CHAPTER - II

REVIEW OF LITERATURE

Shay S. Tzafrir, The late Gedaliahu H. Harel, Yehuda Baruch, Shimon L. Dolan (2003) in his study examines the consequences of emerging human resource management (HRM) practices for employees’ trust in their managers from a combination of the theory of exchange and a resource-base perspective. Using a national sample of 230 respondents, the research reported here portrays the paths which link the consequences of emerging HRM practices to employees’ trust in their managers. In this framework, HRM consequences represent a proxy in which managers’ actions, behaviours, and procedures affect employees’ trust in their managers. The results indicate a significant and positive influence of empowerment, organisational communication and procedural justice as determinants of employees’ trust in their managers. Using structural equation analysis, findings also indicate that procedural justice mediates the impact of employee development on their trust in their managers. Implications for strategic HR policies in organisations and suggestions for future research are discussed.

Maximizing the return on HR investment

The transfer of human resource (HR) management practices across national boundaries has become a key strategy for multinational companies to achieve competitive advantage in global markets. However, national differences are major factors complicating the process. The introduction of shared services for HR management departments offers not only costs savings and greater
efficiency, but also provides the HR function with an opportunity to focus on more strategic issues.

Seyed-Mahmoud Aghazadeh (2003) Human resource management must change as the business environment in which it operates changes. Outlines the key challenges facing human resources managers as they move from simply handling personnel issues to making a strategic contribution to the future directions and development of an organization. Demonstrates that human resources managers can contribute both to performance enhancement and cost reduction thus contributing directly to the productivity of the organization.

Seyed-Mahmoud Aghazadeh (1999) Investigates three aspects of human resource management facing future challenges, personnel, technology and globalization. Suggests that the human resource professionals in a successful business must be able to attract and retain individuals who have the ability to manage a globally responsive business. Covers the use of technology for competitive advantage; advocates global strategies in operations management and empowerment of the individual.

**HRM – the devolution revolution (2004)**

Demarcation between functions is one of the hardest things to get right in an organization and this is especially true of line managers and human resource management (HRM). In the absence of an HR department, line managers may find themselves doing HRM by default. In some organizations with an HRM function, some line managers may resent what they regard as outside interference with their hiring and firing decisions. Added pressures may come from the fact
that in many organizations HRM is now a strategic activity that may drive and determine specific activities and targets. A new study provides a wealth of fascinating detail about line managers’ responses to “doing HRM”.

David Lamond, Connie Zheng (2010) The purpose of this paper is to provide an overview of the field of human resource management (HRM) in China, with insights drawn from recent times to several millennia earlier, with a view to informing the further work that needs to be done to better understand managing people in China.

The authors examined Chinese ancient texts related to people management and drew on reviews of HRM research in China since the establishment of the People's Republic of China in 1949 till current times, to draw lessons for HRM in China today and for the future.

The 2,500 year gap that separates the literatures studied as part of this review cannot hide the striking similarities between the conceptual views about the importance of people and their management in the two periods. Yet, there remains a lack of empirical studies of the Chinese style of HRM practices. The majority of recent research in the field of HRM in China is focussed on comparison between HRM practices in various types of enterprises operating in China and those in the west, with the apparent aim of better understanding the latter rather than the former.

As China is rapidly becoming a key global player, and its enterprises represent an increasing share of the global market, it is crucial to understand how
Chinese firms have managed their people at home and globally to achieve performance outcomes. Are there lessons other firms, especially those in emerging markets could learn? What are the implications for building global management and organisational knowledge? This paper provides some directions for future research about HRM in China, which may help gain a better understanding of the Chinese style of management and further develop management and organisation theories in the China context.

Siew Fang Law, Sandra Jones (2009) The purpose of this paper is to present a conceptual model of guanxi-oriented human resource management (HRM) appropriate for organisations located in China that wish to maximise knowledge sharing and exchange. The recognised need by Western-based organisations to develop trusting relationships through appropriate HRM approaches presents the setting to introduce the importance of guanxi in Chinese culture. The added complexity for Chinese organisations that employ a diversity of what are termed, in this paper, Conventional and Foreign Educated Chinese and Acculturated and Newly Arrived Expatriates is also presented.

Building on a review of literature about what challenges the knowledge revolution is having on the way that Western organisations manage their human resources, the paper presents an overview of the notion and function of guanxi in the Chinese context. The paradoxical and ambiguous nature of guanxi and its implications for interpersonal interactions are explained as being important for HR practitioners to understand.
The paper presents a conceptual guanxi-oriented HRM model that incorporates the Chinese mindset that is, at one and the same time, paradoxical, holistic, dynamic, interdependent, flexible and reciprocal in nature.

While conceptual, the paper is based on a model developed from research by one of the authors that identified a guanxi-oriented model of conflict resolution. The paper acknowledges that this model requires further research to test its applicability. The paper is original in its attempt to link guanxi to HRM practices on Western concepts of human resources.

Mandy Sim (2010) Purpose – Describes some of the dangers in outsourcing some human-resource management tasks while keeping others in-house. Design/methodology/approach – Explains why some organizations have decided to outsource aspects of their HR. Shows that the measure, usually designed to cut financial costs, can entail intangible costs.

Argues that major organizational change can be more difficult to achieve if part of the HR function is outsourced; that the recruitment process could be compromised; that outsourcing transactional aspects of HR can make it more difficult for HR people to get training in these areas; and that HR outsourcing can make an organization less flexible.

Contends that a shared service center could be a better option, in some cases, as it can keep human-resource functions in-house while simultaneously contributing to cost saving by consolidating transaction-based activities in one place within the organization.
Advances the view that measures that can seem, on the surface, to cut
costs, can end up being more expensive. Originality/value – Concentrates on the
non-financial aspects of HR outsourcing.

Jeremy Huntley, Brian H. Kleiner (2005) Government is a very labour
intensive enterprise. Public organisations provide services, enforce laws and
regulations, solve problems, and have varied missions. Their varied missions
include protection of the environment, food safety, elderly and disabled
assistance, education of our children, and civil rights enforcement. All of these
activities require the use of human resources. The quality of employees in the
county directly relates to how well the county performs. Essential tasks of human
resource managers are to find qualified employees for these government
positions, as well as to promote an attractive work environment for these
employees. Failure to use effective human resource management risks low
productivity and a lack of commitment to the community. County managers have
the challenge of meeting multiple objectives including productivity, staffing and
many more.

