

# Chapter 1

## EMPOWERMENT AND PERFORMANCE

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### INTRODUCTION

In the last decade the notion of empowerment has become popular in I/O psychology and management circles. Its currency among practitioners can be illustrated by the view of a CEO who stated that ‘No vision, no strategy can be achieved without able and empowered employees’ (cited in Argyris, 1998, p. 98). Concurrently, a survey based on a representative sample of 564 UK manufacturing companies (Waterson, Clegg, Bolden, Pepper, Warr, & Wall, 1999) showed that, although only 23% reported using empowerment extensively, 72% had adopted empowerment initiatives to at least some degree, had done so within the last few years, and had planned to develop them further.

Similar rates of adoption have been reported in Japan, Australia and Switzerland (Clegg, Wall, Pepper, Stride, Woods, Morrison et al., 2002), and in the USA (Lawler, Mohrman, & Ledford, 1998). Evidence of the continued increase in the use of empowerment in the UK comes from a study by Wood, Stride, Wall, and Clegg (2003). They followed up on the companies in Waterson et al.’s (1999) manufacturing sample four years later, and found that the proportion using empowerment extensively had nearly doubled. They also found more use of empowerment in service organizations than in manufacturing ones. Hardy and Lieba-O’Sullivan’s (1998) verdict that ‘the popularity of this latest approach led some writers to hail the 1990s as the “empowerment era”’ (p. 452) extends into the new millennium.

Fenton-O’Creedy (1995) notes that ‘prior to its adoption as a management term, the word empowerment was most often used in such fields as politics, social work, feminist theory, and Third World aid ... to mean providing individuals (usually disadvantaged) with the tools and resources to further their own interests’ (p. 155). Within I/O psychology and management, empowerment typically has a more restricted meaning. It is used to denote the

enhancement of employees' autonomy in their work, or increased involvement and influence in decision-making more generally, within the wider agenda and interests of the organization. Thus it loses the emphasis on empowerment furthering employees' own interests, though many assume they value greater empowerment. In other words empowerment involves 'moving decision-making authority down the (traditional) organizational hierarchy' (Menon, 2001, p. 156). Empowerment is a generic construct that can encompass a family of different initiatives, and can apply at all levels within the organization from shop floor to middle and relatively senior management (see also Robbins, Crino, & Fedendall, 2002).

Four main perspectives on empowerment are evident, each of which has its own distinctive literature. One is that of *psychological empowerment* (e.g., Conger & Kanungo, 1988; Thomas & Velthouse, 1990), where the emphasis is on individual cognitions of self-determination, competence, and related constructs. This is an experiential or subjective perspective, concerned with how empowered employees feel.

In contrast, the remaining three perspectives on empowerment are more directly rooted in the autonomy or influence afforded by the environment within which people work, and collectively are thus sometimes described as 'situational' or 'structural' forms of empowerment (see Spreitzer, 1995a). The second we shall call *role empowerment* to reflect the fact that it focuses on the delegation of added responsibility to individuals or groups for the execution and management of their own primary tasks. This is what London (1993) defines as 'ensuring the employee has the authority to do his or her job' (p. 57). Examples include job enrichment and self-managing work teams.

The third perspective, *organizational empowerment*, encompasses the involvement or representation of employees in decision-making within the wider enterprise. Examples include consultation and participation, styles of management fostering these, as well as representation on bodies such as management boards and through trade unions. Such practices have been rather neglected in the I/O literature in recent times, but they have been more prominent in the management and industrial relations fields.

The final perspective that we identify we call *embedded empowerment*. This refers to initiatives in which role or organizational empowerment is a core component within a wider framework. The topical example on which we will focus is work on human resource management (HRM). This is concerned with the effects of the HRM system as a whole, within which, role and organizational empowerment typically play a central role alongside other factors, such as investment in selection and training. Such systems are often labelled accordingly (e.g., 'high involvement management') (Wood, 1999).

In this chapter we critically review evidence relating to each of these four perspectives on empowerment as they bear upon performance at work. We

use the term performance to denote the achievement of the primary economic task (e.g., output in manufacturing, volume in sales). We do not include broader considerations such as employee welfare or social and environmental responsibility, as represented within the more general 'balanced score card' approach (e.g., Daft, 1998). The focus on economic performance, however, means that the outcome differs according to the perspective on the empowerment in question. Thus for psychological and role empowerment, performance is typically concerned with job or team output; whereas for organizational and embedded empowerment the focus is on the performance of the organization as a whole in terms of such measures as productivity, profit, or return on assets. We conclude by attempting to integrate findings from the four perspectives on empowerment and to identify issues for future research and practice. First, however, to set the scene, we offer a brief history of empowerment research and an outline of the wider socio-political influences affecting interest in the topic.

### **EMPOWERMENT RESEARCH: A BRIEF HISTORY IN CONTEXT**

It is only recently that the term empowerment has become popular, and arguments could be mounted about the distinctiveness of some contemporary approaches (such as psychological empowerment). However, as most commentators observe (e.g., Arnold, Arad, Rhoades, & Drasgow, 2000), interest in situational empowerment, and especially in role empowerment, has a long history. The study of psychology and management in work settings developed in the early part of the 20th century, against the backdrop of scientific management (Taylor, 1911). That approach focused on role disempowerment by promoting narrowly defined, low discretion jobs, and the concentration of decision-making in the upper reaches of the management hierarchy. Although scientific management brought immediate productivity benefits, there was concern about the longer term value, and particularly about the social and psychological costs of the resultant work simplification. During the 1920s criticism of the practice was voiced in political circles on both sides of the Atlantic (Rose, 1978). Consequently, much early investigation, such as that funded by the Industrial Fatigue Research Board in the UK, was devoted to investigating its effects on employee well-being (Wall & Martin, 1987). That research helped create and shape the field of study that was to become I/O psychology in the US and occupational psychology in the UK. It led to recommendations for broadening the range of tasks within jobs and, less noticeably at first, for devolving more authority to job holders. This gave rise to interest in role empowerment in the form of job redesign, as the antithesis of scientific management or work simplification.

The subsequent history of I/O psychology and related fields reveals persistent advocacy of empowerment, albeit in a variety of different forms and levels of analysis. As Wilkinson (1998) notes, elements of role empowerment are evident within the human relations movement prominent in the 1920s and 1930s, inspired by Elton Mayo's Hawthorne studies. Those studies involved field experiments on the effects of work conditions (e.g., hours of work and payment incentives) on performance (Roethlisberger & Dickson, 1939). Unexpectedly, the investigators found performance benefits not only when they improved work conditions but also when they subsequently reduced them. This led to the conclusion that the process of experimenting had empowered employees in that 'supervision was free and easy, the operatives were able to set their own work pace [and that it was] an increased involvement in the job [that] was reflected in a steady improvement in production' (Warr & Wall, 1975, p. 30).

The human relations movement in turn encouraged a broadening of the perspective to include empowerment within work groups, leadership style, and wider organizational structures. For example, that movement was soon followed by the development of socio-technical systems theory in the UK (e.g., Trist & Bamforth, 1951) that promoted role empowerment at the team level, through the advocacy of autonomous working groups (now variously called semi-autonomous, self-managing, or empowered groups or work teams (see Arnold et al., 2000, p. 249)). Commensurate with their respective cultures, the work group emphasis that emerged especially in the UK was paralleled by a continuation of the more individualistic approach in the US, where Herzberg (1966) advanced his two-factor, or motivation-hygiene, theory of work design. He coined the term 'job enrichment' to reflect its advocacy of increasing individual employee autonomy and responsibility. The same term was subsequently adopted by Hackman and Oldham (1976), whose Job Characteristics Model led to similar recommendations for job design.

There were parallel developments with respect to organizational empowerment. Pursuing the human relations theme of the role of leadership style, McGregor (1960) contrasted 'Theory X' (Taylorism) with 'Theory Y' (empowering) management approaches, recommending the latter as a means of enhancing performance. Likewise, Likert (1961), focusing on 'new patterns of management', compared System I, defined in terms of close control and lack of delegation, with systems II, III, and IV, representing progressively greater empowerment. The focus of empowerment had broadened from the work role of the employee or work group towards a more inclusive approach, and from enhanced autonomy and authority over the immediate work to include participative forms of leadership and management.

