

The missing link – individual performance and the HRM-performance relationship

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Introduction

The ongoing attempt to uncover and measure the effect of HRM practices upon organisational performance has been described as the 'Holy Grail' of HRM research (Legge 2001). The HRM-performance literature has been able to claim a great deal of success in establishing the value of a system of HRM practices (Huselid and Becker 2000) although it is perhaps more accurate say that the evidence is mixed (Wall and Wood 2005:454; Godard 2004:355; Boselie *et al.* 2005; Purcell *et al.* 2009).

Critics of this literature have pointed to a number of methodological limitations associated with the use of large scale surveys and quantitative analysis and also the lack of a coherent theory about the mechanism through which the HRM-performance relationship functions; often referred to as the 'black-box' issue. Implicit within the HRM-performance literature is the notion that the forerunner of improved organisational performance is *improved individual performance* and so it is the ability of HRM practices to impact upon this that is contained within the black-box. However, despite its importance to the meta-level HRM-performance relationship, there have been very few attempts to engage directly with the nature of individual performance.

This paper looks to address this shortcoming by examining the implications of a study into the nature of individual performance within a high street bank (Wylie 2008). This research involved a series of interviews and observations within two contrasting departments of this organisation. The first was a processing centre where the work was generally monotonous and low skilled and the second was a corporate banking department based around the management of portfolios of corporate customers. Within these areas the study addressed three central questions. First, what measures of performance were of most significance to individuals? Rather than pre-determine specific measures or identify the ability of employees to achieve them the study drew on subjective accounts individuals gave of their orientation towards key methods of assessing their contribution. Second, how did individuals account for their willingness or otherwise to perform? This meant a more direct engagement with how employees understood their own performance and how this related to their wider sense of commitment to the workplace. Third, how far were HRM practices, and particularly those explicitly focused on the management of performance, central to the development of formal measures of performance and also individual subjective responses towards the nature of individual performance? By examining these issues the research aimed to address the nature of the HRM-performance relationship through a focus on the constitutive nature of HRM practices.

Examining these issues relied on a particular conceptualisation of HRM. HRM was defined as a discourse that constructs what is natural and self evident within the management of employment and so acts as a form of power/knowledge to discipline an individuals understanding of work and employment. This approach is distinct from recent attempts to set out a broad and generic definition of HRM (Boxall *et al.* 2007) and closely follows Townley (1994:13) who claims HRM is “a discourse and a set of practices which attempt to narrow the gap between the capacity to work and its exercise”. This definition draws attention to the indeterminacy in the employment relationship as the central issue that HRM addresses. Townley argues that the problem of harnessing an individuals productive potential is addressed by a discourse of HRM which represents certain assumptions about employment and employment management (namely the prioritisation of strategic integration, performativity, individualisation, enterprise, unitarism and the marketisation of employment (Legge 2005)) and also through the application of related techniques or practices that constitute individual subjectivities. One of the drawbacks of a discursive conceptualisation of HRM is that it can be accused of a deterministic approach in which employees and managers have no sense of agency or choice in how they respond to HRM practices (Townley 1994). However, as the findings of the study suggest, the variability in responses to HRM practices and individual performance rejects a simplistic notion of determinism, although it argues that these practices remain significant in setting out the environment which individuals had to respond to in one way or another.

Key Findings

The study identified three main findings that contribute to our understanding of the HRM-performance relationship. First, in line with recent studies that have emphasised the importance of context in the study of HRM (Purcell *et al.* 2009), it suggests that individual performance has to be understood in relation to the nature of the work undertaken in a specific environment. The study shows how the centrality of individual performance, the processes by which it was managed and the manner in which managers and employees responded to it was closely associated with the specific forms of work in each department. In addition, the role of specific performance measures were also key in enforcing an understanding of the main priorities in each area. For example, in the corporate banking department there was a universal measure of performance that dominated all activity and which led to a much greater emphasis upon the importance of individual performance and performance management practices than in the processing centre. This was taken by some to represent changes to the nature of the banking industry and by others as an opportunity for advancement and so individual performance acted as either a source of frustration or consensus. Either way it was clear that individual performance was not simply a static outcome of various attitudinal and behavioural inclinations but something that acted independently to create meaning in the workplace.

The second finding of the research was that that an individual's (social-psychological) desire to perform, as opposed to organisational commitment, is often central to employee's sense of self and that this is crucial to the willingness of individuals to attain and maintain certain performance standards. This was something observed in both departments where employees were keen to stress that their performance could be explained on the basis of their personality, their social values and/or upbringing and their willingness to maintain certain standards regardless of the environment in which they worked.

