



# A bridge over troubled water: Replication, integration and extension of the relationship between HRM practices and organizational performance using moderating meta-analysis



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## ABSTRACT

Meta-analyses on the relationship between human resource management (HRM) practices, as an aggregate and individually, and organizational performance has yielded mixed results, further fueling the theoretical debate among HRM scholars. To resolve this tension, we conduct a moderating meta-analysis of 89 primary studies to replicate, integrate and extend prior work. Comparing the variance explained by differences in HRM practices versus those explained by contextual and empirical factors indicates that context and research design have a strong influence on the relationship between HRM practices and performance. Despite the voluminous research on this issue, the differences in the relationships of various HRM practices explains only 4% of the variance in performance, whereas, societal context, industry sector and firm size explain 33%, 12% and 8%, respectively. Empirical contingencies including four categories of performance outcomes and four types of participants explain 13% and 9% of the variance in the results, respectively. Thus, our findings provide strong support for the contingency theory. The theoretical and empirical implications for future research in the area are discussed.

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## 1. Introduction

In the past decades there has been a growing interest in examining the relationship between HRM practices and a firm's performance (e.g. Delery & Doty, 1996; Jackson, Schuler, & Jiang, 2014; Wright, Gardner, Moynihan, & Allen, 2005). While there is general agreement about a positive correlation between the two factors, inconsistencies in reports raise some doubts about our ability to reach strong conclusions about their relationship. For example, in showing that high performance work practices (HPWPs) have a stronger relations than individual practices, Combs, Liu, Hall, and Ketchen (2006) suggest that their results provide support for the configurational perspective. On the other hand, Tharenou, Saks, and Moore (2007) find compelling evidence for the alternative universalistic perspective, documenting that training is related independently to organizational outcomes. In support of Combs et al. (2006) and the configurational perspective, both Subramony (2009) and Jiang, Lepak, Hu, and Baer (2012) establish that bundles of HRM practices have a stronger relation than individual practices. Still, in demonstrating that the relations between HRM practices on a firm's performance are stronger in manufacturing than in the service sector, Combs et al. (2006) and Subramony (2009) provide some support for the contingency perspective.

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Given these differences in empirical findings and theoretical stances, the first goal of this study is to re-evaluate the difference between the relations between individual practices relative to those of HPWPs on performance. Doing so is particularly important given the theoretical implications associated with such differences. The second purpose of this study is to expand our understanding of the relationships between HRM practices and outcomes across other contextual factors (Johns, 2006). Specifically, while all studies argue that context matters, to date researchers have compared only the manufacturing and service industries, limiting our ability to fully answer the question: Are some HRM practices more sensitive or resilient than others to organizational and environmental characteristics? Researchers commonly agree that future research should examine other contextual factors. For instance, Combs et al. (2006) suggest that, “Future meta-analysis can go beyond simple distinction between service and manufacturers to determine which contextual variables warrant managerial attention” (p. 521), an idea that Jiang et al. (2012) echo. With the emergence and growth of the high-tech industry in the past two decades, examining the Relation between HRM practices in such a work environment can serve as a valuable extension of prior research.

Similarly, it is not clear how the effect size of HRM practices varies across different size companies. Furthermore, scholars have also speculated that societal differences might be an important moderator in testing the contingency argument. We seek to extend prior research by examining these additional contextual factors. In following up on these suggestions, we maintain that the relevance and saliency of various HRM practices on performance may also vary in different cultures and different size companies.

Finally, prior meta-analytical reviews attribute the variance in results to empirical moderators such as operational versus financial outcomes, subjective and objective measures, and single versus multiple sources. To extend this logic and provide a more nuanced view of prior results, we believe it is important to examine their joint relations. Furthermore, scholars note that, “Data source might be a true moderator” (Combs et al., 2006, p. 522). Consistent with this statement, Tharenou et al. (2007) argue that HRM managers and executives or CEOs are those typically rate outcomes, which might inflate the results. Accordingly, the third purpose of this study is to extend prior examinations by combining the type of outcome with assessments of the objectivity or subjectivity of the measures, and comparing the variance of the effect size of HRM practices within and between those categories. In addition, we compare the effect size within and between different types of participants: executives, HRM managers, middle managers and employees.

### 1.1. Review of prior meta-analyses

The current four meta-analyses commonly agree that HRM practices have an overall positive and significant relation with on performance. Nevertheless, despite this general agreement, there is a great deal of theoretical and empirical disagreement between these studies. For instance, while Combs et al. (2006) report that systems of HPWPs have a stronger positive relation than individual HRM practices, both Subramony (2009) and Jiang et al. (2012) agree that bundles of HRM practices have a stronger relation than both individual practices and HPWPs.<sup>1</sup> Focusing on the relationships between training and various outcomes, Tharenou et al. (2007) find that it has a positive and significant relationship with all outcomes and that those relations are not significantly different from each other. In support of these findings, both Subramony (2009) and Jiang et al. (2012) report that enhancing skills has a positive and significant relation on financial and operational outcomes. Yet, Combs et al. (2006) document no significant differences between training and other HRM practices. Table 1 provides a summary of these meta-analyses.

To delve deeper into the relationships between HRM practices and performance, scholars have examined the relation of HRM practices across operational and financial performance outcomes. Here too reports are mixed. Whereas Combs et al. (2006) and Tharenou et al. (2007) find no significant differences in the relations of HRM practices and training, respectively, on financial and operational outcomes, Jiang et al. (2012) and Subramony (2009) report more nuanced findings. For instance, Subramony (2009) notes that the effect of empowerment and skill enhancing bundles is not significantly different across performance categories, whereas motivational bundles have a stronger relation on operational outcomes. In contrast, however, Jiang et al. (2012) demonstrate that motivation enhancing HRM practices have a significant positive relation on financial outcomes, while opportunity enhancing HRM practices have positive relations with operational outcomes.

Based on these differences in findings, scholars have also reached different theoretical conclusions. In showing that HPWPs have a stronger relation than individual practices, Combs et al. (2006) maintain that their results provide support for the configurational perspective. In contrast, based on their findings that training is related independently to organizational outcomes, Tharenou et al. (2007) conclude that there is more support for the universalistic perspective. In showing that the relations between HRM practices and firm performance varies across industries, Combs et al. (2006) and Subramony (2009) provide some support for the contingency perspective.

In another line of investigation, prior research has tried to attribute some of the variance to contextual variables. For instance, in support of the contingency perspective, both Combs et al. (2006) and Subramony (2009) indicate that the relationships are stronger in manufacturing than in the service sector. They conclude that future research should align best practices to the type of work being conducted. Similarly, Tharenou et al. (2007, p. 270) suggest that future research should examine different types of employees whose jobs may vary rather than those in the sectors examined in prior research. Finally, scholars have noted that the research design might bias the findings about the relationship between HRM practices and the firm's performance. Specifically, Tharenou et al. (2007) indicate that the effect of training on performance outcomes is stronger when perceptual

<sup>1</sup> It is important to note, however, that there are some critical differences between the HR practices included in the Subramony (2009) bundles and those examined in Jiang et al. (2012). For instance, whereas Subramony includes staffing and training in the skill-enhancing bundle, Jiang et al. add selection as part of this bundle.

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