Models explaining the relationship between Human Resources Management and organisational performance

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Abstract
Significant research attention has been devoted to examining the relationship between human resource management (HRM) practices and various measures of organisational performance. However, it is not clear why this association exists. Since HR are the most valuable resource, organisations pay attention to develop their competencies by implementing a variety of practices and procedures in order to raise their performance, thus increase productivity and profits. The question is does an improvement in Human Resources Management practices affect employee's performance? This paper contributes to the management literature by answering this question with enriched sources of information about the relationship between employee's management practices and their performance. This study concludes that even if **the** relationship does exist, but it is often weak and the results are ambiguous.
Keywords: HRM, performance, relationship, models, reversed causality.
JEL Classification : L25, J24, O15.

Introduction :

Human resource management (HRM) is a comprehensive and coherent approach to the employment and development of people. HRM can be regarded as a philosophy about how people should be managed, which is underpinned by a number of theories relating to the behavior of people and organizations. It is concerned with the contribution it can make to improving organizational effectiveness through people but it should be equally concerned with the ethical dimension – how people should be treated in accordance with a set of moral values. HRM involves the application of policies and practices in the fields of organization design and

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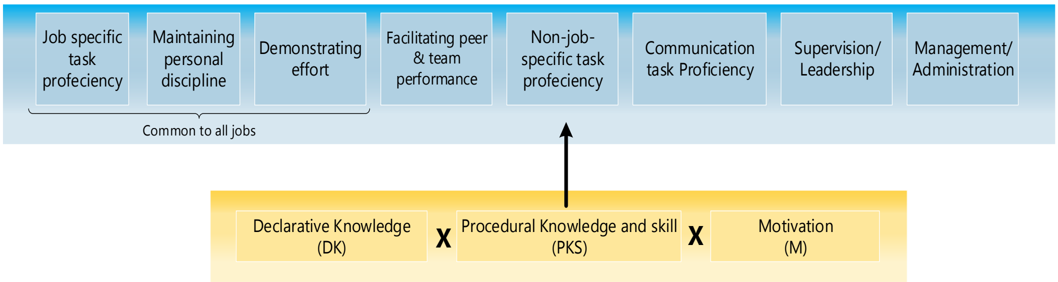
development, employee resourcing, learning and development, performance and reward and the provision of services that enhance the well-being of employees.
Performance is concerned with how well something is done and reward is with how people should be recognized for doing it. Performance management in the wider management literature is associated with the processes by which organisations strive to understand the links between desired organisational results and the management of the determinants of those results. Those organisations that better understand and manage these mechanisms can improve performance continuously by actively managing the determinants to produce better results (Fitzgerald et al, 1991). As soon as an organisation delivers in line with its stakeholders' expectations, their expectations rise (Grönroos, 2000). Thus, excellent performance is not something you attain, it is something you pursue continuously (European Foundation for Quality Management, 2003).
As Guest argued in 1997, there was a need for (1) theory on HRM, (2) theory on performance, and (3) theory on how the two are linked (Guest, 1997). He assumed that: 'The distinctive feature of HRM is its assumption that improved performance is achieved through the people in the organization. If, therefore, appropriate HR policies and processes are introduced, it can also be assumed that HRM will make a substantial impact on firm performance. To back up these assumptions three questions need to be answered: What is performance? What impact does performance get from HRM? How that impact is made by HRM?
Accordingly, this paper will be structured into 3 parts: 1) HRM theory, 2) Performance Theory; 3) linkage between HRM & performance.

1. HRM theory

Human resource management (HRM) is a strategic, integrated and coherent approach to the employment, development and well-being of the people working in organizations (Armstrong, 2008). In other words it is "The management of work and people towards desired ends." (Boxall et al, 2007). Ulrich and Lake (1990) remarked that: "HRM systems can be the source of organizational capabilities that allow fi rms to learn and capitalize on new opportunities.". HRM practice has a strong conceptual basis drawn from the behavioral sciences and from strategic management, human capital and industrial relations theories. This foundation has been built with the help of a multitude of research projects.
Competency as a key concept in HRM, can be defined as the personnel-related concept referring to a set of behavioral dimensions of one's effective performance at work. Some authors suggest more precise definitions that describe competencies as the work-related personal attributes; knowledge, skills and values that individuals draw upon to do their work well (Selmer & Chiu, 2004). These elements, at the same time, are the factors that enable assessment, feedback, development and reward for individuals to take place (Kochanski 1996).
In the scientific literature the competency is divided into hard and soft competency. Hard one, professional competency, is determined by organisational performance. Soft competency is defined by personal features of an employee, his/her behavior, necessary for a good job performance, and can be either professional, social or conceptual.