Liou Cai, Brian H. Kleiner (2004) Recognizes that the employment
service is an industry in which the employment agency is now more than just a
service – it is now a business. Acknowledges that human resource management
planning is key to match employee competency for an employer, as without
employees nothing gets done. Looks at what employment agencies provide, e.g.:
regular employment; contract services; temporary to hire; and payroll services.
Concludes that employment agencies and human resource professionals should
be in tandem to help the organisation to best use its process for change continuously.

Daniel Jiménez-Jiménez, Raquel Sanz-Valle (2005) This study aims to analyse the relationship between innovation and human resource management (HRM) from an empirical perspective, attempting to establish whether innovation determines the firm's HRM or conversely HRM influences the innovation level of the company. Design/methodology/approach – Literature is reviewed from both theoretical and empirical perspectives. On the basis of this review, some research hypotheses are formulated. Finally, these hypotheses are empirically tested on a sample of Spanish firms.

The results provide evidence for both hypotheses and offer more support for Schuler and Jackson's model than for Miles and Snow's model. In accordance with the previous literature, that in order to affect employee behaviour – and consequently promote company objectives – firms must develop a bundle of internally consistent HRM practices. However, what is still unresolved is which HRM practices should be included in that system. Fills a gap in the literature, particularly in empirical research, with a focus on Spanish firms.

John Simmons (2008) The paper seeks to focus on operationalising corporate social responsibility in the context of employee governance. Its purpose is to evaluate critically the ethics of “mainstream” human resource management (HRM) and to propose an alternative stakeholder systems model of HRM.
Stakeholder theory is utilised to critique modes of employee governance, in the light of concepts of stakeholder accountability and organisational justice. Conceptual analysis attests to the need for a different philosophy of employee governance – in particular within knowledge-intensive organisations.

The paper identifies the concept of “the responsible organisation” as a means of assessing organisational maturity in employee governance, and relates this to dimensions of organisational justice. Linkage enables employee perceptions of equitable treatment to be combined with effectiveness measures in the employee governance model proposed.

The paper demonstrates the significance and application potential of a stakeholder systems development of current modes of managing people. Conclusions confirm instrumental and ethical rationales for the greater involvement of and accountability to employee stakeholders. The paper demonstrates a business-based rationale for the adoption of ethical corporate governance and HRM.

The stakeholder systems model represents a holistic approach to human resource management by its incorporation of employee perspectives at HRM system design, operation and evaluation stages. It responds to the need for a new philosophy of HRM in an era of stakeholder-accountable organisations.

A robust human resources management (HRM) system will be the most valuable asset of a twenty-first century institution, and an enterprise's productivity is closely correlated with the employee-related managerial system. Human resource (HR) can create values for an enterprise by finding ways to
improve workforce managements that have a positive impact on performance. Since HR has a significant influence on the overall management system, it is well positioned to create substantial added value. Several studies have shown that the implementations of appropriate management systems and strategies do contribute to productivity improvements under the considerations of cost and investment risk (Becker and Gerhart, 1996; Cusumano, 1988; Naik and Chakravarty, 1992;

Diana Winstanley, Jean Woodall, Edmund Heery (1996) Reports on the conference on Ethical Issues in Contemporary Human Resource Management, held in April 1996. Notes concerns raised at the conference relating to a lowering of employment standards. These included factors such as: insecurity and risk, transfer of risk and surveillance and control. Suggests a number of alternative ethical frameworks useful in an analysis of HRM, including such elements as: basic human, civil and employment rights, universalism and community of purpose. Considers methods of defending such an ethical focus from charges of utopianism, and suggests that ethical HRM will be a developing theme over the next few years.

Truss and Gratton, (1994). The importance of involving HR in development, planning, and implementation of competency-based strategies has been emphasized (Beatty and Schneier, 1997; Ulrich, 1997). Though HR activities are frequently acknowledged to play a central role in linking employee capabilities with the performance requirements of a firm, the specific form of this relationship is still open to debate. Rogers and Wright (1998) ever offered a
number of recommendations for the ways to accomplish the performance construct within strategic HRM. Several studies focused on the categorization and patterns of HR systems within organization from the view of high commitment management (HCM) and their linkages to payment systems to examine the correlation with firms’ performance effects (Wood and de Menezes, 1998; Wood, 1996). In addition, Youndt et al. (1996) also indicated that HR systems could substantially influence firm performance when aligned with appropriate manufacturing strategies.

In the past two decades, in order to catch up with the change of global industrial structure, Taiwan’s manufacturing firms have focused their attentions on product quality, automation and manufacturing processes more than the innovation of HRM system. In order to promote industrial global competition, the Taiwanese government has set up several regional hi-tech science parks, which impact the labor force and capital investment of domestic manufacturing industries and create competition in the human resource market. Yang and Lee (1999) previously investigated regional hi-tech industry development in Taiwan, and found that human resources and governmental support are the two most important success factors of hi-tech industry development. How HRM strategy affects business productivity has become an essential issue for national development.
In general, a strategic approach to HRM involves the designs and implementations of a set of internally consistent policies and practices that ensure a firm's human capital to contribute to the achievement of its business objectives (Baird and Meshoulam, 1998; Jackson and Schuler, 1995; Schuler and Jackson, 1987). Fundamental to the strategic HRM perspectives, there is an assumption that firm performance is influenced by the set of HRM practices a firm has in place. Many empirical evidences support this basic assumption (Arthur, 1994; Cutcher-Gershenfeld, 1991; Huselid, 1995; Huselid and Becker, 1996; MacDuffie, 1995). A manager can enhance productivity by building a sound HRM system having a set of specific HRM practices in different ways. However, owing to different cultures, industrial sectors and economic development status of individual countries, the critical success factors (or practices) of an HRM system may have certain dissimilarities. Moreover, it is not easy for most personnel managers to quantitatively evaluate the performance of HRM. This necessitates the development of an approach to investigate the correlation between a firm's productivity and strategic HRM factors. Based on that understanding, managers can adopt appropriate strategies to improve a firm's HRM so as to increase the business units’ total productivity.

