Human resource management (HRM) and performance: Balancing between optimization of organizational performance and well-being of (healthcare) employees

Anneloes van den Broek

1 GGz Breburg, Institute for Mental Health Care, 4818CG Breda, Netherlands; A.vandenBroek@ggzbreburg.nl
2 Tranzo Scientific Centre for Care and Wellbeing, Tilburg University, 5000LE Tilburg, Netherlands

Abstract: The future of Dutch healthcare is a challenge that focuses on four aims: the ‘Quadruple Aim’. These aims concern: improving the quality and accessibility of care, enhancing patient experience, reducing healthcare costs and increasing the job satisfaction of healthcare professionals. Healthcare professionals play a major role in the realization of the first three aims. The pressure on healthcare and the scarce capacity forces us to treat this human capital with care. Satisfied employees are partly decisive for the success of an organization. At the same time, an organization expects optimal performance from its employees. This requires an active and involved attitude from the HRM department. The individual employee plays an intermediary role between HRM activities and organizational performance. In order to increase knowledge and understanding about this position, attention to the individual in the context of the organization is essential. In this article, the relationship between HRM, performance and well-being of employees and underlying theoretical explanation models are discussed. Recommendations were made on the contribution that HRM can make to the balance between employee and organizational interests.

Keywords: human resource management; organizational performance; mental health healthcare professionals; well-being employees

1. Introduction

The future of Dutch healthcare is a challenge that focuses on four goals: The ‘Quadruple Aim’. These goals concern: Improving the quality and accessibility of care to improve population health, enhancing patient experience, reducing healthcare costs and increasing the job satisfaction and well-being of healthcare professionals, by finding joy and meaning of health care employees in their work (Bodenheimer and Sinski, 2014; Taskforce Right Care in the Right Place, 2019). Healthcare employees play a major role in the realization of the first three goals. The scarce capacity and the high pressure on healthcare forces us to treat this human capital with respect and care. An online longitudinal follow-up study (de Vroege and van den Broek, 2023a) during-and post-pandemic showed an increase in absenteeism post-pandemic in mental healthcare employees due to focus on better work-life balance and reorganization of work. Work absenteeism has a negative impact on continuation and quality of care and increases the pressure on remaining employees. Which can cause a negative spiral and reduce the organization performance. Satisfied employees have a large share in the success of an organization. An organization also expects optimal performance from its employees. This requires an active and involved attitude from the HRM department in which the balance between optimization of organizational performance and well-being...
of employees is included. The Dutch DFY-study (“Don’t Forget Yourself-study”) is a case study in mental healthcare that made the researchers more aware of the importance of mental health of healthcare workers and employees in general. To improve and maintain enthusiasm about working in an organization and realize sustainable employment, resilience should be supported to sustain the mental health of the employees and management should take a proactive approach (van den Broek, van Hoorn et al., 2023).

1.1. The relationship between HRM and performance

Within HRM research, the relationship between HRM and performance has been frequently investigated. Several studies showed a positive relationship between organizational performance and HRM (Boxall and Purcell, 2008; Paauwe, 2009). HRM focuses on long-term personnel management, acts proactively and strategically and has an integrated position in organizational policy (Guest, 1997). According to Guest, HRM considers an organization’s human capital as a source of revenue rather than a cost item. The relationship between HRM and performance usually takes place in the context of strategic HRM (SHRM). Cascio and Boudreau (2012) define SHRM as “the set of processes, decisions and choices that are made by an organization regarding the deployment of employees and the way in which they are organized”. SHRM is focused on the connection with the strategy of the organization. This strategy concerns the goals of an organization and the means to achieve them. Effects of HRM on performance can be measured by ‘distal’ indicators (turnover, profit, share value) and ‘proximal’ indicators (attitude, behavior and subjective indicators such as involvement, satisfaction, trust in line management and stress (Boselie et al., 2005). In the case of distal indicators, other factors such as marketing aspects and general economic conditions also influence. Therefore, it is recommended to measure the effects of HRM on proximal indicators (Colakoglu et al., 2006). However, clarity is lacking regarding the functioning of the specific mechanism linking HRM and performance (Wright et al., 2003). This mechanism is called the black box (Boselie et al., 2005, p. 77). In the paragraph below, various theoretical models are discussed that can explain the links between HRM and performance.