One of the first competencies models is Cambell's model. It was followed by models of many others such as McClellands, Burgoyne and Stuart or Boyatzis (Bucur, 2013).

Figure 1. Full Campbell model



Source: Based on Campbel, McCloy, Oppler & Sager (1993)

Business case studies have demonstrated many benefits associated with the competency usage such as reduced training costs, reduced staff turnover or increased employee productivity, hence performance (Homer, 2001 in Robinson et al., 2007). "There are several reasons why the competency approach has the potential to surpass the other approaches. Firstly, it is focused on behavior, secondly it focuses on the behavior of managers, on the things they really do instead of those they should do or they say they do, thirdly it follows the Pareto principle (the 20/80 rule) and then it concentrates on the essential activities that lead to the success of the organisation, finally it is connected either with the efficiency of individuals and the efficiency of the whole organisation" (Kubeš et al., 2004 in Lišková and Tomšík, 2013).

2. Performance theory

The concept of performance covers both *what* is achievements and *how* it has been achieved. One of the most popular approach in research to measure the "what" is key performance indicators (KPIs). Measuring the "how" is more difficult. It has to rely extensively on qualitative assessments of organizational effectiveness. Organizational effectiveness is defined as the organization's capacity to achieve its goals by making effective use of the available resources.

The performance of employees is focused on the corporate strategic objectives which are cascaded to individual employees. The most famous method to measure performance is the Balance Score Card (BSC) (Kaplan and Norton, 2001) that distinguishes four perspectives: financial, customer, internal processes and the perspective of learning and growth. This tool has been developed from a performance measurement tool to a strategic one. The prospect of learning and growth focuses on the infrastructure necessary to sustain long-term growth and improvement. It includes basic resources: people, systems and procedures. It is based on the abilities of employees, their loyalty and satisfaction, training and skills. This tool has been developed from just a performance measurement tool to a strategic one.

Performance management provides the basis for improving and developing performance and is part of the reward system in its most general sense. It refers to a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements. As Weiss and Hartle (1997) commented, performance management is: 'A process for establishing a shared understanding about what is to be achieved and how it is to be achieved, and an approach to managing people that increases the probability of achieving success.

The overall objective of performance management is to develop the capacity of people to meet and exceed expectations and to achieve their full potential to the benefit of themselves and the organization. It provides the basis for self-development but importantly, it is also about ensuring that the support and guidance people need to develop and improve is readily available.

The following three theories underpinning performance management have been identified by Buchner (2007).

2.1. Goal theory:

Latham and Locke (1979) while developing goal theory, he highlights four mechanisms that connect goals to performance outcomes: 1) they direct attention to priorities; 2) they stimulate effort; 3) they challenge people to bring their knowledge and skills to bear to increase their chances of success; and 4) the more challenging the goal, the more people will draw on their full repertoire of skills. This theory underpins the emphasis in performance management on setting and agreeing objectives against which performance can be measured and managed.

2.2. Control theory:

it focuses attention on feedback as a means of shaping behavior. As people receive feedback on their behavior they appreciate the discrepancy between what they are doing and what they are expected to do and take corrective action to overcome the discrepancy. Feedback is recognized as a crucial part of performance management processes.