To illustrate this idea, we investigate attitudes and achievements of Taiwan's large-scale manufacturing firms in implementing HRM systems, as well as their productivity. A total of 16 subjects of HRM are designed to measure a firm's achievement levels and importance levels in HRM activities. Then from
these subjects, factor analysis is used to extract four critical HRM factors, namely HR acquisition, HR development, HR compensation and HR maintenance. Each critical factor consists of three subjects, and therefore 12 subjects are involved in total. These factors are considered as strategic features of HRM from the view of HRM strategy. For measuring productivity of the firms, an aggregate productivity index (total factor productivity (TFP)) is adopted in this study. We first compare the cognitive difference between the achievement levels and importance levels of HRM subjects, and apply correlation analysis to find the correlations between the achievements of strategic HRM factors and relevant productivity indices. Using the importance and achievement levels of HRM factors, fuzzy clustering analysis is employed to group the sample firms into four patterns. Each pattern of firms is characterized with a set of strategic HRM factors and a weighted average TFP. Based on the findings, appropriate strategies can be proposed to promote productivity within each pattern of firms. Following the proposed approach, the top management is able to recognize the firm's weakness and strengths from the view of HRM strategy and then make necessary improvements. The findings help to clarify the firms’ path to better productivity and competitiveness.

Rarely until recently was it realized that a firm's human resources and human capital are sources of competitive advantage (Huselid et al., 1997). Competitiveness cannot be achieved without managing performance and at the same time developing the skills and competence of employees. Performance
management potentially makes the most significant contribution to individual and organizational learning and helps to raise organizational efficiency and promote growth. An effective human resources strategy can have a significant impact on issues such as organizational development and homogenization, acquisition of competitive skills and abilities, cultural and role changes, career development, decrease of tensions and insecurities, commitment and reduced conflict in the workplace and creative employment (Lingg, 1996). To improve performance at the organizational level it is essential to create a culture and situation of continuous learning of employees and of the organization (van der Sluis, 2007).

Both practices and systems of human resource development (HRD) vary with the variation in the external environment. The human resources management (HRM) literature proclaims that the field of HRD is not easy to define, because it is set in a national context (Fombrun et al., 1984; Hendry and Pettigrew, 1990). Thus, to understand the issues of PM and HRD raised within this paper it is essential to know the Nepalese organizational context. With the restoration of democracy, the Government has initiated a major reform policy to promote manufacturing industries and their competitive power. The new Industrial Policy 1992 gave an emphasis to deregulation, encouraging competition and placing a reliance on market forces in the allocation of resources (IIDS, 1996). The Government has encouraged domestic and foreign investors through measures such as licensing, tax facilities, foreign direct investment
(FDI), and other institutional arrangements. The Government also made efforts to encourage private investors to increase investment in the country and to bring in managerial and technical skills, modern technology, and foreign capital. Despite these institutional arrangements, in the SAARC (Association of South Asian Regional Cooperation) region Nepal is among the less reforming countries when compared to India, Pakistan, Bhutan, Sri Lanka, Afghanistan and Bangladesh (The World Bank, 2008). At the industry level, although Government has initiated various reform measures and enacted a number of rules and regulations, the overall performance in terms of capacity utilization of manufacturing industries is not satisfactory (see Table I). Industries engaged in producing sugar and cement, are not utilizing even 50 percent of their total capacity. Although, in the absence of hard data it is difficult to indicate real causes for this low capacity utilization by Nepalese factories, there is some evidence of poor HRD practices relating to PM in many of the Nepalese organizations.

Despite various measures adopted by the government to improve the performance of public sector manufacturing enterprises, these are found to be ineffective, irresponsible, and insensitive to their duties. In relation to the service sector, a recent investigation into the transactions of the public sector banks showed how these banks have incurred huge losses due to interference from the government. The report shows that they are suffering from serious losses due to politically driven and incapable governance, mismanagement and extremely weak human resource management practices (His Majesty's Government of
Nepal, 2000). As far as the productivity of Nepalese factories is concerned, in a comparative time and motion study conducted in Nepal and a similar factory in China it was noticed that the productivity levels of the Nepalese factory were 50 percent lower compared with the Chinese factory (Kyloh, 2008). In addition, there is a number of performance related problems faced by manufacturing industries. They are: absence of corporate cultures, weak enforcement of rules and regulations, poor financial management, operational inefficiencies, overstaffing, unskilled employees, growing employee dissatisfaction, increasing quality complaints, government interference, and lack of work motivation (Adhikari, 1999; Government of Nepal (GON), Economic Survey, 2006-2007). By and large, the reform policies of the last two decades do not seem to have contributed a lot at the industry level to raise the level of performance.

In Nepal the term HRD is used synonymously with (employee) training and development. According to a survey carried out by the Cranfield Network, Nepal (CRANET/Nepal, 2004) the money spent on training and development is very little in proportion to the annual payroll. There are also organizations indicating negative consequences of providing training for employees. For example, in a recent study by Shrestha (2009) it is revealed that the negative consequences of employees' training and development are: demand for salary increment and promotion by the trained employees, demonstration of overconfidence and tendency to quit the job. However, in another study by Pandey (2008) employees in Nepalese banks still perceive a significant positive
relationship among the components such as, personal benefits, career benefits and job-related benefits of training and components of commitment (affective commitment, continuous commitment and normative commitment). Another study conducted on “HRD climate in public and private commercial banks of Nepal” by Dhungana (2008) reveals that:

- Training programmes in public commercial banks are not so effective when compared to those in private banks in terms of providing job related knowledge and skills.
- Per employee training expenditure is higher in private banks in comparison to public banks.
- There is positive correlation between training effectiveness and attitude of employees, organizational climate and performance evaluation programmes.
- Junior officers of the public commercial banks were found more supportive with the training practices of the banks in comparison of senior officers.
- In both public and private banks employees with lesser job experience have more positive attitude towards training effectiveness.