The interest in organizational empowerment gained further momentum in the 1960s, fuelled by national and international political initiatives. In the UK, for example, the tenor of the times was captured by the *Report of the*

*Royal Commission on Trade Unions and Employee Associations* (Royal Commission, 1968), which states ‘the right to representation in decisions affecting [work] is, or should be, the prerogative of every worker in a democratic society’ (paragraph 212). Similarly, the Trades Union Congress (TUC) report to that Royal Commission recommended: ‘provision should be made at each level in the management structure for . . . representatives of the work people employed in these industries to participate in the formulation of policy and in the day to day operation of these industries’ (TUC, 1966, p. 262). Within Western Europe more generally, the Draft Fifth Directive of the European Economic Community (EEC, now the European Union, EU) recommended a representative system at board level within companies. As Towers (1973) observed, ‘Over the last few years powerful socio-cultural, political and industrial pressures have coalesced to articulate themselves into a widespread demand for greater participation and democratization’ (p. 7). In Western Europe that was reflected in research on industrial democracy and participation (e.g., Emery & Thorsrud, 1969; Poole, 1986). In the US interest did not expand from role to organizational empowerment to the same extent, with attention to the latter largely restricted to more general notions of participative decision-making (e.g., Locke & Schweiger, 1979) and employee ‘voice’ (e.g., Freeman & Medoff, 1984).

Arguably, the period from around 1980 to the early 1990s saw a lull in the interest in empowerment. With the election of Margaret Thatcher as Prime Minister in the UK, there was legislation to restrict organizational empowerment through trade unions, and ‘managers’ right to manage’ became a slogan. In Europe, the Draft Fifth Directive was never enacted. There was a retreat from empowerment philosophies. As Wilkinson (1998) notes, ‘The rhetoric of enterprise moved to the right in Western Europe and the USA’ (p. 42).

Nonetheless, advocacy of empowerment did not disappear, especially within the popular management literature, and developments since have served to renew interest. As Wilkinson (1998) argues, Peters and Waterman’s (1982) best-selling book, *In Search of Excellence*, ‘was influential in laying the foundation for the modern empowerment movement’ (p. 42), and promoted interest in empowerment as a core element of total quality management (Wilkinson, Marchington, Ackers, & Goodman, 1992). Empowerment is implicit in various concepts that were gaining ground in the 1980s, such as post-Fordism, flexible specialization, de-bureaucratization, delayering and decentralization, as reflected in prescriptive management approaches promoted by such writers as Drucker (1988) and Kanter (1989). Influential books making the case for an empowerment approach (e.g., Lawler, 1992; Pfeffer, 1994), together with new developments on psychological and embedded empowerment (the latter suggesting that HRM systems that include empowering practices are associated with superior organizational performance relative to more traditional personnel systems), have helped keep the issue on the policy and research agenda.

In addition to the above, two further factors are important in explaining why the topic of empowerment periodically resurfaces with renewed vigor. The first of these is the development of new technologies, and computer-based ones in particular, that raise questions about how empowered users should be. Although such technology was initially seen by some (e.g., Braverman, 1974) as posing a threat to empowerment at the job level, others saw a need to empower users in order to realize its full potential and achieve flexible production (e.g., Piore & Sabel, 1983; Susman & Chase, 1986). The second factor is that, by the 1990s, downturns in the economic climate made downsizing and delayering increasingly common. As organizations shed staff it became necessary to empower those they retained (Wilkinson, 1998).

Thus the current interest in empowerment can be seen to be the product of both enduring democratic beliefs and values interacting with shifts in socio-political thinking and economic conditions.

## PSYCHOLOGICAL EMPOWERMENT

The most recent and distinct addition to the literature is that concerned with psychological empowerment. Current interest in this idea is usually traced back to the theoretical contribution of Conger and Kanungo (1988). They noted that, whereas there was an extensive literature in both the management and I/O fields on role empowerment and its effects on behaviour at work (which we review in the next sections), the processes or mechanisms that linked these remained largely neglected. Their approach was to focus on the psychological experience of empowerment, how this might derive from what we have defined as role empowerment (and other factors), and its behavioural outcomes. They proposed that the main effect of empowerment was to promote self-efficacy, that is, feelings of confidence in one's ability to perform tasks to a high standard, and that this in turn would affect 'both initiation and persistence of subordinates' task behaviour' (p. 476).

Following Conger and Kanungo's lead, Thomas and Velthouse (1990), in their article on the 'cognitive elements of empowerment', extended the employee experience approach. They proposed that the experience of empowerment involved four 'task assessments'. The first, 'impact', they defined as the extent to which individuals see their behaviours as producing the desired effects in their work role. The second, 'competence', refers to individuals feeling able to carry out their work tasks effectively (Conger and Kanungo's notion of self-efficacy). The third, 'meaningfulness', concerns 'the value of the task goal or purpose' (p. 672), that is the extent to which individuals feel that their work is personally significant. The final task assessment, 'choice', refers to 'causal responsibility for a person's actions' (p. 673), or perceived freedom to determine how to carry out work tasks. The basic premise is that

the components combine additively to represent feelings or perceptions of empowerment, and hence to promote behaviours that enhance work performance.

Expanding on their analysis of perceived empowerment, Thomas and Velthouse theorized about the organizational antecedents, proposing that alternative practices would affect the components differentially. For example, they suggested that delegation would act solely to enhance choice, job enrichment (which also includes a greater variety of tasks) would promote choice, meaningfulness, and impact, whereas appropriate pay systems would mainly contribute to perceptions of competence and choice.

### **Psychological Empowerment and its Measurement**

Against this theoretical background, researchers began to develop measures of experienced empowerment, so that the various predictions about its antecedents and effects could be empirically tested. Spreitzer (1995a) took up this challenge and introduced the term psychological empowerment to denote the experiential component that Conger and Kanungo and Thomas and Velthouse had identified. Spreitzer developed a measure of the four components that Thomas and Velthouse had advocated, namely, meaning, competence, self-determination (choice), and impact. Items for the dimensions were adapted from existing scales of work characteristics, of which the following are examples: 'The work I do is very important to me' (meaning); 'I have mastered the skills necessary for my job' (competence); 'I can decide on my own how to go about doing my work' (self-determination); and 'I have significant influence over what happens in my department' (impact).

More recently, Kirkman and Rosen (1999) have developed a team-level measure of psychological empowerment. Their measure also corresponds to the Thomas and Velthouse model: the potency sub-scale is synonymous with competence, and measures 'the collective belief of a team that it can be effective' (p. 59); the meaningfulness sub-scale concerns 'a team's experiencing its tasks as important, valuable, and worthwhile' (p. 59); the autonomy dimension, synonymous with choice, refers the extent to which 'team members experience substantial freedom, independence, and discretion in their work' (p. 59); and the impact sub-scale concerns 'work that is significant and important for an organization' (p. 59). Factor analysis findings were consistent with there being four sub-scales, but these were highly intercorrelated.

### **Psychological Empowerment and Performance**

Research to date has been concerned largely with the measurement of psychological empowerment. We do not review that in detail, as it falls outside the focus of this chapter on empowerment and performance.

However, part of the measurement task has been to examine construct validity, that is, whether measures of psychological empowerment relate as theoretically expected to antecedents and outcomes. Theory suggests that psychological empowerment, though in part a consequence of empowering work practices (i.e., enhanced employee decision-making responsibility), is also affected by other factors; and that it is psychological empowerment that results in behavioural outcomes (e.g., motivation and performance). Thus it is assumed that empowering practices alone may not be sufficient to affect behaviour, that employees also need to feel empowered before they engage in performance enhancing work activities (Conger & Kanungo, 1988; Thomas & Velthouse, 1990). In other words there are four elements in their overall prediction: that role empowerment (and other factors) will promote psychological empowerment; that psychological empowerment will enhance performance; that psychological empowerment will mediate the link between role empowerment and performance; and the possibility that role empowerment will interact with psychological empowerment to affect performance.

Spreitzer (1995a) considered the relationship of psychological empowerment with antecedent and outcome variables within her original cross-sectional measurement study. Using a sample of 393 managers, she found that all four sub-scales were positively related to the antecedents of access to information (a situational factor), and three of the four (except meaning) were associated with self-esteem (a personality factor). The relationship of the scales to outcomes was less consistent, with only competence and impact being statistically significantly related in zero-order analyses with performance (e.g., performance standards, overall success) and innovative behaviour, both as rated by subordinates. Subsequently, structural equation modelling showed a good fit for the effects of the antecedent variables collectively on psychological empowerment as a whole, but a less good fit for the effect of psychological empowerment on effectiveness and innovation (albeit that the paths were statistically significant at  $p < 0.001$  for both outcomes).