1.2. Theoretical explanation models HRM and organizational performance

Several theoretical models have been developed to explain the relationship between strategy, HRM and performance. In addition to the models of Becker et al., (1997) and Guest (1997), the AMO theory of Appelbaum et al., (2000) is the most prominent. The AMO model consists of three blocks: high-performance work systems; additional role behavior and organizational performance. The model is based on the idea that Abilities (A) (having sufficient capacities), Motivation (M) (having sufficient motivation) and Opportunities (O) (getting sufficient opportunities within the organization) together lead to performance. The connecting element between “AMO” and organizational performance concerns: “Effective Discretionary Effort”. This means “as an employee choosing to invest effort in organizational goals”. In summary, it is about creating the optimal conditions to offer the right combination of people the opportunity to choose again and again to make an effort that corresponds to the organizational goals (van Veldhoven, 2012). Various HRM activities have an effect on these three aspects. Recruitment and selection procedures and the development and training of employees can contribute to the ‘Abilities’. Through performance management and employment conditions, the ‘Motivation’ can be triggered. Finally, an employee’s ‘Opportunities’ can be influenced through communication and participation (Appelbaum et al., 2000).
The model of Becker et al. (1997), distinguishes seven steps, starting with the business strategy, which influences the HRM policy. This policy consists of activities aimed at developing skills, motivation and task structure. The results of these activities are more creativity, productivity and extra role behavior (employees perform extra work in addition to their own function). This results in an improvement in operational performance (production) which leads to more profit and market value. The HRM model of Guest (1997) has six steps starting with the HRM strategy. Within this, Porter’s three generic competitive strategies are used: differentiation; focus and cost leadership. The HRM strategy generates the HRM activities that aim as results: commitment, quality and flexibility. These results achieve desired behavioral outcomes of employees (motivation, cooperation, participation and extra role behavior) and in the organizational field this results in higher productivity, quality and innovation and a decrease in absenteeism, turnover and conflicts. This leads to the final step: the profit and ROI (Return on Investment). The above models focus mainly on organizational performance through a generalist HRM offer. The following paragraph discusses the research that has been carried out on this subject in more detail.

1.3. HRM and research

Review studies by Paauwe and Richardson (1997) and Boselie et al. (2005) successively describe the relationships between HRM activities and the effects on HRM outcomes and how these affects organizational performance. They cautiously conclude that there is a positive relationship between HRM activities and performance. Successors to the reviews are the meta-analyses of, among others, Combs et al. (2006) and Subramony (2009) which investigated the effect of HRM bundles (coherent set of HRM activities aimed at improving organizational performance). The effect of bundles appears to be greater than that of individual HRM activities and also appears to be greater in the manufacturing industry than in the service sector. The meta-analysis of Jiang et al. (2012) brought with it as an additional dimension the intermediating variables ‘human capital’ (the sum of the individual innate and acquired skills, knowledge and experiences of individuals) and motivation. Jiang et al. showed that the bundle of HRM activities used to increase personnel skills, is positively related to human capital and the bundle aimed at increasing motivation, is positively related to staff motivation. Human capital and motivation then have a negative relationship with staff turnover and a positive relationship with operational outcomes and therefore have a positive impact on the financial organization’s performance. That HRM has a positive influence on the well-being of employees in addition to the positive effect on the performance of organizations is also used as a starting point in most HRM theories (Appelbaum et al., 2000). However, the question is whether the individual employee actually benefits from the HRM activities in terms of well-being. This is discussed in the paragraph below.

2. HRM and well-being

2.1. HRM, performance and well-being

The research into the functioning of HRM at organizational level provides little information about how HRM is experienced by employees within an organization. In the models and studies discussed earlier, a direct relationship was usually established between HRM and organizational performance. Nishii and Wright (2008) describe the relationship between HRM and performance in 4 phases. The starting point is the development of the HRM policy, then implementation follows. This is followed by the employee experience which leads to a reaction from employees (attitude and behavior). This response leads to organizational performance. The differences in how
employees experience the HRM policy result in different attitudes and behaviors.