HR Ethics

Dominant HRM values and mindsets

Ethics-related discussions of HRM issues in American HRM publications occasionally assume a teleological (consequentialist) position and/or a deontological stance in which universalist concepts such as rights or justice are
championed and applied. For example, Hosmer (1987) describes ethical analysis for HRM as potentially accessing four major ethical systems of belief, each expressing a portion of the truth. Included are eternal law, utilitarian, distributive justice, and personal liberty perspectives. Although organizational, cultural and individual variables are also explored in various “descriptive” and “interactional” models of ethical decision making in the workplace (e.g. Trevino, 1986), the largely implicit set of values and ideological assumptions that influence perception and actual practice of ethical duties seem greatly underdeveloped in these academic models. Virtually none of the mainstream educational texts for HRM and management in American business schools provides any detailed coverage of variables influencing perception and decision making concerning ethical challenges in the workplace.

The limited number of books and articles specifically on HRM ethics may not be as revealing as more common discourses found in HRM textbooks and professional training programs for exploring additional and major underlying values assumptions that may more powerfully influence any sense of ethical obligation in the HRM discipline in the USA. Tsui (1987), as well as Baird and Meshoulam (1987), describe dominant HRM themes of “strategy” and “fit” in regard to top management objectives and the coordination of planning across organizational units. Snell (1988) sees HRM as a management “control” system with its behavior, output and input controls. Dominant themes or mindsets of strategy, control or instrumental pursuit may well work to screen out or
overwhelm alternative potentials, such as an evolving conception of HRM ethical
duty.

Argued from radical perspectives, HRM ideology serves more unitarist,
rather than pluralist, interests, and tries to confer legitimacy on forms of
managerial control (Horowitz, 1990). Conventional HRM assumptions, in the
USA particularly, seem generally conservative in largely adapting to, rather than
challenging, existing authority structures. Such unitarist and adaptive
assumptions, no doubt, interact with and influence personal ethical assumptions
of HRM practitioners in their problem identification and problem resolution at
work.

A dichotomy of workplace experiences often exists in many corporations
between their core employees and a peripheral workforce. The experiences of
core employees, who tend to be more multi-talented, skilled, sought after,
nurtured and “vested” individuals, are very different than the experiences of
many peripheral or temporary employees. Apparently, many HR managers can
accept a dichotomy of workplace respect and treatment toward employees and
yet show little concern for violation of a more unified set of communicated HRM
values for the management of people at work. Perhaps this taken-for-granted
dichotomy of workplace treatment toward employees can be explained by a
strong contingency orientation in the cognitive mindsets of many HR managers.
If people are viewed primarily or limitingly as a “resource” or instrumental to
organizational strategic ends (Dachler and Enderle, 1989), this dominant, unitary
HRM paradigm in many organizations would tend to group people as well as
other factors of production similarly as the simple A/B/C classification system often used in time and expense allocation frameworks for purchases or materials. This contingent and “resource user” perspective concerning employee “worth” helps to create perceptions of “first class” versus “second class” employees and can erode widespread employee acceptance of the discourse and espoused values of HRM and top management. Employee cynicism and a lack of solidarity among employees to “pull together” to reach certain organizational goals seems the result in many organizations.

Certainly, individuals with less conservative assumptions and values priorities concerning organizational potentials are also attracted to HRM careers. Alternative assumptions concerning potential organizational functioning have long existed. Although early radical critiques of management practice may have occasionally pressured American business leaders to recognize and reduce some cases of abuse of human potentials, the influence of such radicalism on overall HRM thinking and practice in American institutions has been marginal. Less radical and more liberal or humanistic assumptions for HRM practice are associated with various reforms advocated by theorists to address the moral claims of organizational stakeholders within the context of corporate capitalism. Academic theorists have suggested techniques, programs, and policies as wide ranging as stakeholder analysis, social responsiveness, issues management, ethical audits, and quality of working life concerns such as flexitime and cafeteria compensation systems. Edwards and Bennett (1987) refer to HRM ethical reforms as potentially including comprehensive programs establishing
ethics codes, training, ombudspersons, hotlines, and various monitoring and enforcement approaches. Such “progressive” reforms in the USA are rhetorically engaged by conservative critics who use efficiency and market-related metaphors against them as well as by more radical critics who question how the adoption of only such limited internal reforms can lead to significant human empowerment and social change.

Educational material on the ethics of HRM practice seldom incorporates how differing ideological beliefs such as conservative, liberal, or radical values assumptions of practitioners may affect the definition or social construction of whether an ethical dilemma/duty actually exists. The differing values assumptions of HRM practitioners also seem to influence how individuals “act” upon any ethical reasoning and/or ethical intentions concerning a perceived dilemma (Rest, 1986).

Within the HRM field, mixed messages or conflicting values assumptions and ideals seem to exist. Some HRM managers may be torn at times between strong values themes associated with the field such as communication openness, empowerment and change, as well as an apparently contrasting set of values for communication discretion, discipline and nurturance of existing organizational cultures and interests. Other values such as the firm’s adaptation to dynamic marketplace change and potential outsourcing advantages can seem to conflict with HRM desires for employee motivation and wellbeing through reduction in threats such as employment insecurity. Today’s HRM managers and professionals are increasingly advised not to see these values as dichotomous
choices, but somehow to embrace “paradox” as the simultaneous expression of diverse values. The necessary insights and skills concerning “how” to embrace paradox through diverse values or interests pursued, and not to appear contradictory or inconsistent, in HRM roles seem much less established.

The delivery of an organization’s tangibles and experiences to customers is frequently (but certainly not always) done by an organization’s employees so the connection between HRM and customer service is conceptually (as well as physically and psychologically; Bowen and Schneider, 1988) very strong. Just as marketing or operations can begin to believe it is the key to effectiveness in service businesses, HRM can fall into what might be called the “human resources trap” (Schneider and Bowen, in press). This trap is the belief that all good (and bad) things that happen for customers in a service business are a direct function of HRM policies, practices and procedures. I caution readers of this article to remember that I write as if HRM is the key to success in service businesses. I fully appreciate the necessity for excellence in the core service itself (the food, the clothes, the symphony), excellence in Marketing (advertising, distribution), excellence in Operations and Systems (production, information/technology and communication), wise choices around the market segment in which the firm will compete (up-scale versus discount), and so forth. HRM alone will probably not yield success for the firm (e.g. Bateson, 1992; Lovelock, 1992; Schneider and Bowen, 1993). In other words, we must always take a systems view of service firm effectiveness. The systems view requires that all elements of the service
system act in co-ordinated ways to produce service excellence (Gronroos, 1990; Katz and Kahn, 1978; Schneider and Chung, 1993).