That initial study did not examine the possible mediational role of empowerment, an issue taken up by Spreitzer (1995b) in a second paper using the same sample. Taking five potential antecedents, and the same two outcome measures (as rated by the respondent's subordinates and superiors), she found some evidence of mediation for the relationship of 'work unit culture' (i.e., an HRM orientation similar to that considered later in the section on embedded empowerment) with innovative behaviour, but none for the relationship of culture with effectiveness. There was no evidence of mediation of the relationship of role ambiguity, socio-political support, access to information, or access to resources, with either performance measure. Thus, for this sample, evidence of mediation is at best weak. However, as we note in our more general assessment of this area of research, the antecedents are at best indirect measures of role empowerment.



Spreitzer (1996), together with colleagues (Spreitzer, Kizilos, & Nason, 1997), continuing to use the original sample of managers, went on to reconsider the same potential antecedents of psychological empowerment as in her 1995(b) paper (i.e., role ambiguity, socio-political support, access to resources, work unit culture). However, this time the aim was to determine more rigorously whether the four variables differentially predict outcomes. The study considered each sub-scale while controlling for the other three. This showed that, while collectively the sub-scales predicted outcomes relating to work effectiveness, work satisfaction, and job strain, no one dimension did so uniquely. Spreitzer et al. (1997) thus concluded that 'employees need to experience each of the empowerment dimensions in order to achieve all of the hoped for outcomes of empowerment' (p. 679).

Spreitzer's series of studies has served to clarify and operationalize the construct of psychological empowerment, and to establish that it is associated with several of the assumed antecedents and outcomes. For our present purposes, however, an important limitation is that this work is based on a single sample of managers, leaving its generalizability unknown. Subsequent studies by others help to address this limitation.

Gagné, Senecal, and Koestner (1997) report findings based on a sample of 157 technical and telemarketing employees. Factor analysis confirmed the expected four dimensions of psychological empowerment. Using measures from the Job Diagnostic Survey (JDS) (Hackman & Oldham, 1975), they investigated, through path analysis, how perceived job characteristics (task significance, feedback from the job, feedback from agents, and autonomy support) related to psychological empowerment, and if psychological empowerment mediated the relationship of those characteristics with intrinsic motivation. Findings showed differential effects. For instance, task significance predicted only meaning, feedback from the job predicted impact and autonomy (self-determination), and autonomy support also predicted impact and autonomy. The findings further showed that, for two of the dimensions, meaning and autonomy, those experiencing greater psychological empowerment also reported stronger intrinsic motivation. However, the third dimension, impact, was unrelated to intrinsic motivation; whereas the fourth, competence, was negatively associated. There was also evidence that certain dimensions of psychological empowerment mediated the link between the job characteristics and the outcome (e.g., the relationship between autonomy support and intrinsic motivation was through the psychological empowerment dimension of autonomy). This study is based solely on cross-sectional and self-report data and as such is methodologically limited. Nonetheless, it extends investigations to another type of sample and, contrary to Spreitzer et al.'s (1997) conclusion, suggests there may be dangers in treating the different dimensions of psychological empowerment as a single construct.

More recently, Siegall and Gardner (2000) have examined the relationship of communication with a supervisor, attitude towards the company, teamwork and concern for performance, with the dimensions of empowerment. Applying regression analysis to data from a sample of 203 lower level manufacturing employees, they found communication with a supervisor to be associated with experienced meaning, self-determination and impact, and that attitude to the company contributed solely to meaning. Teamwork was unrelated to any dimension of psychological empowerment when the other variables were controlled. Turning to the question of effectiveness, this study also showed that those experiencing more meaning and self-determination recorded greater concern for performance. Though, as for the previous work, this study is methodologically limited, because of its cross-sectional design and reliance solely on self-report data, it again suggests the components of psychological empowerment are differentially associated not only with assumed antecedents but also with a performance-related outcome.

Liden, Wayne, and Sparrowe (2000) report a study on a sample of 337 lower-level service company employees. They focused in particular on the extent to which the four dimensions of psychological empowerment mediate the relationship between job characteristics (an aggregate of task identity, task significance, and feedback from work) and outcomes (work satisfaction, organizational commitment, and job performance). Using regression analyses, they found that meaning completely accounted for the relationship between job characteristics and commitment; and that meaning and competence partially accounted for the relationship between job characteristics and satisfaction.

The findings for performance (rated by supervisors) were rather different. Although zero-order correlations suggested that all four dimensions of psychological empowerment were positively associated with the outcome, regression analysis showed only one component, competence, was related to performance when the effects of the other three were controlled. Moreover, there was no mediation, because the job characteristics were unrelated to performance in the first place. A weakness of this study, however, is that the measure of job characteristics excluded the most direct measure of role empowerment, namely autonomy, and hence the most likely antecedent of psychological empowerment. We shall consider this further in the next section.

The last study we highlight is that by Kirkman and Rosen (1999). They also examined, cross-sectionally, whether psychological empowerment was a mediator of the relationship between antecedents (team leader behaviours, production/service responsibilities, team-based human resource policies, and social structure) and outcomes (e.g., productivity and customer service). However, their investigation was based on a sample of some 100 teams, from three manufacturing companies and one insurance company. They administered the team-level measure of experienced empowerment described

earlier (p. 7) which, because of the high correlations between the four subscales, they used to provide a single empowerment score.

There were three key findings. First, all four antecedents (holding the others constant) were positively related to team psychological empowerment. Second, teams reporting greater empowerment had higher productivity and provided better customer service (in both cases as assessed by external team leaders). Third, the observed relationship between the antecedent variables and performance (and overall index of productivity and customer service together with a measure of proactivity) was accounted for by psychological empowerment, with the sole exception of team leader behaviours (which retained a direct effect on performance over and above that mediated by team empowerment).

### **Taking Stock**

It is evident from the studies reviewed, together with many others in the literature (e.g., Arnold et al., 2000; Laschinger, Finegan, Shamian, & Almost, 2001), that the construct of psychological empowerment has attracted a great deal of attention. Nonetheless, research on this topic is still in its infancy. Thus, although one may reach preliminary conclusions, the main lessons concern issues for future inquiry.

Perhaps the strongest conclusion is that the theoretically expected four-dimensional nature of psychological empowerment has been supported across diverse samples. However, this observation requires qualification. A study by Fulford and Enz (1995) found that while meaningfulness and self-efficacy were distinct dimensions, impact and self-determination came together as a third. Siegall and Gardner's (2000) exploratory factor analysis found support for the dimensions of meaning, competence, and impact, but self-determination did not emerge unless they lowered the statistical criteria below normal levels. Also, the problem of discriminant validity was an issue for Kirkman and Rosen's (1999) team-level measure, in that the four dimensions they found were so highly related that they aggregated them into a single index for analytic purposes. This has been a problem from the outset as is evident from Spreitzer's (1995a) comment in the original measurement study, that 'The limited discriminant validity found ... suggest[s] that continued refinement of the measures is necessary' (p. 1461).

The identification of stable and distinct dimensions of psychological empowerment is also likely to be important for conceptual and theoretical reasons. A possibility that has been largely neglected is that the components are sequentially related. For instance, it seems likely that self-determination (i.e., choice or experienced autonomy) is a prerequisite for one or more of the other components. This perspective is supported by Kraimer, Sibert, and Liden's (1999) analysis suggesting that 'self-determination must be present for impact to occur' (p. 140). Drawing on Liden and Arad's (1996) model of

empowerment, Kraimer et al. commented: 'Self-determination indicates power potential, and impact reflects actual power. Thus, potential power is a necessary condition for actual power in the workplace' (p. 140). They, accordingly, recommended that Spreitzer's model should include a direct pathway between self-determination and impact. Equally, it is plausible that self-determination is a precursor of meaning, or that competence leads to impact. The emphasis thus far on dimensions of psychological empowerment has discouraged investigation of possible relationships among these dimensions. This should be a priority for future research.