The AMO theory (Appelbaum et al., 2000) as well as the models of Becker et al. (1997) and Guest (1997), assume that employee and organizational outcomes can be positively influenced. However, there is little room for the individual employee in these models. This is confirmed by a critical current, represented by Legge (1995) and Ramsay et al. (2000). They believe that HRM is good for the performance of the organization, but can have no or even a negative impact on the well-being of employees (increase in work pressure and stress, leading to a decrease in job satisfaction). According to these critics, the H (of Human) should be emphasized more in the profession. The attention for the individual employees is too limited and this means that there is insufficient knowledge and understanding of how the relationships between management actions and organizational performance are established through people (Pauwwe, 2004; 2009; Guest, 2011; Wright and McMahan 2011, etc.). With this vision, they are in line with a tendency in the field of HRM to include micro foundations in the models (Abell et al., 2008; Coff and Kryscynski, 2011). The above models are mainly internally oriented and ignore the context in which the individual employee and the organization are located. However, researchers Beijer et al. (2019) and Wang et al. (2020) and van Beurden et al. (2020) examined the employee perspective. They found that employee outcomes are influenced by the perceived effectiveness of present and absent HRM activities and by the extent to which manager-employee assessment is aligned. They advocated questioning employee experiences. The fact that the relationship between HRM and performance is strongly influenced by context is underlined in the Contextual SHRM (CSHRM) model of Paauwe and Farndale (2017). Colakoglu et al. (2006) also conclude that the focus on organizational performance from a financial perspective alone is insufficient and include the implications of globalization and changing working methods and the need to keep several stakeholders satisfied. The current context in Dutch healthcare concerns that of a very tense labour market, with an increasing demand for care and decreasing capacity. Due to the pressure on staff capacity, remaining healthcare professionals are overburdened and job satisfaction decreases (de Vroege and van den Broek, 2021). Job satisfaction of healthcare professionals plays a role in the choice to make work efforts or to continue working in healthcare (van Beurden, 2021). The above results in the question of how HRM can contribute to promoting the well-being of employees.

2.2. The role of HRM in promotion of employees’ well-being

HRM is about optimizing human effort for organizational purposes. The work experience of the individual employee plays an essential role in this (van Veldhoven, 1996).

Using the right links and connections contributes to valuable results with regard to HR policy. Measuring the effects of HRM activities with the so-called ‘proximal’ indicators seems appropriate for this, especially since they contribute to the achievement of the distal indicators (Roger and Wright, 1998). For example, an employee’s motivation improvement will contribute to individual performance improvement and subsequently to aggregate performance. Combining the above
described studies and models makes it clear that the behavior of the individual employee in the workplace is only understood when the work, the employee and the organization are placed in context. SHRM’s contextual models emphasize environmental factors that trigger a certain organizational dynamic (Paauwe, 2004). The individual context (the personality, stage of life, vision of work, effort and resources) has no clear place in these models. While Ohly et al. (2010) showed that there is a fluctuation in work behavior, load capacity and performance possibilities under the influence of individual context variables. It is conceivable that in times of shortage on the labor market, this individual context plays a major role in the attitude formation and behavior of the employee. Organizations are no longer homogeneous and employees vary in their contribution to the core business of the organization. Huselid et al. (2005) and Lepak and Snell (1999) also indicate that a “one-size-fit-all” approach is no longer appropriate when managing and measuring HRM activities. Since it does not provide a picture of how organizations can manage their diverse pool of human capital and their relative performance. The developments within HRM as a science indicate an evolution from the “one-size-fit-all” approach to increasing attention for individual employee aspects. An organization is seen more as a coherent whole of individual employees than as a production factory. Within the theoretical models described above, this development is visible in the shift from the idea that a generalist HRM offer for all employees leads to better organizational performance, to psychologization of the field with room for the individual level. HRM activities that are assessed as effective and important have a positive influence on engagement and well-being and thus indirectly on organizational performance (van Beurden, 2021). A recent systematic review of de Vries et al. (2023) concluded that with respect to job retention, management should take job satisfaction, career development and the work-life balance of their employees seriously into account as 3 most crucial factors. This requires an individual approach of employees. In order to better align HRM activities with the needs of the individual employee, it therefore seems important to ask for employee experiences. This questioning about employees’ experiences took place in the former mentioned DFY-study, which was discussed on the European Conference of psychologists (van den Broek and de Vroege, 2023b). De Vroege and van den Broek (2023a) compared two groups of Mental Health Care Workers (MCHW) on the experience of mental health related to the workplace and challenges, an online survey was conducted. The first during the pandemic, in the autumn of 2021 (N = 1372) and the second post-pandemic in the autumn of 2022 (N = 510). MHCW of more than 20 mental health institutions responded to the survey, which was aimed at asking for mental complaints, work/private balance, and sick leave and was conducted via Qualtrics. The results show that the experienced symptoms of mental health complaints were significantly higher during compared to post-pandemic.