In the first part of the article I will write exclusively about HRM, presenting some thoughts on the general lack of a customer focus in HRM until relatively recently. In the first part I will also summarize some of the research my colleagues and I have accomplished linking internal management policies and strategies to customer perceptions of service quality. In the second part, I present a framework for thinking about the kinds of customer focuses service firms may have and the implications of different customer focuses for the management – HRM, marketing, and operations management (OM) – of the firm. I conclude with the thought that, when all the functions of the organization are co-ordinated for a focus on specific customer segments the probabilities of success for the service firm are enhanced.

The HRM-Customer Service Link

Because HRM concerns the employees who deliver service to customers it might be supposed that there is a vast literature on the HRM-customer service link; there is not. Of course, the distinctions made between products and services are themselves recent, barely two decades old at this writing (e.g. Shostack, 1977a, 1977b). HRM, like OM, has tended to be internally focused; focused on meeting the needs of the internal world of the business. This internal focus has meant that HRM is deemed to be effective when internally defined standards of employee effectiveness are enhanced by HRM practices. Typically this internal focus has been on sales, accuracy, reliability (of attendance usually so it is
indexed as absenteeism or tardiness), or easily counted behaviours (such as talk
time on the telephone for a customer service representative or number of checks
cashed by a teller). Less tangible behaviours (like courtesy while speaking on the
phone) and less tangible consequences of behaviour (like retaining customers
who want to leave the business) have typically not been a focus of performance
assessment nor, then, a focus of selection, training, reward systems and so forth
(Schneider and Bowen, 1992; Schneider and Schmitt, 1986).

It is always somewhat chancy to speculate on the course of the scientific
enterprise but some thoughts come to mind to assist in explaining the internal
focus of HRM. HRM is an outgrowth of the Industrial Revolution where
production, not delivery, was the central concern. Marketing, the science of
delivery and the one most concerned with the external world of the firm, is
actually the newest of the three issues being addressed in this special issue of
during the industrial revolution, and up through the early 1900s, was thought to
be indexed by purchases – if the products produced were purchased then the
customer was thought to be satisfied. Thus, HRM, along with OM, emphasized
production and HRM practices and procedures were considered effective if they
assisted in production efficiency and effectiveness.

From Frederick Taylor’s (1911) Scientific Management of the early 1900s
through the Human Relations Movement of the 1950s, the T-Groups of the 1960s
and job enrichment of the 1970s, the focus of HRM was on productivity – and,
interestingly, on job satisfaction. Although not often realized, Taylor’s basic
motivation for his scientific management was the design of work so that employees might be more satisfied at work and, thus, more productive. His view of employee satisfaction was, by contemporary standards, somewhat narrow because he believed that the opportunity to earn more pay was the key to employee satisfaction. While the famous Hawthorne studies of the 1930s and 1940s (e.g. Roethlisberger and Dixon, 1939) as well as the Tavistock work in coal mines of approximately the same period (e.g. Trist and Bamforth, 1951) discovered that social issues were critical for productivity and job satisfaction, the fundamental notion that productivity and job satisfaction went hand in hand has been a guiding theme in HRM.

HRM practices regarding pay and work design are not the only HRM practices and procedures that have been focused on internal productivity and job satisfaction. Recruitment and selection, socialization and training, as well as supervision/leadership have also focused on the same kinds of behaviours and outcomes (Schneider and Bowen, 1993). We have, indeed, an industrial revolution-oriented HRM with an almost exclusive focus on performance against internally set and internally relevant standards.

Easily countable behaviour has been the hallmark of the industrial revolution and in HRM it has been no different. HRM has always been a vehicle for management to achieve its productivity goals and, so, HRM has focused on the productivity goals sent its way by management. Management has not, until recently, been concerned with less tangible facets of their efforts, like service.
A search of the HRM literature, for example, reveals one empirical, cross-organizational study prior to 1980 that explicitly explores links between HRM issues and service perceptions of customers. This study, by Friedlander and Pickle (1968) explores relationships among the satisfactions of multiple constituencies of organizations. Specifically, Friedlander and Pickle studied the satisfaction of customers, stockholders, managers, employees and suppliers of more than 90 organizations to establish the magnitude of the agreement across these constituencies regarding their satisfaction. Their data showed a statistically significant correlation between employee and customer satisfaction. To my knowledge, it was not until 1979 that another similar study was completed, this one by Parkington and Schneider (1979). The authors of this study showed that boundary workers in banks (tellers) can experience role ambiguity and conflict as they attempt to meet the demands of the firm and the demands of customers. This finding is of interest because in service firms it is usual for lower level employees to be boundary-spanners while in manufacturing it is only high level executives who interact with the larger environment (Adams, 1976; Aldrich and Herker, 1977).

Perhaps more interestingly, Parkington and Schneider showed that, in branches where role ambiguity and role conflict are low, customers of those branches report they receive superior service. In a series of papers, I and my colleagues (Schneider, 1980; Schneider et al., 1980; Schneider and Bowen, 1985) have substantiated the conclusion that the way employees experience their work organizations is reflected in the perceptions customers have of the service quality
they receive. Specifically, we have shown the following (Schneider and Bowen, 1993):

Capability of an organization does not arise by itself, without conscious influence by the management. If the company is to achieve superiority over its competitors through the use of people’s competencies and internal processes, these have to be embedded in the strategic decision-making. Here those aspects of strategic management, which are assumed to advance the use of HRD in generating capabilities, are discussed. Out of the various approaches to strategic management (see e.g. Johnson and Scholes, 1997, pp. 41-61; Segev, 1997; Mintzberg et al., 1998), the discussion here draws mainly on the classic strategy model, presented, for example, in Andrews (1980).