Another important issue concerns the relationship between role and psychological empowerment. Investigators have tended not to include in their studies the one aspect of role empowerment, namely the degree of autonomy or responsibility afforded to job incumbents, that would be expected to predict directly self-determination or choice (i.e., experienced autonomy) (Gagné et al., 1997 are an exception). The most likely reason for this is that measurement of the two concepts is confounded. This arises because, to measure psychological empowerment, Spreitzer (1995a) adapted the autonomy items from Hackman and Oldham's (1975) Job Diagnostic Survey (JDS), which was designed to measure role empowerment. For example, one of the three items in the self-determination sub-scale of psychological empowerment is 'I have considerable opportunity for independence and freedom in how I do my job' (Spreitzer, 1995a, p. 1465), and one of three items in the autonomy scale of the JDS is, 'The job gives me considerable opportunity for independence and freedom in how I do the work' (Cook, Hepworth, Wall, & Warr, 1981, p. 184). The basic problem is that, though psychological and situational empowerment are conceptually distinct at the operational level, where reliance is placed on self-report measures the distinction is almost impossible to uphold (Liden et al., 2000). Given that psychological empowerment is quintessentially an experiential construct, leaving no alternative but to use self-report measures, the implication is that future work should deploy objective, or at least independent, corresponding measures of role empowerment.

Similarly, there is a need, wherever possible, for objective or independent measures of outcomes. Asking employees the extent to which they feel their work has impact, for example, would seem to be necessarily related to self-reports of performance, making findings somewhat tautologous. As we have seen, research so far has fared better in this respect, but nonetheless self-report outcome measures are not uncommon.

Another requirement is for future research to move beyond the cross-sectional research designs that so far have exclusively been used. Cross-sectional research may be acceptable in the development of a new research area, where it is a cost-effective strategy for developing measures and obtaining circumstantial evidence for substantive predictions. The point has been reached, however, where it is essential to move to longitudinal and

intervention studies, in which role empowerment is substantially changed and its subsequent effects on psychological empowerment and performance assessed.

Finally, future research should explore all aspects of the agenda originally set out. This not only involves investigating the antecedents (both situational and individual) and outcomes of psychological empowerment, and hence the mediating role of that variable, but also the possibility that situational and psychological empowerment interact to affect outcomes. Clearly, if role or organizational empowerment practices are the sole determinants of psychological empowerment, then a mediational approach is sufficient. However, it appears that psychological empowerment is also determined by personality and other individual difference factors, such as locus of control and self-esteem (Spreitzer, 1995a). That being the case, psychological empowerment can vary independently of situational empowerment, making the possibility of interaction between the two more likely.

## **ROLE EMPOWERMENT**

As discussed in our brief history of empowerment research, role empowerment was the original emphasis of research and practice and remains of central concern today. This is evident, for example, in Robbins et al.'s (2002) outline of an integrative model of empowerment, that encompasses all four aspects of empowerment considered in this chapter. They propose 'that the most critical step in the empowerment process is the creation of a local work environment within a broader organizational context that will provide both an opportunity to exercise one's full range of authority and power (i.e., empowered behaviors), as well as the intrinsic motivation within employees to engage in that type of behavior (i.e., psychological empowerment)' (p. 420). This carries forward the job enrichment ethos as exemplified by Herzberg's (1966) two-factor theory, Hackman and Oldham's (1976) Job Characteristics Model (JCM), and the socio-technical systems approach focusing on autonomous work groups.

The JCM represents this traditional perspective on empowerment. The model identifies five core job characteristics, namely skill variety, task identity, task significance, autonomy, and feedback from the job itself. These are specified as determinants of three critical psychological states. The first three job characteristics are posited to contribute collectively to experienced meaningfulness; autonomy to experienced responsibility; and feedback to knowledge of results. In turn, the critical psychological states are cast collectively as promoting work satisfaction, internal work motivation, task performance, and reduced absence and labour turnover. Of the five job characteristics, autonomy is recognized within the JCM as having more

bearing on the critical psychological states, and hence performance as an outcome, than task variety, task identity, or task significance.

There already exist comprehensive reviews and critiques of the empirical literature on job enrichment and autonomous work groups engendered by the JCM, socio-technical systems thinking, and cognate approaches (e.g., Parker & Wall, 1998; Parker, Wall, & Cordery, 2001). We thus focus on more recent developments encouraged by two important limitations highlighted by those reviews. One is that the mechanisms linking empowerment to performance have remained largely unexplored, and seem likely to extend beyond the motivational ones usually assumed. The other is the need to better understand the circumstances (i.e., contingencies) under which this type of empowerment does and does not affect performance.

### **Mechanisms Linking Role Empowerment and Performance**

The traditional assumption is that job enrichment promotes performance through motivation in the form of effort (e.g., Campion & McClelland, 1993). Yet rarely has this assumption been directly tested, for instance by empirical investigation of whether change in such role empowerment is associated with change in employee motivation, and that the latter accounts for any change in performance. Indeed, in the highly influential JCM, intrinsic motivation is cast as an outcome alongside job performance, rather than a mechanism through which performance is achieved. Thus motivation as a mechanism should remain on the agenda.

For our present purposes, however, we look beyond that traditional motivational mechanism, and concentrate on likely additional ones. In this respect a number of promising suggestions have recently surfaced. One, offered by Parker, Wall, and Jackson (1997), concerns 'flexible employee work orientations'. Their argument is that training and communication can be sufficient for surface acceptance of new 'strategic orientations', such as the minimization of inventory (e.g., just-in-time) or use of preventive problem-solving (e.g., total production maintenance); but more fundamental internalization requires role empowerment. As the authors state: 'It is one thing for employees to endorse a set of general organization-wide principles, and quite another for them to carry those through to the extent that they change their views of their own work responsibilities [that is] develop new and complementary *role orientations*' (p. 900). Parker et al. (1997) go on to predict that 'the required role orientations will only develop if employees are given more autonomy over their work' (p. 901), and test this prediction across three studies. In the first study they developed and examined the validity of new measures of strategic and role orientation. The second and third studies investigated changes in orientation following the introduction of the new working practices of just-in-time and total quality management, with and without role empowerment. The findings showed that whereas strategic

orientation changed as a function of the introduction of the new work practices, irrespective of role empowerment, change in role orientations was only realized where there was also role empowerment. The assumed link to performance, however, was not directly addressed.

One of the implications of role empowerment is that employees take on a broader set of duties, and it is this that leads to performance benefits. Typically, where job enrichment or autonomous group working is implemented, added to the execution of the core technical activities (e.g., assembling a washing machine or recording client financial transactions) is responsibility for a range of supporting tasks. These may include designing new work procedures or methods, liaising with suppliers or customers, allocating tasks among coworkers, and representing coworkers in meetings with senior management. In other words, there is an increase in role breadth, defined as 'activities that are more proactive, interpersonal and integrative in their nature' (Parker, 1998, p. 836). Parker (1998) proposes that role empowerment will promote greater 'role breadth self-efficacy' (RBSE), that is the 'perception that [employees] are able to carry out these types of task' (p. 836), and that this will enhance performance.

Empirical investigation of RBSE involved the development of a measure and examination of its association with role empowerment in two large samples of manufacturing employees (Parker, 1998). The measure was shown to be distinct from related concepts such as proactive personality and self-esteem. Also as predicted, cross-sectional analyses in both studies showed role empowerment (e.g., job enrichment—task control and decision-making influence) to be a key predictor of RBSE. A longitudinal analysis further supported this finding, showing that increased job enrichment was associated with increased RBSE. Thus role breadth self-efficacy is a clear candidate as a mechanism linking role empowerment to performance, but its direct link with performance remains to be directly tested.

Perhaps one of the most intriguing and challenging recent developments on mechanisms linking role empowerment to performance is that concerned with learning. More specifically, the proposition is that role empowerment promotes knowledge and understanding in employees that enable them to carry out their work more effectively. This idea has been mooted for some time. Herzberg (1966), for example, suggested that 'job design promotes psychological growth which involves knowing more, seeing more relationships in what we know, being creative, being effective in ambiguous situations' (p. 70). Similarly, Susman and Chase (1986) argued that 'aside from the motivational benefits they may derive from enriched jobs ... employees are in a better position to see the relationships between specific actions and their consequences' (p. 268); and Wagner, Leana, Locke, and Schweiger (1997) that the benefits of role empowerment 'might lie not in its power to motivate employees, but rather in its ability to facilitate cognitive growth and awareness' (p. 50). Action Theory (Hacker, 1985; Frese & Zapf, 1994) also

specifies that control at work is a prerequisite for learning; and Karasek and Theorell's (1990) Demand Control Model identifies high decision latitude (i.e., autonomy), together with demands, as necessary for 'active learning'.