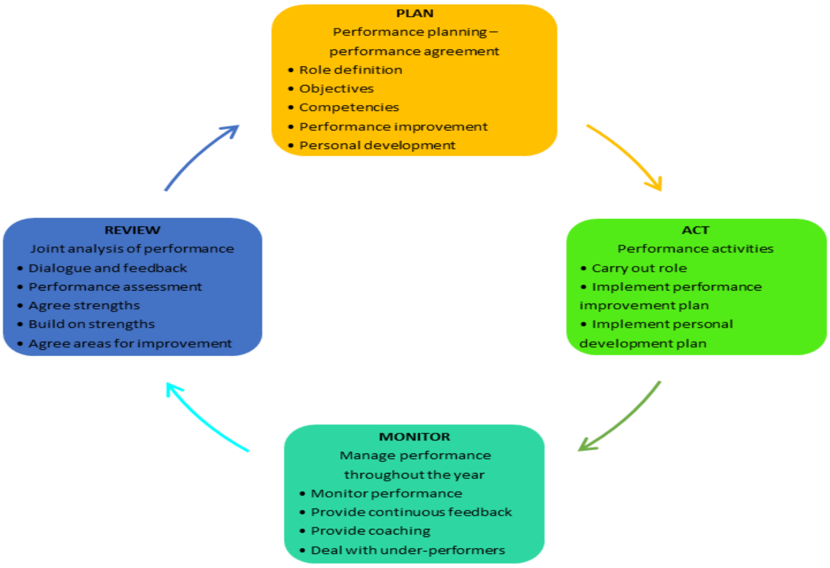
2.3. Social cognitive theory:

This theory was developed by Bandura (1986). It is based on his central concept of self-efficacy. This suggests that what people believe they can or cannot do powerfully impacts on their performance. Developing and strengthening positive self-belief in employees is therefore an important performance management objective.

2.4. The performance management cycle

Performance management takes the form of a continuous self-renewing cycle, as illustrated in Figure 2 and described below.

Figure 2. The performance management cycle



Source: based on Armstrong, 2014

3. Linkage between human resources management and performance

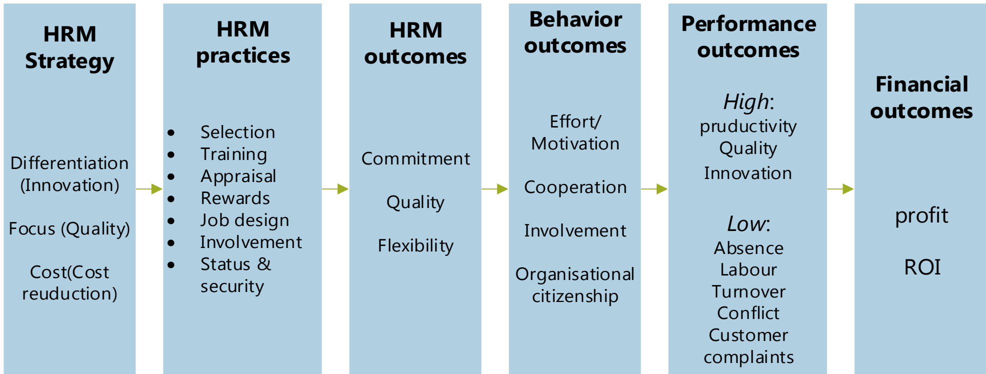
In this paper, in order to seek for the existing link between HRM practices and performance, we will explore the existing study in the literature which relate the two. Let's begin with taking a look to the most famous models of linkage.

It is emphasised that the performance of an individual as well as the company performance and success depend on individual competencies (Savanevičienė et al., 2008).

A considerable number of research has been conducted recently on the existing link between HRM and performance, and how the former impacts the latter. But it is also necessary to understand how that impact is made in order to justify, develop and implement effective HR policies and practices. Ulrich (1997) comments that managers and HR professionals "need to be able to explain conceptually how and why HR practices lead to their outcomes".

Guest's (1997) established a model with 6 boxes, starting with a Porter-like strategy typology –distinguishing differentiation/innovation, focus/quality and cost reduction oriented HRM strategies – and ending with the financial outcomes **R**eturn **O**n **I**nvestment (ROI) and profits. Thus, the overall strategy derives HR practices (See Figure 3)