Levels of anxiety ($\chi^2 = 41.97, p < 0.001, V = 0.15$), depression ($\chi^2 = 27.2, p < 0.001, V = 0.12$), levels of stress ($\chi^2 = 24.37, p < 0.001, V = 0.11$), sadness ($\chi^2 = 13.99, p < 0.001, V = 0.09$), and anger ($\chi^2 = 12.94, p = 0.002, V = 0.08$) were significantly higher and/or more prevalent during pandemic compared to post-pandemic. With respect to work/life balance: respondents were less able to maintain work/life balance during the pandemic ($\chi^2 = 9.16, p = 0.047, V = 0.07$), and even reported a shift to work. However, the majority of respondents indicated that they had
restored this balance post-pandemic. The reported sick leave and absence: more sick leave and frequent absences were reported post-pandemic compared to during the pandemic ($\chi^2 = 55.57$, $p < 0.001$, $V = 0.17$), and more absent was reported post-pandemic compared to during the pandemic ($\chi^2 = 39.58$, $p < 0.001$, $V = 0.15$). The individual approach, attention to the context and circumstances of the individual employee, his developmental wishes and work/life balance turned out to be crucial factors to maintain the work enthusiasm and recover from work-related mental health complaints.

3. Results and recommendations

Increasing job satisfaction in order to retain healthcare professionals is an important asset in the challenge of maintaining the Dutch healthcare system. A positive relationship between the use of HRM activities and performance has been demonstrated (Jiang et al., 2012). However, attention to the individual employee may become more explicit in order to increase knowledge and understanding of the intermediary role that individual employees play between HRM activities and organizational performance (van Veldhoven, 2012). The above reflection leads to the following recommendations about the contribution that HRM can make to the balance between employee and organizational interests. Next to the recommendations some real-work solutions and practical suggestions will be provided.

3.1. Involve employees in optimizing HRM activities

Ask employees how HRM activities are adequate and indispensable to function optimally. For example: as part of an optimal learning climate for young professionals, an annual audit can be conducted among training participants in which they can give their views on the organization of the learning climate. By going through an annual plan-do-check-act cycle, the learning climate can be optimized. Jointly optimizing HRM processes and activities creates a good employee experience and has a positive influence on employee engagement and well-being (van Beurden, 2021). Increase in well-being is positively related to organizational performance (Beijer et al., 2019).

3.2. Increase interest in employee perspective on HRM activities within the organization

The insight into how employee perceptions influence health, well-being and functioning is still lacking (van Beurden, 2021). Nevertheless, a lot of time, money and energy of both organization and employees is invested in these activities. The HRM department must be aware that by involving the employees’ perceptions regarding HRM activities in the intended investment, an alignment is achieved that does justice to everyone’s interests. Within the healthcare, the workload is high. Research shows that turnover among healthcare personnel increases. By offering employees who leave an extensive exit-interview, the HR department can gain insight into the motives of employees who leave. Even better is to prevent departure by cyclically asking employees about their perspective on the mission, vision and organization of the institution.
3.3. Involve the (individual) context in determining the SHRM policy

The realization has grown that the relationship between HRM and performance is partly influenced by the specific context of the organization (Paauwe and Farndale, 2017). In addition, there is also an individual (employees’) context. This context consists of a personal, social workplace, task-oriented and social context, which also interact with each other (Wright and McMahan, 2011). The close collaboration between HRM and Organizational behavioral scientists results in a psychologization of the field, which creates more attention for the individual level. Following this, as mentioned earlier, the inclusion of micro foundations in HRM models, as well as ‘human capital’ is suggested in studies by various scientists (Abell et al., 2008 and Coff and Kryscynski, 2011). Involving the individual context of employees in the SHRM contributes positively to employee experience and indirectly to organizational performance. For example: An HR employee could approach employees proactive at live events (for example, when the employee becomes a parent, information about parental leave entitlements can be provided by default in advance. Or when the employee has informal care responsibilities, the HR department can point out care leave proactive. Then the employee experiences optimal engagement from the employer.

3.4. Measure the effects of HRM using ‘proximal’ indicators

Indicators with regard to attitude and behavior such as satisfaction, involvement, intention to leave and absenteeism reflect the effectiveness of HRM activities and are in line with attention to the individual level. Understanding these proximal indicators promotes alignment with employee experiences. Within Mental Health Organization GGz Breburg, the “Fan scan” is used (Fan-factory, 2022). This is an employee engagement measurement in which employees can have their voices heard about what they like and what they would like to improve. Research results are analyzed, discussed in the department concerned and incorporated into an improvement plan.