Despite this theoretical heritage, empirical investigation of the link between role empowerment and knowledge development in work settings has been scant. In a longitudinal change study, Wall, Jackson, and Davids (1992) examined the effect of increased operator control on the performance of a robotics system. The performance of the system was determined by the effectiveness of fault management. They reasoned that effects showing an immediate reduction in the time taken to correct operational faults would reflect the application of existing knowledge, whereas a progressive reduction in the number of faults would indicate the development of new knowledge. They found evidence of both effects. In an earlier study of computer-controlled assembly operators, Jackson and Wall (1991) showed equivalent learning-related effects.

In neither of those studies, however, was the operators' knowledge directly measured. This omission was addressed by Leach, Wall, and Jackson (2003), who developed knowledge elicitation techniques for use in work settings to examine change in knowledge following an empowerment initiative for operators of complex manufacturing technology. They found the predicted increase in knowledge, particularly among less experienced employees. Improvements were also recorded in employee self-confidence and strain, but not in job motivation or job satisfaction. This study clearly focuses on conscious knowledge, and so does not begin to address the possibility that role empowerment might also enhance tacit or implicit knowledge of the kind identified in the cognitive psychology literature (e.g., Berry & Broadbent, 1984). Field investigations of this possibility should be a priority. More generally, the potential of combining role empowerment approaches in I/O psychology with models and methods in cognitive psychology provides a promising, and methodologically challenging, line for future development (Hodgkinson, 2003).

A number of other possible mechanisms linking role empowerment to performance have been suggested (Parker et al., 2001). One, implicit in the socio-technical systems principle of control of variance at source, is that of quick response. Time is saved simply because empowered employees can carry out tasks that otherwise they would have to wait for others to complete. Other suggested mechanisms include the possibility that empowerment operates through labour intensification or improved goal-setting (Kelly, 1992), by reducing indirect costs (e.g., fewer supervisors or technical support staff, Wall, Kemp, Clegg, & Jackson, 1986), by enhancing perspective-taking (Parker & Axtell, 2002) and, in the case of group work, by enhancing team processes (Wagner et al., 1997).

Although many promising ideas concerning the mechanisms linking role empowerment to performance have been put forward, this area of inquiry is



very much in its infancy. There is as yet no substantial body of evidence supporting any one mechanism. Moreover, investigators have only taken the first step, of showing that particular variables such as RBSE and knowledge are associated with role empowerment, treating them in effect as outcomes. They have not directly tested whether these variables are mechanisms in the full meaning of that term, that is, variables that can account for observed relationships between empowerment and performance. Equally, there have been no studies looking at the separate and combined effects of different possible mechanisms, and this is important because it seems likely that more than one is involved. Increased knowledge, for example, is likely to promote both role breadth self-efficacy and motivation. The question of mechanisms is important, because if we can establish how and why role empowerment affects performance then it will be easier to understand the circumstances under which it will be effective. This leads us to our second issue.

### **Contingencies and the Link between Role Empowerment and Performance**

Kelly (1992) reviewed 31 of the methodologically most rigorous job redesign studies, and found job performance change ranging from  $-17$  to  $+50\%$ , with evidence of performance gains of  $10\%$  or more in 13 cases. A recent evaluation of team-based interventions shows equally variable performance results (e.g., Cohen & Bailey, 1997). The same applies in Waterson et al.'s (1999) survey of UK manufacturing companies, where, of the 406 (out of 564) with empowerment strategies,  $22\%$  reported no performance effect,  $32\%$  moderate gains, and only  $46\%$  more substantial benefits. Clearly there is a case for addressing the question of the circumstances under which such role empowerment does and does not promote performance.

There have been many suggestions concerning contingencies likely to affect the impact of role empowerment on performance. For team-based empowerment (e.g., autonomous work groups), Wageman (1997) identified goal clarity, demographic and skill diversity, size, stable membership, and leadership style as factors likely to enhance or inhibit performance outcomes. Other proposed contingency factors include shared attitudes and interpersonal trust (Dean, Brandes, & Dharwadkar, 1998), collective efficacy beliefs (Little & Madigan, 1997), cohesiveness (Banker, Field, Schroeder, & Sinha, 1996), personality and ability mix (Stevens & Campion, 1999), and transformational leadership (Arnold et al., 2000). All these are plausible suggestions, but as yet they lack the degree of empirical support and theoretical development to make them compelling.

One development, however, shows particular promise, and this focuses on operational uncertainty. This concept denotes the extent to which it is unclear how best to do the work, which tends to increase as a function of

frequency of change in product or service requirements, variability in materials, and unreliability of technology. In an integrating analysis, Wall, Cordery, and Clegg (2002) propose that:

the effectiveness of empowerment practices . . . will be contingent on the degree of operational uncertainty that prevails (and) that this proposition generalizes across the various levels of analysis and areas of application of empowerment, from its use as an overall principle of organizational design, through its manifestation in work design (e.g., as in job enrichment or self-managing teams), to its application as part of other initiatives (e.g., as part of total quality management) (pp. 148–149).

Clearly that proposition encompasses all three kinds of situational empowerment we cover in this chapter, namely role, organizational, and embedded. Here, however, we focus on the case of role empowerment, where two considerations help support the claim. The first of these is the existence of empirical evidence consistent with the proposition. Wall, Corbett, Martin, Clegg, and Jackson (1990) showed that increasing operator control for employees working on computer-based assembly systems resulted in substantial performance gains for systems characterized by high operational uncertainty, but no discernible effects when they worked on systems with low operational uncertainty. Cordery, Wright, and Wall (1997) reported equivalent findings for self-managing work groups in water treatment plants.

The second supporting factor is the logical consistency between the contingency and the learning mechanism proposed above. Wall et al. (2002), argue that, at a psychological level, operational uncertainty means a lack of knowledge about production requirements, and hence a lack of understanding about cause and effect. As a result, where there is operational uncertainty:

there is both the opportunity to empower employees, in terms of giving them important areas of decision-making, and scope for learning. Conversely, where there is little uncertainty, the knowledge requirements of the work are low, and there is consequently little scope for knowledge development and less opportunity to offer employees real empowerment. It follows that the effects of empowerment on performance will increase as the degree of production uncertainty increases (Wall et al., 2002, p. 159).

The case for operational uncertainty as a contingency may be an attractive one, and more persuasive than some others because of the empirical and theoretical support that can be marshalled in its favour. Nonetheless, that support is still limited and indicates the potential rather than product of this line of inquiry. The more general message is that, as for the study of mechanisms, investigation of contingencies is calling out for empirical and theoretical development. If contingencies exist, and remain unrecognized,

many organizations persuaded to follow the empowerment path will achieve disappointing results; others who would benefit from following this path will be dissuaded from doing so; and research on the effectiveness of empowerment initiatives will yield inconsistent results.

## **ORGANIZATIONAL EMPOWERMENT**

We use the term organizational empowerment to denote practices that enable employees to have a say in decisions about the management and strategy of their organization. This distinguishes it from role empowerment, which is about autonomy in the execution of the individual's or team's primary task. Organizational empowerment is typically concerned with decisions about terms and conditions of employment, working practices, quality management, environmental strategy, investment in new technology, mergers and acquisitions, or even whether or not to adopt a strategy of enhancing role empowerment. The two types of empowerment may be related, as many of these strategic decisions, and especially those concerned with terms and conditions and working practices, can enable or constrain role empowerment.

In addition, much organizational empowerment is through representatives and thus for most employees is indirect. Examples of such organizational empowerment include representation through trade unions, works councils, consultative committees and supervisory boards, and involvement in quality circles. However, organizational empowerment through the use of more direct methods (e.g., two-way team briefing) is an increasingly important part of organizational life (see Forth & Millward, 2002). Here we focus on trade unions and works councils, as this has dominated research. Given the organization-wide emphasis of this form of empowerment, the appropriate level of analysis for performance is the organization.

### **The Nature of Trade Unions**

Trade unions provide a distinct form of organizational empowerment as they are associations of workers that are independent of management and have an existence beyond the boundaries of the organization. In most countries trade union rights are protected by the State, though this may take a variety of forms. Trade union rights may be part of the constitution, as is the case in Germany, Italy, Sweden, Brazil, and South Africa. In contrast, in North America and the UK, where no such constitutional right exists, there are laws defining the processes of the certification of trade unions so their independence from management is protected.