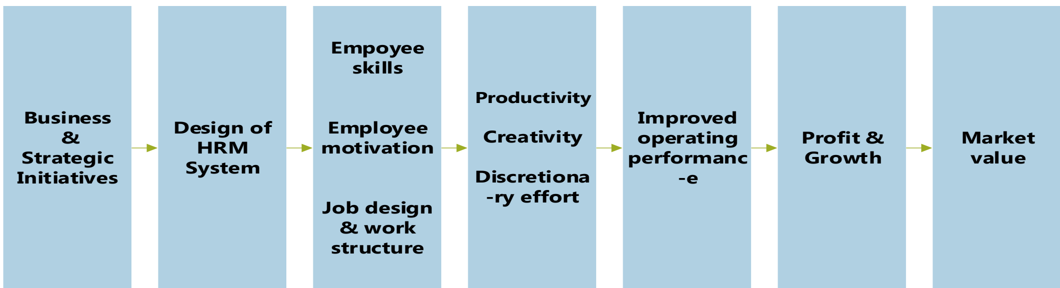
Figure 3. Conceptual model of Guest



Source: Guest (1997)

Wright and Gardner (2003) question how many boxes should be taken into account when studying the HRM - performance linkage. Becker, Huselid, Pickus and Spratt's (1997) model incorporates 7 boxes, starting with 'business and strategic initiatives' and finishing with 'market value'. In their model the design of the HRM system is derived from the overall business strategy (see figure 4)

Figure 4. Conceptual model of Becker, Huselid, Pickus and Spratt



Source: Becker et al. (1997)

Appelbaum et al.'s (2000) present the AMO-model (a theory focuses on high performance work systems: A=Ability, M=Motivation, O=Opportunity) that links 3 boxes. The first box covers high performance work systems and comprises: (1) ability/skills (e.g., formal and informal training, education), (2) motivation/incentives (e.g., employment security, information sharing, internal promotion opportunities, fair payment, PRP) and (3) opportunity to participate (e.g., autonomy, team membership, communication). The second box consists of effective discretionary effort and the final box reflects the plant performance (e.g., quality and throughput time, labor cost per unit of output, operating profit). Figure 5 offer a visual representation of their model.

Figure 5. Conceptual model of Appelbaum, Bailey, Berrg & Kalleberg

Source: Appelbaum et al (2000)

Many other human resource management researchers indicate that HRM practices demonstrably cause improvements in organizational performance. Practitioners too would like to be able to justify their existence by saying to their bosses and their colleagues that this is the case. Below a summary of some research that has been carried over the last years or so, most of which at least shows that there is a link between good HRM practice and firm performance:

- The Harvard model (Beer et al. 1984) works as a strategic roadmap to guide all managers in their relations with their employees and concentrate on the hard and soft aspects of HRM. It strives at employee commitment and not control. It also works on the premise that employees need to be congruent, competent and cost-effective.
- As showed by Arthur (1990, 1992, 1994) who gathered data from 30 US strip mills in order to assess impact on labor efficiency and scrap rate by reference to the existence of either a high commitment strategy or a control strategy. He concluded that firms with a high commitment strategy had significantly higher levels of both productivity and quality than those with a control strategy.
- Huselid (1995) analysed the responses of 968 US firms to a questionnaire exploring the use of high performance work practices and showed that productivity is influenced by employee motivation; financial performance as well is influenced by employee skills, motivation and organizational structures.
- Huselid and Becker (1996) An index of HR systems in 740 firms was created to indicate the degree to which each firm adopted a high performance work system firms with high values on the index had economically and statistically higher levels of performance.
- Becker *et al* (1997) analysed the outcomes of a number of research projects to assess the strategic impact on shareholder value of high performance work

systems. Their conclusion is that high performance systems make an impact as long as they are embedded in the management infrastructure.

