) were among the first to do a review study in the area of HRM and Performance. With respect to the theories most used, they found that the AMO theory, Resource Based View and Institutional theory dominate the HRM field. The AMO theory can be seen as a theory operating at the individual as well as the organizational level of analysis. The Resource Based View (Barney, 1991) is concerned with the organizational level while the institutional theory mainly focuses on the macro level of analysis (Boselie, Paauwe,

Richardson, 2003). However, Boselie et al (2005) did not take into account the different levels of analysis.

In this paper we want to highlight the importance of different levels of analysis in determining which theory would be most suitable to solve a particular black box. To indicate the different levels of analysis, the figure below is depicted.

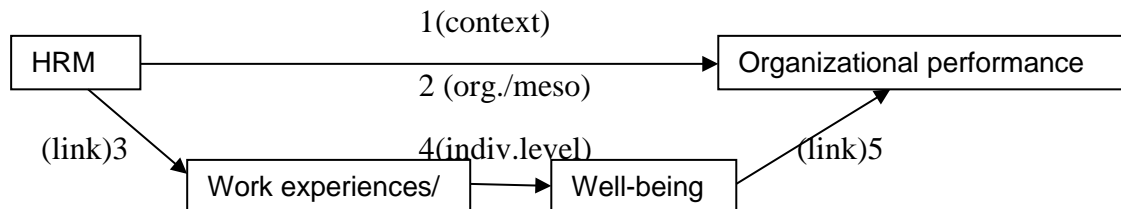


Figure 1. Different Levels of analysis

Based on: Peccei, R., Van de Voorde, K., Veldhoven, M. M. J. P. (2013) HRM, well-being and performance: a theoretical and empirical review. In: Paauwe, J., Guest, D. E., Wright, P. M. (2013) *HRM & Performance: Achievements and Challenges*. Wiley Press. Chapter 2, page 40, numbers to indicate different black boxes added by Blok-Paauwe

The results of this paper are aimed towards finding possible theories linked to a specific black box linked to a specific level of analysis. Let's start with unraveling the macro level of analysis. Organizations have to deal with their context every day and it is important to be aware of the changes in their organizational environment (Figure 1, number 1). Think about changes in the market, labor market, trade unions and agreements between social partners. HRM and strategy will be influenced by decision making at the organizational, industry and national level (governmental decision) and this influences the shaping of HRM. In other words, it is important to create an HRM strategy which is consistent with other aspects of the organization in order to create a competitive advantage and improve your organizational performance. Main theories that explain these processes and this way contribute to unraveling the black box at this level of analysis are for example the organizational fit theory developed by Porter (1985) and institutional theories. Porter was one of the first who came up with the assumption that firms should analyze their competitive environment and should adequately choose their strategy. He developed a five forces factor model that describes the attributes of an attractive industry and states that if your industry relies on it, the opportunities will be greater and threats will be less. More recently, Paauwe (2004), inspired by both strategic management as well as institutional theory developed the Contextually Based Human Resource Theory (Paauwe, 2004), which depicts different dimensions and forces (competitive mechanisms and institutional mechanisms, administrative heritage and dominant coalition) that can influence the shaping of HRM.

The black box at the organizational or meso level (Figure 1, number 2) is looking for theories like Strategic Climate theory (Schneider, 1990) and Human Capital theory (Becker, 1964). Following the logical order of the levels of analysis, it might seem obvious that the next level of analysis to discuss here should be the meso level of analysis. But actually, the next level we want to highlight are the levels making the connection between the macro level and the meso level of the organization (Figure 1, number 3 and 5). Think in this respect of high impact

theories like the Resource Based View (Barney, 1991), AMO theory (Appelbaum, 2001). These theories cannot be placed at one specific level but make the connection between these two levels of analysis. All of these theories are also able to explain a part of the HRM and performance relationship.

If we now move on to the micro level of HRM, plenty of theories on the individual level can be found in the literature (Figure 1, number 4). This level of analysis is particularly focused on sending the right HRM signals towards your employees and this way affecting their attitudes in such a way that they are willing to display 'desired' behavior and HR outcomes in return. In particular, this means that if for example your HRM practices states that employees can have flexible work arrangements (to safeguard work-life balance), and if they like it, their attitude will be positively towards the HRM practices (as well as to the HR manager and organization). These processes are all based on exchange related theories such as Reciprocity theory (Gouldner, 1960), Leader-Member Exchange theory, Perceived Organizational Support, Equity theory etc. Searching for an overarching theory explaining these processes you will end up by the social exchange theory again. In the research of Peccei and his colleagues (Peccei, Van de Voorde, Van Veldhoven, 2013) many processes are explained by using the social exchange theory (Blau, 1964) as well. In the literature it is often assumed that the attitude of the employee is the link between HRM and performance (Shore et al, 2004), while there is no hard evidence for this, this assumption is also based on the social exchange theory. To conclude this level of analysis, it seems that the exchange theory is salient in examining the mechanisms between HR management and attitude, it is all about reciprocity and exchange.