Regardless of the nature of the legal rights underpinning trade unions, they have three main functions, to: (1) negotiate on behalf of their members for better terms and conditions of employment; (2) offer employees a voice with which to articulate their interests and grievances to management; and (3) help

legitimize, monitor, and enforce agreements and performance requirements. The existence of trade unions beyond the workplace, through their own national organizations and their joint coalitions (such as the TUC in the UK and the American Federation of Labor-Congress of Industrial Organizations in the USA), means that they are also involved in national political processes. This involvement is typically either through lobbying or more formal membership of tripartite bodies of trade unions, employers' federations and government (e.g., the corporatist industrial relations bodies that exist in Germany and the Netherlands or in the Low Pay Commission in the UK).

### **Trade Unions and Performance: The Arguments**

In contrast to the other forms of empowerment considered in this chapter, that are expected to enhance performance, trade unions can be associated with both positive and negative effects. Trade unions have a monopoly face and a voice face (Freeman & Medoff, 1984). Acting as monopolies they are predicted to have negative effects on performance in two ways. First, by using their power to bargain for better wages and fringe benefits, unions secure for their members a greater proportion of the company's surplus revenue and hence reduce profits. Second, unions can negotiate the rules regulating jobs, such as those involving internal job mobility, redundancy, the allocation of overtime, demarcations between occupations, and working conditions. It is generally assumed that such 'restrictive practices' constrain the optimal allocation of labour (Machin & Wadhvani, 1991; Metcalf, 1989).

In contrast, through their voice face, unions are predicted to have positive effects on performance. The argument, drawing on Hirschman's (1971) distinction between 'exit' and 'voice', is that, by providing a conduit for employees to have their say, unions help to retain skilled labour and to motivate employees. Voice refers to 'the use of direct communication to bring actual and desired conditions closer together', which in employment situations entails 'discussing with an employer conditions that ought to be changed', as opposed to exit which means 'quitting the job' (Freeman & Medoff, 1984, p. 8). Voice, which Freeman and Medoff identify with trade unionism, is expected to promote performance by allowing workers safely to express their grievances. This can help remove the causes of those grievances, thus increasing employee motivation and satisfaction and reducing labour turnover (i.e., exit). Moreover, employee voice may be used to suggest improvements in working practices, training methods, and safety procedures. This cooperative dimension to employment relations is part of what is increasingly being labelled a 'partnership' approach, in contrast to the antagonistic one more traditionally assumed. Indeed Freeman and Medoff

(1984) regard 'generally cooperative labor-management relations ... as a determinant, in its own right, of high productivity' (p. 224).

An additional way in which trade unions may contribute positively to organizational performance is in their role as agents of effective management. More specifically, union representatives, as a result of their involvement in collective bargaining, both legitimize and help police agreements. For example, unions often are involved in day-to-day management processes, such as the nomination of employees for training, overtime, and redundancy, or in disciplinary processes. In so far as they fulfill this monitoring function, unions and their representatives will help reduce both management costs and disruption from non-conformity.

Taken together, the effects of the two faces of unionism on organizational performance may be negligible, to the extent that wage effects and restrictive practices of unions are offset by the positive effects of voice. It might however be the case that unions have net positive effects on productivity (i.e., output per employee) but negative effects on profits, as the wage effects are not sufficiently offset by the productivity gains. However, this assumes the relationships apply to organizations in general, but the effects may be contingent. Here there are four considerations. First, product market competition may affect the impact of unionism on performance. Unions are likely to have more success in raising wages where there is less product market competition. If unions operated in perfectly competitive markets, and all they did were to raise wages and fringe benefits, in the long run both they and the firms in which they were recognized would not survive in competition with non-unionized firms. Similarly product market competition is likely to limit the scope for restrictive practices. Second, and in contrast, where labour is scarce the power of the union increases, so workers are more able to maintain their own working practices. Third, the degree of cooperation between management and unions (and employees) may act more as a moderator of the relationship between unions and performance than a determinant in its own right, as indeed Freeman and Medoff (1984) also suggest when they say 'unionism *per se* is neither a plus nor a minus to productivity. What matters is how unions and management interact at the workplace' (p. 179). Finally, the various relationships may vary with the institutional context. For example, where institutional arrangements permit industry-wide bargaining (as has been commonly the case in much of Europe) wages may be equivalent across all unionized firms in an industrial sector, so that the relative performance of the companies depends on other factors. This can also arise without industry-wide bargaining. For example, in the absence of foreign competition, firms in oligopolistic industries, such as the automobile industry in the USA, are able to achieve a similar effect by a process of coordinated bargaining. More specifically, as Kochan et al. (1986) have recorded, a bargain struck with one firm would set the pattern for the negotiations with the others.

### **Trade Unions and Performance: The Evidence**

Empirical investigation has a major role to play in helping to resolve the net effect of trade unions on organizational performance. Early studies of the relationship between unionism and performance concentrated on the wage-rate issue. For instance Lewis (1986) found that the union mark-up for the US was around 15%, varying between 12 and 19% between 1967 and 1979. Subsequent work produced similar figures for the 1980s, but more recent analysis suggests that although a mark-up effect persists it has declined in industries where the product market had become more competitive (Bratsberg & Ragen, 2002). In Britain the union mark-up prior to the 1980s was slightly lower, being estimated at 10% (Blanchflower, 1999). The extent to which it remained stable with the increasingly competitive markets of the 1980s and 1990s is a matter of debate: some studies suggest persistence (e.g., Blanchflower, 1999) but others a considerable reduction (e.g., Booth & Bryan, 2001). However, a recent analysis comparing wage differentials between union and non-union members suggests that the membership premium did fall from 12.2% between 1993–1995 to 5.1% between 1999–2001, and for some workers (e.g., highly educated ones) it almost collapsed (Blanchflower & Bryson, 2003). This evidence supports the argument that unionization enhances wage rates, but that it is moderated by product market conditions and/or labour market conditions. Blanchflower and Bryson (2003) also took a comparative perspective, and found that while a substantial union premium is evident in many countries (such as Canada, Australia, Denmark, and Japan), the institutional arrangements in several European countries (e.g., Germany, France, Netherlands, and Sweden) mean that union wage settlements spill over to non-union workers.

Freeman and Medoff (1984) were the first to extend the analysis of trade union effects on wages to productivity and financial performance. They found for the USA that unionization had a modest positive effect on productivity, and that this was moderated by the product market competition and a cooperative industrial relations climate. However, profits were reduced by unionism, and this was more pronounced where product competition was low.

There have been many studies following Freeman and Medoff's lead, and reviews of this literature present a consistent picture (e.g., Belman, 1992). Doucouliagos and Laroche (2000) conducted a meta-analysis of 79 published papers on the union–productivity link. Virtually half of these are based on data from the USA, with the remainder covering France, UK, Australia, Germany, Korea, Japan, and Canada. Analysis revealed no consistent association between unions and productivity. However, there was evidence of effects varying by country, industry sector, and time. For instance, there was a negative relationship between unionization and productivity growth for Australia, no relationship within the UK and the USA, and a positive one

for Germany. With regard to industry sector, a positive relationship between unionization and productivity was found in the USA for manufacturing and construction, but not in the rest of the economy. The time-sensitivity of the results is illustrated by the fact that the union–productivity relationship was negative in studies covering the 1950s but was subsequently generally positive. Finally, across the sample as a whole, a hostile industrial relations climate was associated with a negative relationship between unions and productivity, consistent with the argument that cooperative labour relations is a contingency.

Metcalf's (2003) review and interpretation of the evidence from the USA, Canada, UK, Germany, Japan, and Australia provides a complementary perspective to Doucouliagos and Laroche (2000), as it allows for more qualitative judgement than did their meta-analysis. Metcalf, confirms both the positive association between unionism and productivity and the negative one with profit, and highlights change over time. For instance, in both the UK and Australia productivity was negatively associated with unionization prior to the 1990s, when the labour–management relationships might be characterized as more antagonistic; but since the restrictions on union power introduced around that time, and a generally more cooperative climate of industrial relations, this is no longer the case. Where the product market is monopolistic (measured by five or fewer competitors) Metcalf suggests that unions still tend to lower productivity. Finally, he presents evidence that cooperative labour relations also moderate the relationship. Particularly significant is the finding, based on a national study of UK workplaces, that unionized workplaces with partnership arrangements perform better in terms of both profitability and productivity than all other types of workplace, unionized or otherwise.