As the first proposition, it is suggested that in organizations which apply the capability approach to HRD, human resource issues are included in the strategic planning process. The need for this has been addressed by several authors since the early days of HRM (e.g. Dyer, 1983; Golden and Ramanujam, 1985; Burack, 1986), and it can be considered as being a basic prerequisite for any area of HRM to respond strategically.

The process of strategic planning ends up in the establishment of an understanding of critical competitive factors, expressing by what means the company is going to outperform competition. This refers to the content of strategy, which in many studies on strategic HRM is treated as a set of generic alternatives (see e.g. Sonnenfeld et al., 1988; Schuler, 1989; Peck, 1994; Heijltjes et al., 1996). However, this paper shares the critical thoughts of Lado and Wilson
(1994) and Hendry (1995, p. 85) about the limited value of generic strategies approach to HRM, and adapts a more liberal view. It assumes that as strategies appear “in many shapes and colours”, combining the organizational values and resources differently in different organizations, it is more useful to examine the role of different competitive factors in strategy, rather than to try to categorize the strategies themselves.

For the second proposition, it is suggested that in organizations which apply the capability approach to HRD, the competitive advantage is sought particularly from behavioural aspects. In other words, the role of HR is highlighted in business strategy. However, despite the fact that the importance of HR in business strategy has been advocated in the literature for a long time, recent empirical findings do not look too promising. A study among the Fortune 500 companies in the USA, revealed that only approximately every second company had its competitive strategy based, in part, on HR (Martell and Carroll, 1995). In the study of the Finnish metals industry, Luoma (forthcoming) found that as regards the relative importance in business strategy, HR clearly loses to activities such as marketing, production, and research and development.

Drawing further on the classic strategy model, it is assumed that putting strategy into practice calls for directing the resources and processes to work towards the set aspirations. From the viewpoint of HR, this means the (re)formulation of practices that influence people’s performance. This brings up the role of HR strategy, which is to co-ordinate the application of these practices.
and ensure that the different HR efforts contribute to the common whole (Schuler, 1992). Seen this way, HR strategy acts as a bridge between business strategy and HR activities; although extracting the guidelines of each activity directly from business strategy would perhaps be an attractive idea, it could lead to a situation where the changes in strategy translate differently into the various practices of HR, creating contradictory incentives for behaviour.

**HRM and Change**

The past ten to 15 years in the human resource management (HRM) literature has seen a great emphasis being placed on a “strategic” approach to the development and implementation of HRM policies and practices (Collins, 1988; Dyer and Holder, 1988; Legge, 1995; Miles and Snow, 1984; Storey, 1995; Wright and McMahan, 1992). Although the details vary, the basic prescription for a strategic approach to HRM tends to parallel the process. Both the external and the internal environment are considered in light of the organization’s mission and purpose (which may in turn be influenced by corporate headquarters where the organization is a part of some larger entity). As a result of this analysis, organizational strategies and objectives are determined. HRM strategy should represent an integral part of achieving this broader organizational strategy, with strategy in the various sub-fields or areas of HRM supporting the overall HRM strategy. Thus, rather than HRM policies and practices representing direct reactions to the various external and internal forces, these forces are considered in light of organizational strategy and objectives and then, if appropriate, changes
are made to the overall HRM strategy which may affect various HRM policies and practices.

Actual models of strategic HRM are usually more elaborated. A number of writers, for example, have listed various types of organizational strategy, such as the defender, prospector, analyser, reactor typology suggested by Miles and Snow (1984), and then attempted to spell out the HRM policies and practices which would support such a strategy (Collins, 1988; Kramar, 1992). Others have applied a strategy typology to a particular sub-area of HRM such as staff appraisal (Dunphy and Hackman, 1988) or career development (Fandt, 1988). Although Figure 1 focuses on the strategic (or “hard”) aspects of HRM, critics based in the UK, such as Legge (1989, 1995) and Storey (1995) have pointed out that most descriptions of HRM also include what they refer to as a “soft” side which emphasizes the need to build up employee commitment, flexibility and dedication to quality.

In spite of these variations, the basic strategic HRM model as portrayed in Figure 1 has been accepted widely in the HRM literature. Even critics such as Hendry and Pettigrew (1990), Legge (1995) and Storey (1995) appear to see it as the mainstream view.

On the other hand, when studies are carried out to investigate HRM policies and practices which have actually been implemented, the results typically indicate that only a minority of organizations appear to have adopted the major elements of a strategic approach to HRM. For example, in a recent survey responded to by 377 Australian managers, employees and HRM staff,
only 33 per cent believed their organization’s HRM policies and practices adopted a long-term perspective, only 37 per cent saw HRM policies and practices in the various areas of HRM as closely integrated, and only 43 per cent saw these policies and practices as designed in line with the organization’s strategy and objectives (Kane, 1994). In the UK, Legge concluded recently that “There is only patchy and sometimes contradictory evidence on HRM’s strategic implementation” (Legge, 1995, p. 36).

Studies focusing on specific HRM sub-fields such as staff appraisal (Collins and Wood, 1990), human resource planning (Kane and Stanton, 1991), management development (Midgley, 1990) and training and staff development (Kane et al., 1994) have also found significant “gaps” between strategic prescriptions and actual practice.

Climate

In recent years the service sector has witnessed some extreme changes in the workplace. Companies have linked information technology advances with telecommunications to re-invent their customer service activities and sales via call and contact centres (Knights and McCabe, 2003). The call centre phenomenon suggests what some have described as a transfer from “routine” to “knowledge” work in employment (Blackler et al., 1993; Frenkel et al., 1995). Frenkel et al. (1995) highlight the appearance of a new form of “info-normative” control, where administrative procedures are one of the main media of work. This situation involves performance benchmarks that allow automatic generation of performance data and managers can adopt practices to improve employees'
performance using specific objectives and targets (Knights and McCabe, 2003). Such efficiency-focused practices generate questions about control and employee stress (Knights and McCabe, 1998) and the role and importance of the organisational climate in a centre set up with the specific goal of providing service to customers.