3.5. Realize a pro and interactive HRM policy

Crucial for the success of the HRM policy is interaction with the workplace and a (pro-)active attitude of the HRM department in the organization. Being present in the workplace and experiencing the context contributes positively to the effects of and perception on HRM efforts and communication. An integrated HRM department connects more effectively, prevents miscommunication and has insight into the perceptions of employees. A positive and transparent picture of HR efforts results in a higher degree of person-environment match. This results in a higher degree of engagement, satisfaction, extra-role behavior and a lower departure intention (Boon, 2008). An (online) helpdesk for HR questions, easily accessible for employees, contributes to the interaction between HR and employees. By keeping track of the questions asked, HR gains insight into what is going on among employees. A recurring hospitality training for HR employees can help shape the function of the HR department. Moreover, the visibility of the HR employee in the workplace is crucial. It promotes the positioning of HR within the organization.
3.6. Use evidence based theoretical SHRM models to support the development of HRM policy

The contribution of HRM must be made transparent to the stakeholders in order to act at a strategic level. HRM scientists have developed models that provide insight into the links between HRM activities and employee performance and well-being. When making decisions, collected data is increasingly used to gain insight into the impact of HRM activities and the success of the organization (Paauwe, 2020). The use of theoretical models results in a targeted and insightful working method. As a result, analyses of essential variables such as workload, staff turnover and performance can be requested via employee satisfaction survey. Using theoretical models, results are correctly interpreted and incorporated into HRM activities that can affect employees’ well-being and performance. The use of the CSHRM (Contextual Strategic HR)-Model (Paauwe and Farndale, 2017) to address a recurring problem: The HR department’s failure to deliver employment contracts on time, causing employees to be insecure, dissatisfied and sometimes even resign, was described using Paauwe’s CSHRM model. This created an understanding of the urgency of timely delivery of employment contracts and changed priorities within the HR department.

4. Discussion

The literature review about the balance between optimization of organizational performance and well-being of (healthcare) employees questions the fact whether SHRM can have impact on the well-being of employees. The literature research confirms the urgency to make the well-being of employees a structural part of the SHRM policy. However, it appears that considerable steps are still being taken to actually integrate employee welfare into the SHRM policy. There is still a considerable gap between scientific findings based on developed theoretical models and the use of these models in practice. Use of Evidence Based theoretical SHRM model and data generation could increase understanding of working mechanisms (Paauwe, 2020). Especially in the Dutch (mental) healthcare sector, where there is increasing pressure as a result of an increase in the demand for mental healthcare and a limited staff capacity (de Vroege and van den Broek, 2023a), it appears that a strategic HRM policy aimed at maintaining the job satisfaction and mental health of employees is essential to achieve the so-called Quadruple aim (Bodenheimer and Sinsky, 2014). The involvement of employees in the improvement and development of HRM activities is not self-evident. While research from Beijer et al., (2019); Wang et al., (2020) and van Beurden et al., (2020) show that employee engagement increases support for HRM policy. Boon (2008) already concluded that a positive and transparent picture of HRM efforts causes a higher degree of person-environment match, which results in improved involvement, satisfaction, extra-role behavior and less intentions of departure.

5. Conclusion

The intermediary role of the individual employee between HRM activities and organizational performance can’t be denied. Attention to the individual employee
including his context is pivotal. Therefore, individual employees should be actively involved in organizational processes and performance to realize support and take their responsibility out of a sense of commitment. The interaction between the HRM department and employees should be optimized to generate mutual interest. The interaction between the HRM department and employees should be optimized to generate mutual interest. As the individual context of employees in the SHRM contributes positively to the experience of the employee and indirectly has impact on the organizational performance, it should logically be integrated in the SHRM of an organization. Human Capital is not a static concept, which means that subject to external factors, the meaning of job satisfaction, engagement and work-life balance change regularly, which requires a pro- and interactive HRM policy. Theoretical models developed to provide insight into the link between HRM activities and employee performance and well-being, incorporated into HRM activities can be used to affect employees’ well-being and organizational performance positively. Job satisfaction and mental wellbeing have a positive effect on individual performance. Individuals determine the survival and performance of an organization. So, realize: HRM remains tailor-made!

Conflict of interest: The author declares no conflict of interest.

References


Taskforce Right Care in the Right Place (2019). The right care in the right place, we do it together! (Dutch). Available online: https://www.dejuistezorgopdejuisteplek.nl/ (accessed on 22 October 2021).