### Overview

The overall conclusion is that organizational empowerment based on trade unionism tends to raise wages, raise productivity, but depress profits—the precise nature of these relationships is moderated by a range of factors, the most important of which appear to be product market competition and cooperative labour relations.

The studies, however, have three main methodological weaknesses. First, although there has been some attempt to track change over time, such analysis is based largely on comparing findings from separate cross-sectional studies rather than systematic longitudinal data. This does not provide a basis for causal inference. The second weakness is that while allowance in some studies is made for the co-cooperativeness of relations between management and the union, in general unions are treated homogeneously. It seems likely such union–management relationships are a major factor, and the few studies taking it into account support this view. The third limitation is that

evidence to date is based on comparing unionized with non-unionized workplaces or firms, regardless of the nature of employment relations practices in non-unionized firms. In some cases, non-unionized organizations have arrangements in place that equate to those offered by the union. For instance, though unions may provide for employee voice and involvement in wage setting, so too will other non-union provisions.

The main implication of these points is that research to date is at a very general level of analysis, and that more allowance needs to be made for union policy and alternative non-union provisions. The evidence is that multiple channels affect employee relations. This is certainly the case in the UK (Gospel & Willman, 2003) and probably much of Europe (Fenton-O'Creedy, Wood, & Callerot, 1998), where any bargaining that may occur in workplaces may still predominantly engage the union but much of the consultation and information sharing will involve either joint consultative committees or direct methods such as team briefings. Accordingly we need research that reflects the decline in the monopoly of the union over representation. This need is reflected in studies that attempt to look at unions in the context of direct communication and other practices associated with HRM (e.g., Wood & de Menezes, 1998).

### **The Nature of Works Councils**

Works councils are, Frege (2002) observes, 'widely seen as the most prominent, widespread and powerful form of industrial democracy in contemporary capitalist society' (p. 221). They are legally constituted bodies, which, like trade unions, are independent of management. They can be defined as 'institutionalised bodies of collective worker participation at workplace level with specific information, consultative and codetermination rights in personnel, social and economic affairs' (Frege, 2002, p. 223). They are largely confined to northern European countries, such as Germany, the Netherlands, and Sweden, but they have been recently introduced into the transitional economies of eastern Europe and South Korea. Here we confine our discussion to Germany, as the literature on the performance effects of works councils is largely limited to that country.

Workers have a legal right to establish works councils in Germany in all organizations with five or more employees. Nonetheless, they are not ubiquitous. Addison, Bellman, Schnabel, and Wagner (2002) estimated that works councils existed in only 16.3% of all eligible private enterprises in Germany, but that this covered 53% of the private sector workforce. The chance of having a works council increases markedly with size of company. They also show that only 29.9% of workplaces with between 21 and 50 employees have a works council but above that figure of employees the majority of workplaces tend to have them, rising to 91.7% of workplaces with over 500 employees.



However, both the proportion of firms with works councils and the coverage rate of works councils has been declining since the 1980s (Hassel, 1999).

Works councils have several rights of varying strength (Jacobi, Keller, & Müller-Jentsch, 1998). The strongest is co-determination, which means the works council has at least a provisional right of veto over managerial decisions, which may extend to joint decision-making for certain issues. Works councils are given co-determination rights over 'social issues', such as principles of remuneration, regulation of overtime and short-time working, holiday arrangements, performance monitoring methods, and personnel matters that regulate the internal labour market (e.g., policies on recruitment and grading). The second type of right is to consultation, which applies to personnel planning, changes in work processes, the working environment, new technology, and job content. This thus provides a legal right over matters that affect role empowerment. Finally, the weakest right is the right to information on financial affairs of the firm, and planned changes that may significantly disadvantage employees.

Works councils have a status and function that is distinct from the trade unions. All workers, and not just trade union members, can vote in works council elections, both to establish the works council and choose representatives. Representatives are not permitted to strike, and their role is 'to represent workers' interests while acknowledging the interests of the firm' (Frege, 2002, p. 223). This conventionally is seen as orientating the works council towards a cooperative partnership with management, as opposed to the more antagonistic competitive approach traditionally associated with trade unionism.

Viewed in relationship to the trade union, works councils are presented as the second element of the dual system of representation that was introduced in the early years of the Weimar Republic. Collective bargaining, which was traditional at the sectoral or regional level, was conducted by unions and concentrated on quantifiable matters such as wages and hours of work. In contrast the works council represents workers at the workplace. This dual system is widely seen as enabling the separation of conflicts of a distributional nature (e.g., the determination of wages) to be settled independently of issues of a more integrative nature (e.g., concerning efficiency and work practices).

Nonetheless, there is a 'relationship of mutual dependence' (Jacobi et al., 1998, p. 212) between the unions and works councils. This has four aspects. First, many works council members are also active trade unionists (estimated to be around 75%, see Niedenhoff and Pege, 1989; though this is lower in the newer industries). Indeed, in many cases, members are mandated by the union. Thus they can bring union issues to works councils, and in turn works council concerns can affect sectoral and regional bargaining. Second, the union supplies the works council with information and expertise (e.g., through education provision). Third, members of works councils often act as agents for the union at the workplace, their role in recruiting union members

being especially significant. Fourth, while works councils formally cannot negotiate wages, their power, particularly in large firms, means that in practice some are able to achieve wage premiums.

### **Works Councils and Performance: The Arguments**

In theory, the dual structure of industrial relations in Germany separates issues of distribution from integration. This should both minimize the negative wage effects of the monopoly side of unions and maximize the positive benefits of employee voice, the latter being provided largely through the works council. The coverage of collective bargaining settlements extends to all employees and hence there is no tendency for the wages of non-union members to differ from union members. Moreover, differential treatment of union and non-union members is ruled out constitutionally. The works council can have the positive effects on the performance of the firm that the union is assumed to have in Freeman and Medoff's (1984) voice–exit theory (e.g., by reducing labour turnover and its associated costs). Additionally, works councils are oriented towards the survival of the firm and thus are likely to be largely supportive of its long-term objectives. As Fitzoy and Kraft (1987) argue, 'if a significant efficiency–voice effect is anywhere plausible, then it is surely in the practice of the works council ... in West Germany' (p. 494).

Nonetheless, the bargaining over wages that works councils can in practice enter into may have adverse effects on profits by increasing wages over and above the competitive rate, or by delaying decisions. Also, while the works council's and management's interest may coincide, they are distinct, and thus at times the works council's policies may conflict with those of management. For example the works council's support for recruitment of friends and relatives of employees, or people that will fit in with the culture of the workplace (Windolf, Wood, Horn, & Manwaring, 1988), may come into conflict with a management concerned to develop new ways of working and seeking a more creative and innovative workforce. In such ways the works council may well have some of the negative effects on performance that are associated with the restrictive side of trade unions. Moreover, works councils are not all alike. Kotthoff (cited in Frege, 2002) outlines a typology that ranges from works councils that are ignored or isolated to ones that are class conflictual. Between these two extremes are various types of influential and cooperative works councils. Thus, as for trade unions, predicting the overall effect of works councils on performance is not straightforward.

### **Works Councils and Performance: The Evidence**

Studies of the relationship of works councils with organizational performance are analogous to those conducted on trade unions, but less numerous. A

major problem for researchers is that as the size of firms increases there are barely any firms without work councils to act as comparators. In a recent review of the literature Addison, Schnabel, and Wagner (2004) categorize the studies in three phases, based primarily on the type of data sets used. In effect the studies have been improving in terms of their ability to overcome the problem of the size-works council relationship. Phase one studies are characterized by small samples of firms using cross-sectional analysis. Phase two involves regional and industry-specific studies. Phase three is characterized by the use of truly representative data for the German economy as a whole. A variety of outcome measures have been deployed, and not all studies include productivity and/or profits as an outcome.

Phase one studies reveal a picture at odds with theory, in that works councils tend to be associated with reduced productivity (Fitzoy & Kraft, 1987) and profitability (e.g., Addison & Wagner, 1997). Phase two studies, however, present almost the opposite picture. Addison, Schnabel, and Wagner (2001) and Huebler and Jirjahn (2001) both report a positive association between the presence of works councils and productivity. However, in the case of Addison, Schnabel, and Wagner (2001), the effect does not exist for smaller establishments between 21 and 100 employees. Huebler and Jirjahn, moreover, found that the effect only existed where the workplace was covered by a collective agreement. The existence of a works council was associated with higher wages but had no impact on the overall profitability.