In tandem with their recent growth worldwide, call centres have received negative publicity concerning how they are managed (Armistead et al., 2002). In general, researchers have found that managers do emphasise efficiency goals and productivity targets (Singh, 2000), and that they frequently subject employees to high levels of monitoring and stressful working environments (Knights and McCabe, 1998; Taylor and Bain, 1999; Wallace et al., 2000). The reputed focus on efficiency, at the expense of employee well-being, suggests that a poor service climate may exist in call centres, and that employees may have difficulty delivering high levels of service quality to customers. However, there are few studies that have investigated employees' perceptions about customer service in call centres (Armistead et al., 2002; Gilmore, 2001) or the climate that contributes to it. This study aims to address that gap.

Service climate is defined as “the shared perceptions of employees concerning the practices, procedures, and kinds of behaviours that get rewarded and supported with respect to customer service and service quality” (Schneider et al., 1998, p. 151). That is, service climate is built on foundations of caring for both customers and employees (Burke et al., 1992; Schneider et al., 1992). The importance of the elements of service climate to customers and employees has
been demonstrated in various studies. For example, Rogg et al. (2001) found that service climate facilitates the delivery of customer satisfaction, while Schneider et al. (1998) demonstrated a positive link between the way employees perceive service climate and customers' perceptions of service quality. More recently, Schneider et al. (2002) showed that the strength of service climate has a moderating effect on the link between employees and customers. Additionally, service climate has been found to be related to employee commitment (Lux et al., 1996) and to increase the empowering leadership behaviours of a service worker's supervisor, with flow on effects to the worker (Yagil and Gal, 2002). With its potential implications for both customers and employees, service climate is therefore of considerable interest in call centre research.

Another issue of great concern in call centres is employee commitment, and the high levels of employee withdrawal and turnover (Deery et al., 2002; Malhotra and Mukherjee, 2004). In this study, employee commitment is defined in terms of employees' beliefs in the goals and values of the organisation, their willingness to exert effort, and their intention to maintain membership of the organisation (Mowday et al., 1979, p. 226). Thus, employee commitment encapsulates both employees' feelings about the organisation and their desire to remain with it. In a related call centre study, de Ruyter et al. (2001) found an inverse relationship between job satisfaction and employee turnover. Using a meta analysis of studies on employee commitment, Griffeth et al. (2000) found that employee commitment is a valid and reliable predictor of employee
turnover. Hence, employee commitment is important in the call centre context of
the study because it reflects turnover intentions.

Despite compelling findings on the importance of managerial policy and
practice to service climate (Schneider et al., 1998; Schneider et al., 1992), and
the role of employee commitment in organisational success (Mathieu and Zajac,
1990), few studies appear to have explored the manner in which service climate
affects employees and the resultant effects on their ability to service customers.
Exceptions include studies which have demonstrated the partial mediation, by
employee commitment, of the relationship between organizational characteristics
and service climate (Lux et al., 1996); the mediation of the link between HRM
practices and customer satisfaction by organisational climate (Rogg et al., 2001);
and the role of service climate in empowering the service worker's supervisor
which, in turn, enhances the service worker's sense of empowerment (Yagil and
Gal, 2002). Thus, the major aim of this study was to investigate employees'
perceptions of, and responses to, the service climate with respect to frontline
positions in a call centre. In particular, relationships between the service climate
in the call centre, employees' commitment to the organisation, and their ability to
provide high levels of service quality to customers were proposed and tested.

Service climate can be investigated in terms of global service climate
(GSC), or its dimensions. Thus, a secondary aim of the paper was to investigate
the direct relationships, if any, between the dimensions of service climate with
employee commitment and service quality capability. GSC is distinguished from
the dimensions of service climate by drawing on the explanation and scale
development work of Schneider et al. (1998, p. 153). They describe global service climate (GSC) as a “summary measure of the organization's climate for service” and state that GSC is “not a composite of the three scales” (discussed below), but rather “it is its own distinct scale designed to tap the ‘molar’ aspect of service climate”.

Schneider et al. (1998, p. 157) showed that global service climate was significantly related to each of three predictors: customer orientation (CO), managerial practices (MP) and customer feedback (CF), with the strongest link to CO. While Schneider et al.’s (1998) managerial practices included some aspects of human resource management, other literature emphasises the role that human resource management (HRM) and, in particular, learning and development, has in influencing service climate and customer service (Babin and Boles, 1996; Burke et al., 1992; Rogg et al., 2001). In the current study, global service climate is therefore expected to consist of four dimensions: CO, MP, CF, and HRM. Precise definitions of these dimensions are included towards the end of the next section. All four dimensions were expected to relate positively to the global service climate variable but their relative contribution is unknown and, apparently, untested.

**HRM and Performance**

A significant body of research has suggested specific HRM practices that can improve employee motivation and commitment. As argued, these practices are expected to promote such inimitable attributes in human resources that can help an organization to obtain a competitive advantage and enhance its
performance (Huselid, 1995; MacDuffie, 1995; Delaney and Huselid, 1996; Frits and MacDuffie, 1996; Guest, 1997; Hoque, 1999; Michie and Sheehan, 2001; Ahmad and Schroeder, 2002; Guest et al., 2003).

During the years, all these practices that lead to superior performance were given various names by different authors: “best HRM practices” (Pfeffer, 1994), “high performance work systems or practices” (Appelbaum and Batt, 1994; Appelbaum et al., 2000), “high-involvement practices” (Lawler, 1986), “high commitment practices” (Wood, 1996) and finally, “higher productivity and product quality practices” (Ichniowski et al., 1996). What is worth noting is that irrespective of the definition given to these HR practices, positive relation with competitive advantage is reported in most of the cases (Guest et al., 2003). Within this paper the term “best HRM practices” will be preferred, referring to all those HRM practices and policies that have been identified as effective in improving performance.