The third central finding of the study was that the desire of individuals to equate individual performance with workplace identity was influenced by the notion of performativity inherent in many HRM practices. For example, although performance management practices did not in themselves generate a sense of organisational commitment they established the parameters within which individual performance could be defined. Crucial to these parameters was a relentless individualisation in the way that all activity was described and this was something that all managers and employees had to engage with, even if they rejected the basic mechanisms for assessing individual performance. The study argues that the absence of mechanisms for perceiving performance as anything beyond or outside of the responsibility of each individual required employees to search for explanations of performance in terms of their own capabilities or attitudes rather than as a response to the unique conditions of the workplace.

Discussion and conclusion

The role of individual subjectivity and an understanding of the nature of individual performance has a number of implications for the study of the HRM-performance relationship. In particular it reveals the value of treating individual performance as more than simply the outcome of certain attitudinal and/or behavioural inputs. By setting out how individual performance was measured in a specific context, the manner in which individuals perceived these measures and explained their willingness (or otherwise) to meet them and how both these reflected the assumptions implicit within certain HRM practices the study contributes to the HRM-performance debate in four ways.

First, it re-emphasises the need to adopt, and where necessary develop new, methodologies and theoretical frameworks that can better engage with the complexities of managing the employment relationship. The mainstream HRM-performance literature presents a simplistic and one dimensional view of organisations in which certain outcomes can be measured against the presence of various inputs. This approach has been critiqued mainly at a methodological level yet the response of the mainstream literature has been a continued adherence to positivistic principles and the design of bigger (and so better) research projects (Wall and Wood 2005; Fleetwood and Hesketh 2010). I would argue that this approach can only go so far in 'revealing' the links between HRM and performance and attention must now turn to methodological approaches which are able to engage with the complexities of understanding the link between HRM and individual performance in organisations. For example, in the research presented here the use of qualitative research methods allowed for a more nuanced account of individual performance and performance management practices to emerge. For example, in the corporate banking area the use of a universal quantitative measure of performance was accepted by some due to the clarity it brought to performance ratings, but, at the same time, it was also a source of suspicion for those who saw it as representative of unwelcome changes to the nature of the banking profession.

The second implication of the study for the HRM-performance relationship is that it suggests individual performance should be understood as a dynamic phenomenon that has an independent effect on the way in which managers and employees engage with their workplace. This brings into question the assumption that performance is simply the outcome of attitudes and behaviours associated with organisational commitment (Purcell *et al.* 2009). The study suggests that individual performance, both as a set of managerially defined objectives and a feature of self-identity, was often perceived as being independent of levels

of commitment to the organisation. Instead, performance was much more closely associated with a sense of commitment to the self and was seen to emerge out of attitudes and standards of behaviour which employees bought, fully formed, to the workplace. This would suggest that exploring *organisational* commitment as a vital precursor to individual performance is misplaced as it excludes alternative aspects of commitment, such as to a professional or personal identity. As such, the argument presented here goes beyond that of Kinnie *et al.* (2005) who show that the link between HR practices and organisational commitment will differ for different groups, to suggest that a closer analysis of the values and sources of varied forms of commitment can give a much more in-depth understanding of the links between HRM and performance.

The third implication of the analysis set out in this paper is to expose the limitations of linear models of the HRM-performance relationship. In terms of understanding the mechanism of the HRM-performance relationship questioning the role of organisational commitment in preceding individual performance also draws into question the assumption that this mechanism can be conceptualised as a series of discrete sequential stages. The research presented in this paper suggest a much more reciprocal relationship where the manner in which individual performance was understood has an effect on levels of commitment and perceptions of HRM practices. For example, in the corporate banking department those who had a clear and instrumental view of their role as focused only on meeting performance objectives, related to HRM practices in terms of their relevance for meeting income targets rather than what they suggested about the organisations fulfilment of the psychological contract. This is not to simply reverse the direction of causality in the HRM-performance relationship but to suggest that the interaction between HRM practices, attitudes and performance was more iterative. This meant that for some individuals in the corporate banking department the manner in which performance management practices had been used to support them in achieving a promotion meant they were viewed positively and so could be credited with a role in driving individual performance. However, to see this in terms of a linear sequence is, once again, to simplify the complexities of any associations.

Finally, the research suggests there is a broader issue at stake in the neglect of individual performance and the emphasis upon linearity within the HRM-performance relationship. Thus far, attempts to explain the causal mechanism of this relationship have pursued a managerialist logic (Keenoy 2007) in which issues of organisational efficiency are paramount. As a result the study of the performative effects of HRM practices has regarded such things as organisational commitment and the psychological contract as concepts amenable to managerial intervention. However, if we see employee attitudes emerging from orientations to work (Goldthorpe *et al.* 1968) and a range of broader social discourses embedded in the nature of the capitalist employment relationship (Townley 1994; Willmott and O'Doherty 2001) then attitudes towards individual performance and the role of HRM practices have to be understood beyond specific organisational experiences. As this paper demonstrates, individual performance was seen by employees as much more than an objective response to managerial practices and so requires the study of the HRM-performance relationship to be sensitive to broader sociological (and critical) traditions in the study of HRM and organisations.

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