- Patterson *et al* (1997) in his research examined the link between business performance and organization culture and the use of a number of HR practices. HR practices explained significant variations in profitability and productivity (19% and 18% respectively). Two HR practices were particularly significant: the first is the acquisition and development of employee skills and secondly job design including flexibility, responsibility and variety**.**
- Appelbaum *et al* (2000) study the impact of high performance work systems (HPWSs) in 44 manufacturing facilities - over 4,000 employees were surveyed-. They found that HPWSs produced strong positive effects on performance. They are associated with workshop practices that raise the levels of trust, increase workers' intrinsic reward from work and thereby enhance organizational commitment.
- Guest *et al* (2000a) analysed the 1998 Workplace Employment Relations Study (WERS) survey which sampled some 2,000 workplaces and obtained the views of about 28,000 employees. They demonstrate the existence of a strong association between HRM and both workplace performance and employee attitudes.
- Guest *et al* (2000b) in this research covered 835 private sector organizations via the Future of Work Survey. Interviews were carried out with 610 HR professionals and 462 chief executives. This research shows that a greater use of HR practices is associated with higher levels of employee commitment and contribution and is in turn linked to higher levels of productivity and quality of services**.**
- Thompson (2002) study the impact of high performance work practices such as team working, appraisal, job rotation, broad-banded grade structures and sharing of business information in UK aerospace establishments. The number of HR practices and the proportion of the workforce covered appeared to be the key differentiating factor between more and less successful firms.
- West *et al* (2002) conducted a research in 61 UK hospitals obtaining information on HR strategy, policy and procedures from chief executives and HR directors and mortality rates. In their findings they identify an association between certain HR practices and lower mortality rates. As noted by Professor West: "If you have HR practices that focus on effort and skill; develop people's skills; encourage co-operation, collaboration, innovation and synergy in teams for most, if not all employees, the whole system functions and performs better".
- Khatri and Budhwar (2002) surveys 3000 HR professionals, consultants, line executives and academicians. That study reports that line executives thought that computer literacy was the most critical HR competence, whereas academicians argue that a broad knowledge of and a clear vision for HR were the most important issues, and consultants believe that ability to change things is the most important factor in the excellence of HR performance
- Guest *et al* (2003) made an exploration of the relationship between HRM and performance in 366 UK companies using objective and subjective performance data and cross-sectional and longitudinal data. Some evidence

was shown of an association between HRM, as described by the number of HR practices in use, and performance, but there was no convincing indication that the greater application of HRM is likely to result in improved corporate performance**.**

- Purcell *et al* (2003) perform a University of Bath longitudinal study of 12 companies to establish how people management impacts on organizational performance. The most successful companies had 'the big idea'. They had a clear vision and a set of integrated values. They were concerned with sustaining performance and flexibility. Clear evidence existed between positive attitudes towards HR policies and practices, levels of satisfaction, motivation and commitment, and operational performance. Policy and practice implementation (not the number of HR practices adopted) is the vital ingredient in linking people management to business performance and this is primarily the task of line managers.
- Wright et al (2004) used data from 45 business units (with 62 data points), the study examines how measures of HR practices correlate with past, concurrent, and future operational performance measures. The results indicate that correlations with performance measures at all three times are both high and invariant, and that controlling for past or concurrent performance virtually eliminates the correlation of HR with future performance.
- Boselie and Paauwe (2004) indicates that the domain of strategic contribution is positively correlated with financial competitiveness, whereas the domain of HR technology is negatively correlated with this performance outcome. This is not completely in line with the global HRCS findings. In Europe, the study found only one domain (strategic contribution) to be positively related to financial competitiveness, in contrast to the global results that suggest four out of five domains to be positively linked to financial competitiveness. Fourth, all domains reveal relatively high correlations with each other.
- Paauwe and Boselie (2005) in their paper "HRM and performance: What's next?" attempted to extend the theoretical and methodological issues in the HRM and performance debate: what constitutes HRM, what is meant by the concept of performance and what is the nature of the link between them. They conclude that there is see convergence arising around AMO theory and the associated set of HR practices. They suggest to opt for a stakeholders' approach, which also implies opting for a multi-dimensional concept of performance.
- Gerhart et al (2006) in their paper entitled "measurement error in research on the human resources and firm performance relationship: further evidence and analysis" provided new evidence on how the reliability of HR- related measures may differ at different levels of analysis. They suggest substantial measurement error in the types of HR effectiveness and HR practice measures typically used to predict firm performance
- Anastasia A. Katou (2008) in his paper: Measuring the impact of collected data from 178 organisations using a questionnaire survey in the Greek manufacturing sector, and analysed using the 'structural equation modelling' methodology. The results indicated that the relationship between HRM policies (resourcing and development, compensation and incentives,

involvement and job design) and organisational performance is partially mediated through HRM outcomes (skills, attitudes, behaviour), and it is influenced by business strategies (cost, quality, innovation).