Summarizing, we argue that the black box between HRM and performance will probably never be solved by focusing on one particular theory. Our discipline is based on multiple levels of analysis and all the theories mentioned above explain a particular part of the relationship between HRM and performance. At the macro level of analysis, the environmental fit theory of Porter (1985) plays a crucial role, looking at the meso level of analysis the Resource Based View and AMO theory are theories of high impact. At the individual level of analysis, it seems to be that many theories explaining attitudes and behavior of individuals in an organization are based on the norm of reciprocity, equity and exchange which is the underlying principle of the social exchange theory. So, we did not find one overarching theory explaining the process between HRM and performance. The psychological, sociological and economic processes occurring in the field of HRM and Performance are made more explicit and can be better explained by the above mentioned theories (see also appendix for a full overview), which contribute towards explaining different parts of the HRM and performance relationship at different levels of analysis.

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Wright, P. M. & Gardner, T. M. (2003). The human resource-firm performance relationship: Methodological and theoretical challenges. In Paauwe (forthcoming) *HRM and Performance: What's next*.

Micro level theories		
Attribution theory	Heider	Heider, F. (1958). <i>The Psychology of Interpersonal Relations</i> . New York: Wiley.
Exchange theories		
• LMX	Settoon et al	Settoon, R. P., Bennett, N. & Liden, R.C. (1996). Social exchange in organizations: perceived organizational support, leader-member exchange, and employee reciprocity. <i>Journal of Applied psychology</i> , 81(3), 219-227.
• Social exchange	Blau	Blau, P. M. (1964). <i>Exchange and power in social life</i> . New York: Wiley.
• Reciprocity theory	Gouldner	Gouldner, A. W. (1960). The norm of reciprocity: A preliminary statement. <i>American Sociological Review</i> , 25(2), 161-178.
• Perceived Organizational Support	Eisenberger et al	Eisenberger, R., Huntington, R., Hutchinson, S., & Sowa, D. (1986). Perceived Organizational Support. <i>Journal of Applied Psychology</i> , 71(3), 500-507.
Social Contagion	Hatfield et al	Hatfield, E., Cacioppo, J. T. & Rapson, R. L. (1994). <i>Emotional contagion</i> . Cambridge: Cambridge University Press.
Equity theory	Adams	Adams, J.S. (1963). Toward an understanding of inequity. <i>Journal of Abnormal and Social Psychology</i> , 67, 422-436.
Expectancy theory	Vroom	Vroom, V. H. (1964). <i>Work and Motivation</i> . New York: Wiley.
Organizational justice theories	Cohen	Distributive: Cohen, R. L. (1987). Distributive justice: theory and research. <i>Social Justice Research</i> , 1, 19-40.
	Bies and Moag	Interactional: Bies, R. J., & Moag, J. F. (1986). Interactional justice: Communication criteria of fairness. <i>Research on Negotiations in Organizations</i> , 1, 43–55.
	Thibaut & Walker	Procedural: Thibaut, J., & Walker, L. (1975). <i>Procedural justice: A psychological analysis</i> . Hillsdale, NJ: Lawrence Erlbaum Associates.
Broaden and build theory	Fredrickson	Fredrickson, B. L. (2001). The role of positive emotions in positive psychology: the broaden- and- build theory of positive emotions. <i>American Psychology</i> , 56, 218–226.
Psychological contract theory	Rousseau	Rousseau, D. M., (1989). Psychological and implied contracts in organizations", <i>Employee Responsibilities and Rights Journal</i> , 2, 121-139

Meso level theories		
AMO theory	Appelbaum et al	Appelbaum, E., Bailey, T., Berg, P. & Kalleberg, A. (2000). <i>Manufacturing advantage: Why high performance work systems pay off</i> . New York: Cornell University Press.
Resource Based View	Barney	Barney, J. B. (1991). 'Firm resources and sustainable competitive advantage'. <i>Journal of Management</i> , 17, 99-120.
Strategic Climate theory	Schneider	Schneider, B. (1990). The climate for service: An application of the climate construct. In B. Schneider (Ed.), <i>Organizational climate and culture</i> : 383-412. San Francisco: Jossey- Bass.
Human Capital theory	Becker	Becker, G. (1964). <i>Human Capital</i> . New York: Columbia Univ. Press (for NBER), 1964. 2d ed. 975.
Macro level theories		
Contingency theory	Fiedler	Fiedler, Fred E. 1967 <i>A Theory of Leadership Effectiveness</i> . New York: McGraw-Hill.
	+ Schuler & Jackson*	Schuler, R. & Jackson, S. (1987). Linking Competitive Strategies With Human Resource Management Practices', <i>Academy of Management Executive</i> , 1(3), 207-219.
Institutional theory	Meyer	Meyer, J. & Rowan, B. (1977). 'Institutionalized organizations: formal structure as myth and ceremony', <i>American Journal of Sociology</i> , 83 (1977), 340-63
	+ DiMaggio & Powell*	DiMaggio, P. J., & Powell, W. W. (1983). Institutional isomorphism and collective rationality organizational fields, <i>American Sociological Review</i> , 48(2), 147-160.
Contextually based human resource theory	Paauwe, 2004	Paauwe, J. (2004). <i>HRM and performance. Achieving long term viability</i> . Oxford: Oxford University Press.
Five forces model	Porter, 1980 1985	Porter, M.E. (1980) <i>Competitive Strategy</i> , Free Press, New York, 1980.
		Porter, M. E. (1985). <i>Competitive Advantage: Creating and sustaining superior performance</i> . New York: Free press.
Relational coordination	Gittel	Gittel, J., (2001). Organizing work to support relational coordination. <i>International Journal of Human Resource Management</i> , 11 (3), 517-539.

*Applied theory to HRM field for first time.