The basic idea around best HRM practices is that a particular set of those practices has the potential to bring about improved organizational performance for all organisations (Marchinton and Wilkinson, 2003), and therefore all firms should identify and implement best practice HRM in their effort to improve their performance. While there are enough evidences that certain types of HRM practices are associated with performance, the list of effective practices varies in each research. Practices typically mentioned in best practice models include:
- high levels of teamwork;
- performance-related pay;
- decentralised decision making;
- comprehensive employee recruitment and selection procedures;
- limited status differences;
- extensive training;
- employee involvement and internal communication arrangements;
- internal career opportunities; and
- broadly defined job descriptions (Jones and Wright, 1992; Arthur, 1994; Pfeffer, 1994; Jackson and Schuler, 1995; MacDuffie, 1995; Marchinton, 1995; Milgrom and Roberts, 1995; Delery and Doty, 1996; Becker and Huselid, 1998; Pfeffer, 1998; Wiesner and McDonald, 2001; Bowen et al., 2002; Guest et al., 2003; Michie and Sheehan, 2005; de Kok et al., 2006).

Generally, best practice models emphasise three factors. Firstly, they usually put emphasis on enhancing employee abilities or knowledge and skills through effective recruitment and strong training. Secondly, best practice models contain an emphasis on motivating desired behaviour through strong incentives. Finally, best practice models promote opportunities for better trained and motivated workers to contribute to their knowledge and skills through work redesign and indirect forms of employee participation (Boxal and Purcel, 2003).

The resource-based view (RBV) of the firm (Weber et al., 1990; Barney, 1991), advanced the arguments of the best HRM practices-performance link, by noting that tacit knowledge, infused in firm specific human resources, is hard to
imitate because of social complexity (Barney, 1991; Dierickx and Cool, 1989), path dependency (Porter, 1980; Lipman and Rumelt, 1982; Dierickx and Cool, 1989; Barney, 1991) and causal ambiguity (Reed and DeFillippi, 1990; Barney, 1991). As Spender and Grant (1996) point out, tacit knowledge is embodied in individual and organizational practices and cannot be readily articulated. HRM practices proposed by various authors (Delery and Doty, 1996; Youndt et al., 1996; Pfeffer, 1998) are expected to promote such inimitable attributes in human resources and lead an organization towards competitive advantage.

Therefore, establishing that HRM practices are linked with firm effectiveness is an important first step in this line of research which underlines the importance of human resources.

However, major contributors in the field believe that there is still little understanding of the mechanisms through which HRM practices influence effectiveness (Delaney and Huselid, 1996; Delery, 1998; Hislop, 2003; Jackson et al., 2004). The existing empirical research has produced poor results that are unable to support organizations wishing to gain competitive advantage through human resources. Therefore, the question of “how” best HRM practices lead to organizational performance needs to be answered and the exact mechanics that play an important role must be identified. Those mechanics, through which HRM practices affect organizational performance, comprise the focus of our proposed framework.
Communication

Companies around the globe are involved in an intensive campaign to increase productivity and win the battle for international competitiveness. Consequently, greater attention is being paid to conventional management strategies such as streamlined operations, research and development, information technologies, product development, as well as to improving the management of human resources. Accordingly, human resource (HR) managers are becoming increasingly critical to the organisation (Schuler et al., 2001). Thus, it is important to examine some new and emerging HR roles, strategies and practices that help the organisation better cope with a complex and volatile world. One significant way in which HR managers can have an impact is by instilling trust and confidence in the organisation.

Numerous studies have already acknowledged that employees' trust is a critical variable influencing the performance, effectiveness, and efficiency of the organisation (Dirks and Ferrin, 2002; Kramer and Tyler, 1996; Lewicki et al., 1998; Mayer and Davis, 1999; Mayer et al., 1995; Whitney, 1994). Much of the research literature focuses on ways of fostering and enhancing trust among employees (Dolan and Garcia, 2002; Gambetta, 1988; McKnight et al., 1998), suggesting that organisations view trust as a desirable attribute. Support for this perspective is shown by studies linking trust with a variety of work behaviours, including organisational citizenship (Konovsky and Pugh, 1994), employees' performance (Mayer and Davis, 1999), intention to turnover (Albrecht and Travaglione, 2003), problem-solving (Zand, 1972), level of openness within a
top management team (Siobhan, 1993), support for authorities (Brockner et al., 1997), satisfaction (Gould-Williams, 2003), and organisational commitment (Cook and Wall, 1980).

Some have argued that the traditional psychological contract in which full-time permanent workers gave their loyalty to an organisation in exchange for job security is dead (O'Reilly, 1994). In its place, a new contract is emerging in which employers still expect loyalty, hard work and “value added” to the organisation. In exchange, organisations offer extrinsic rewards such as pay that reflects employee contributions and experiences and training that will give them “employability security” as well as intrinsic rewards in the form of a generally pleasant working atmosphere. The later is often referred to in the literature as the core of the psychological contract (Rousseau and Aquino, 1993). Broken psychological contracts can cause organisations problems such as loss of trust, anger and litigation. Human resources departments are therefore expected to develop policies and strategies that reinforce the transition to a new psychological contract, especially during times of layoffs, heavier work loads and major changes in work processes (Ghoshal et al., 1999; Rousseau and Wade-Benzoni, 1995).

While traditional HRM roles, practices and policies concentrate on improving functions such as selection, performance appraisal, health and safety, and the like, the emerging roles and initiatives focus on improving the flow of communication, special programmes for maintaining procedural justice processes, empowerment process, and helping employees grow and develop
within organisations (Schuler et al., 2001, Ulrich, 1998). It is argued that such a practice may in turn affect the climate of trust in the organisation and reinforce the validity of the psychological contract. Previous research focused on the single relationships between procedural justice, empowerment, openness and trust (Kirkman and Rosen, 1999; Cropanzano and Greenberg, 1997; Saunders and Thornhill, 2003), however, there has been relatively little empirical work (i.e. with the exception of the work by Gould-Williams (2003), and Whitener et al. (1998) on the combined strategies and actions that HR managers could undertake for building and developing employees' trust in their managers.

The aim of this study is to empirically test these proxy consequences of new HRM initiatives on building and maintaining employees' trust in their managers. Within this framework, HRM consequences represent a way in which managerial actions, behaviours, and procedures affect employees' attitudes and trust in their managers. Both bi-variate (single main effect) and multi-variate (combined effect) variables were examined, as were the paths linking these variables to the employees' trust in their managers.