- Long & Ismail (2011) examines the competencies - business knowledge, strategic contribution, HR delivery, personal credibility, HR technology and internal consultation- of human resource professionals in the manufacturing companies of Malaysia. A total of 89 firms responded to the survey exercise. This study uses quantitative methods such as spearmen r correlation and multiple regression analysis to test the variables. They found that the top nine ranking HR competency factors are from the domain of personal credibility and HR delivery. it is found that out of all HR competencies, the highest contributions to a firm's performance are strategic contribution and internal consultation.
- Jaekwon & Aaron (2013) used the 2011 Federal Employee Viewpoint Survey (FEVS), their study analyses HRM practices based on high-performance work systems (HPWS) in federal-level public sector organizations, and the effects on employees' work attitudes and organizational performance. They suggested that work attitudes mediate relationships between HRM practices and organizational performance positively.
- Gabriela Kolibáčová1(2014) describe the relationship between the competencies of employees and their performance. She used semi-structured interviews and analysis of internal documents as methodology. She evaluated competency and performance of 110 employees made by 22 evaluators. The results of the research suggest that companies should invest time and finances in increasing employee competencies, as they will contribute to higher performances.
- Mohammed Elhazzam (2016) studied the Impact of Human Resource Management Practices (Human resource planning, recruitment and selection, training and development, compensation and performance appraisal) on Algerian southwest SMEs Performance. The results shows that all the five HRM practices are positively correlated with SMEs performance.
- Tanjil Ahmed (2019) He took an E-HRM practicing organization as base performance and compare it with E-HRM performing organization to see whether organizational performance increase or not. He found that Informational E-HRM practicing organization performance increases 73%, Interactional E-HRM practicing organization performance increases 197% and finally, Transformational E-HRM practicing organization performance increases 242% than no E-HRM practicing organization.
- Gahlawat & Kundu (2019) in their paper "Participatory HRM and firm performance: unlocking the box through organizational climate and employee outcomes" examined the relationship between participatory HRM and firm performance through a series of mediators. They collected primary data from 569 respondents belonging to 207 organizations operating in India. Structural equation modeling and bootstrapping via process were used to analyze the hypothesized relationships between participatory HRM and firm performance. They found a positive linkage and that organizational climate, affective commitment and intention to leave serially mediate the relationship between participatory HRM and firm performance.

- Bendickson & Timothy (2019) conduct a study to investigate positive outcomes derived from **human** capital development programs on Operational Performance. They analyse data from 30 organisations and results a very positive impact on operational performance, which leads to greater revenue and sales.
- Rabab. Z and Toufik B. (2019) Conducted an analytical descriptive approach study to identify trends of the views of the administrative leaders at the University L'Arbi tbessi Tebessa, On the reality of the application of human competencies management functions and the role it plays In achieving efficiency, effectiveness, feasibility and sustainability on the The role of managing human competencies in improving the performance of institutions of higher education, a study of the views of a sample of administrative leaders at the University of Tebessa, Algeria. The studu concluded that there is a positive relationship between the sub-variables which represent the functions of managing human competencies (Employment, Development, Motivation) And the dependent variable of efficiency, effectiveness, feasibility and sustainability of performance. The rate of HRM Practices & performance were qualified as "medium".
- Tajeddini *et al* (2020) conducted a research in tourism firms, where they gather data from 201 tourism service firms located throughout Japan. They suggest that organizations can leverage the benefits associated with human-related factors to increase business performance.
- Anwar *et al* (2020) study the green HRM and its influence on academic staff environmental performance using the AMO theory. Data were collected from two campuses of a renowned public research university in Malaysia and they conclude a positive relationship & the critical role of academic staff's environmentally friendly behavior for improving the environmental performance of a university.
- Swanson et al (2020) in their paper explore the effect of leader competencies on knowledge sharing and job performance using social capital theory. The study shows leader competencies are critical for promoting knowledge sharing and enhancing employee job performance. Both knowledge sharing and employee job performance are found to have a direct effect on employee loyalty.

Comments on the researches

Armstrong (2009) analysed critically many of the studies listed above who used methodology to measure the association between the number of HR practices used by the firm and the financial results achieved by the firm. Their input variable treats the number of practices, while the dependent variable was profit or market value. Purcell *et al* (2003) have cast doubts on the validity of this approach. They demonstrated convincingly that research which only asks about the number and extent of HR practices can never be sufficient to understand the link between HR practices and business performance… It is misleading to assume that simply because HR practices are present they will be implemented as intended.

In 1997 David Guest commented that: "At present the studies report a promising association between HRM and outcomes, but we are not yet in a position to assert cause and effect". Ulrich (1997) has pointed out that: "HR practices seem to matter; logic says it is so; survey findings confirm it. Direct relationships between performance and attention to HR practices are often fuzzy, however, and vary according to the population sampled and the measures used". Purcell *et al* (2003) noted that 'Measures which use profit or shareholder value are too remote from the practice of people management to be useful". Any attempt to prove that good HR practice generates high economic returns has to confront the objection that there might be any number of reasons for high economic performance which have nothing to do with HRM. Wood and Paauwe produced comprehensive analyses of studies of the HRM/performance link.

Stephen Wood (1999) made a view on HRM/performance link studies. This empirical work (15 studies) "has concentrated on assessing the link between practices and performance, with an increasing disregard for the mechanisms linking them. This has meant that there has been no systematic link between HR outcomes and performance. Moreover, there has been an increasing neglect of the psychological processes that mediate or moderate the link between HR practices and performance".

Jaap Paauwe (2004) came with another view on HRM/performance link studies, his research on HR and performance has been based on a narrow-minded definition of performance which involves the use of limited analytical frameworks based on simple input/output reasoning. So there is a substantial negligence of the process itself, the actors and stakeholders involved, the administrative heritage and institutional values. A systems based approach is required which includes HRM practices and policies as input variables, HRM outcomes as intermediate variables and firm performance indicators as the dependent variables. Contingency variables such as size and technology need to be used as control variables.

Reference was made by Boselie *et al* (2005) to the causal distance between an HRM input and an output such as financial performance: «Put simply, so many variables and events, both internal and external, affect organizations that this direct linkage strains credibility.' Another problem is the assumption some people make that correlations indicate causality – if variable A is associated with variable B then A has caused B. It might, but again it might not. This is linked to the issue of "reversed causality" which is the assumption, as Purcell *et al* (2003) put it, «that more HR practices leads to higher economic return when it just as possible that it is successful firms that can afford more extensive (and expensive) HRM practices». They also comment that when successful firms invest heavily in HRM they may do so to help sustain high performance.

3.a. HRM and individual performance

There are three factors that affect the level of individual performance: motivation, ability and opportunity to participate. Vroom (1964) highlighted the first two factors, he made the following suggestions on the basis of his research: The effects of motivation on performance are dependent on the level of ability of the worker, and the relationship of ability to performance is dependent on the motivation of the worker. The effects of ability and motivation on performance are not additive but interactive. The data presently available on this question suggest something more closely resembling the multiplicative relationship depicted in the formula: **Performance = *f* (Ability × Motivation)**.

Vroom also pioneered expectancy theory which, as developed by Porter and Lawler (1968), proposes that high individual performance depends on high

motivation plus possession of the necessary skills and abilities and an appropriate role and understanding of that role.
The third factor “opportunity to participate” as it affects performance, was focused by Bailey *et al* (2001) studying 45 establishments. They noted that «organizing the work process so that non-managerial employees have the opportunity to contribute discretionary effort is the central feature of a high-performance work system». (This was one of the earlier uses of the term «discretionary effort».) They stated that the other two components of a high-performance work system were incentives and skills.
The «AMO» formula put forward by Boxall and Purcell (2003) is a combination of the Vroom and Bailey *et al* ideas. This model asserts that performance is a function of Ability + Motivation + Opportunity to Participate (note that the relationship is additive not multiplicative). HRM practices therefore impact on individual performance if they encourage discretionary effort, develop skills and provide people with the opportunity to perform.

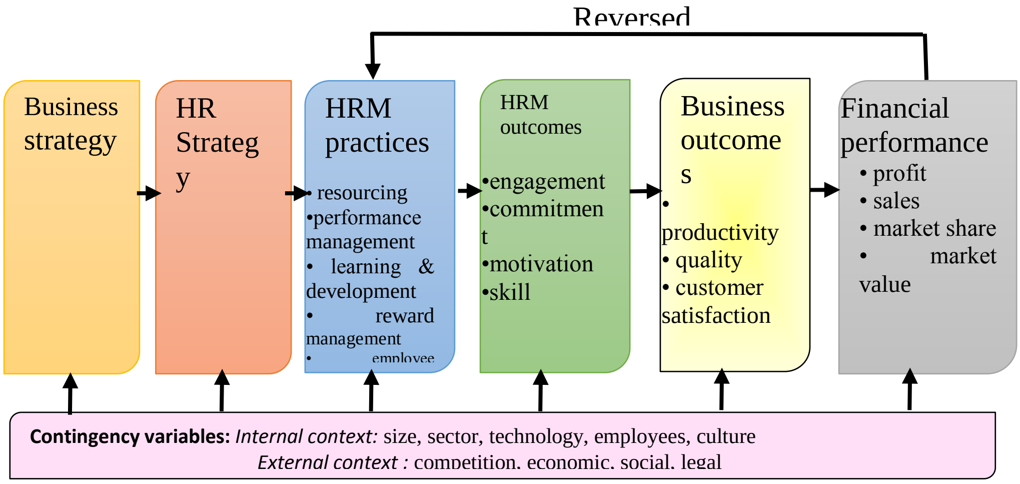
3.b.HRM and organizational performance

It may be possible to detect an association between HRM practices and the economic performance of firms. But because of all the other factors involved, it may be difficult if not impossible to demonstrate that the HR practices caused the high performance. As contingency theory tells us, what happens in organizations will be influenced, even governed, by their internal and external environment. There is also the problem of **reversed causality** – HR practices may have influence the raise in performance but high performance on the other hand may have encouraged the use of sophisticated HR practices. Any theory about the impact of HRM on organizational performance must be based on three propositions:

1. That HR practices can make a direct impact on employee characteristics such as engagement, commitment, motivation and skill.
2. If employees have these characteristics it is probable that organizational performance in terms of productivity, quality and the delivery of high levels of customer service will improve.
3. If such aspects of organizational performance improve, the financial results achieved by the organization will improve.

Note, however, that are two intermediate factors between HRM and financial performance (employee characteristics affected by HRM and the impact of those characteristics on non-financial performance). According to these propositions, HRM does not make a direct impact. The relationship is further complicated by the other two factors mentioned above: the contingency variables and the possibility of **reversed causality**. We recommend in this paper a model proposed by Michael Armstrong where he took all these considerations into account and demonstrated the impact of HRM taking into account the reversed causality and contingency variables as shown in Figure 6.

Figure 6. Impact of HRM on organizational performance



Source: the authors based on (Armstrong, 2009)

Conclusion

As stated before, prior research substantiates the belief that there is a positive relationship between HRM practices and organizational performance. Kolibáčová (2015) suggest that when the competency rate of one employee is a unit higher than the competency rate of another employee, it can be assumed that his performance rate is 7 to 12.5% higher.

However, there is little or no convincing empirical evidence that coherent and consistent systems or bundles automatically lead to higher performance (Gerhart, 2004). Unfortunately, the relationships are often (statistically) weak and the results ambiguous. That's why several research took care of studying the intermediate factors that rely HRM with performance. And yet this intermediate box seems to still ambiguous so far. They still call it the black box.

It is obvious that progress in understanding the relationship between HRM and performance can be achieved by taking into account all the points made so far. Nevertheless, that kind of progress will be piece-meal. Consequently, real progress can only be made by looking at the broader picture of developments in the field of strategic management, the speed of change within companies and what this implies for managing people and stakeholders (Paawe & Boselie, 2005). We need to look beyond practices such as staffing and the management of human resource flows. These are the kinds of hygiene factors, which if not delivered cost-effectively will lead to underperformance of the organisation. A real contribution to performance (in its multidimensional meaning) will only happen once we approach HRM from a more holistic and balanced perspective, including part of the organizational climate and culture, aimed at bringing about the alignment between individual values, corporate values and societal values to achieve the win-win situation.

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