Phase three results are conflicting. On the one hand, Frick (2001, 2002) and Wolf and Zwick (2002) produce results that suggest that works councils have a beneficial effect on productivity. On the other hand, Schank, Schnabel, and Wagner (2002) and Addison, Bellman, Schnabel, and Wagner (2004) find no effects. These last two are in many ways the most sophisticated studies to date as the former concentrates on plants having between 21 and 100 employees with a panel data from 1993–2000, and the latter uses a formal matching model to compare establishments which experienced the formation of a works council during that period with those without a works council throughout.

### Overview

It is evident that the effect of works councils on firm performance remains unclear. The difference between the first and subsequent phases could reflect a change in the relationship over time. Such a time effect might reflect, for example, the virtuous circle Rogers and Streeck (1994) highlight, whereby as works councils mature the level of trust between management and the works council increases and their positive effect grows accordingly. Alternatively the change may result from a reduction in the power of works councils with the increased international competition that the German economy has faced. But it may equally reflect methodological factors. Further, likely

complicating factors are that the effect of works councils on performance are not necessarily the same across all sizes of firms, nor are they unaffected by the power of the union. In addition, as Addison, Schnabel et al. (2004) suggest, the relationship may be affected by other employee involvement and empowerment practices. These may be not unrelated to the presence of works councils, which can encourage some practices (e.g., communication) and discourage others (e.g., performance related pay). The fundamental problem, as with the studies of trade unions, is that the level of analysis is so general that it ignores a range of potentially important variables likely to affect the results. Future research needs to take account of different features and types of works councils, including the nature of their relationship with trade unions. Simultaneously, there is a need for increased methodological sophistication, with recent moves towards longitudinal studies examining change (i.e., the adoption of works councils) to be encouraged.

## **EMBEDDED EMPOWERMENT**

The term embedded empowerment denotes general management practices or initiatives within which role and organizational empowerment practices are the key, but not the sole, components. The most prominent current example of embedded empowerment, on which we focus here, is that of HRM.

### **Empowerment within HRM**

HRM is a term used to reflect a holistic or systemic approach to personnel management that embraces the full range of activities concerned with the recruitment, development, motivation, and management of employees. It includes, for example, personnel selection, training, communication, appraisal, career development, performance monitoring, and payment systems, as well as role (e.g., job design) and organizational (e.g., participation) empowerment practices. The systemic approach entails characterizing the HRM system, and thus adopting an organizational level of analysis.

Although, in principle, empowerment within HRM is no more prominent than other aspects, in practice it is assigned a special and central role. Wood and Wall (2002) identify two key assumptions driving contemporary work on HRM. The first is that HRM systems are most usefully characterized in terms of their departure from the traditional Tayloristic style (see also Wood, 1999). That tradition emphasizes maximizing control over employees through narrow and tightly specified jobs supported by task-focused selection, training, and payment systems. The contrasting approach is one emphasizing the involvement of employees by: investment in training and development more generally, rather than for immediate needs; ensuring good communications up and down the organization, rather than limiting

information on a need-to-know basis; and empowering employees through job enrichment, self-managing teams, and participation.

Much of the theoretical justification for this approach to characterizing HRM systems is based on research on role and organizational empowerment, which are seen as harnessing employees' energies and commitment towards organizational goals. Benson and Lawler (2003), for example, argue that 'From its beginnings in "industrial democracy" and "participative management", employee involvement has evolved into an integrated approach to work system design that supports employees having decision-making authority' (p. 156). Reflecting this perspective, authors have coined a variety of terms to denote this form of HRM, such as high involvement (Lawler, 1986), high commitment (Walton, 1985), progressive (Ichniowski, 1990), innovative (MacDuffie, 1995), human capital enhancing (Youndt, Snell, Dean, & LePak, 1996), and high performance (Lawler, Mohrman, & Ledford, 1995, 1998) management. We shall eschew such terms because they all prejudge the mechanisms or outcomes of HRM, which as we will show, have yet to be convincingly established. We retain the more neutral term HRM.

The second, though not universally shared, assumption is that HRM practices are mutually reinforcing. For example, teamworking without good communications, or empowerment without wider investment in training and development, is expected to be of limited value. Bailey (1993) argued that a strategy designed to empower employees needed three elements: (a) the opportunity for employees to participate in substantive decisions through the way work is organized; (b) employees with the skills to make their effort meaningful; and (c) employees with the appropriate motivation to put forth discretionary effort (see also Appelbaum, Bailey, Berg, & Kalleberg, 2000). The basic assumption is that there are synergistic relationships among the practices, with empowerment at the heart, with the whole being greater than the sum of the parts.

### **HRM and Organizational Performance: The Evidence**

Since 1990 more than twenty empirical studies have been published that examine the performance effects of alternative HRM systems, contrasting those that emphasize empowerment with those that do not. We will illustrate the typical approach by describing two contrasting early studies.

Arthur (1994) collected information on HRM practices from a sample of 30 US mini steel mills using a questionnaire completed by human resource managers. The questionnaire covered such factors as: decentralization (e.g., the degree to which non-supervisory employees monitor quality, costs, and scrap), participation (e.g., the percentage of employees who meet on a regular basis to discuss problems, and are involved in union-management or employee-management committees), general training (e.g., skills training

not related to the employee's current job, in communications and problem-solving), and a number of other more specific features such as overall skill levels, wage rates, and benefits. On the basis of this information, the mills were categorized as having either control ( $n = 16$ ) or commitment ( $n = 14$ ) HRM approaches. The commitment approach was characterized, for example, by greater decentralization, more general training, higher skill level, and lower bonus-related pay. Analyses of performance over the previous year showed the mills with commitment human resource systems had greater productivity, lower scrap rates, and lower labour turnover.

In contrast to Arthur's small company, small sample, and industry-specific study, Huselid (1995) examined the link between HRM practices and performance in a heterogeneous sample of 968 larger US companies (over 100 employees, mean number of employees greater than 4,000). The focus was on work practices labelled as 'high performance', which were taken to include 'comprehensive employee selection and recruitment procedures, incentive compensation and performance management systems, and extensive employee involvement and training' (p. 635). Within that specification, emphasis was placed on role empowerment in the form of practices that 'encourage participation among employees and allow them to improve how their jobs are performed' (p. 636). Work practices were measured by questionnaires completed by senior human resources professionals. Factor analysis was used to identify two scales. One was labelled 'employee skills and organizational structures' and comprised items covering such areas as the proportion of employees included in formal information sharing, whose jobs were subjected to job analysis, who completed attitude surveys, who participated in quality circles or labour-management teams, and who were covered by incentive plans. The shorter 'employee motivation' scale encompassed performance appraisal, performance-related pay, merit-related promotion, and the number of qualified applicants for key vacancies. The relationship between the labels and the content of the two scales is not totally transparent. Scores on the two scales were then correlated with financial measures of productivity (sales per employee), market value (Tobin's Q), and gross rate of return on assets (GRATE), obtained from publicly available records. Findings showed that the employee motivation scale was associated with productivity; the employee skills and organizational structures measure was related to return on assets; and both scales were linked to market value.

On the positive side, Arthur's and Huselid's studies support the view that empowerment-oriented HRM systems are related to organizational performance. At the same time, however, they have important limitations. Although in Arthur's study the centrality of the empowerment element within the overall measure is relatively clear, within Huselid's it is not so transparent. Developing this theme concerning the correspondence between concept and measurement, in both cases it is unclear whether the effects observed can be

attributed to the totality of the HRM system or perhaps due to certain components of it rather than others. Moreover, the HRM measures used are quite different. Their validity is also unknown, as they are based on reports from a single representative of each organization who may, or may not, have detailed knowledge of the full range of practices covered. Likewise, in Arthur's study, the measure of performance was as reported by the same respondent who provided the information on practices, thus it is of unknown validity and open to the possibility of yielding associations with the HRM measure because of response biases. Finally, both studies are cross-sectional, and thus do not eliminate the possibility that better performance leads to greater investment in HRM practices rather than vice versa.

That these problems apply more generally is shown in Table 1.1, which offers an analysis of the main features of 18 of the principal empirical studies in the field. Columns 1 and 2 identify the study by author and the basic nature of the sample used. Column 3 describes the approach to measuring HRM practices, with 'reported' in the body of the table encompassing questionnaire, telephone survey, or face-to-face interview methods. For the performance measure in column 4 we concentrate on indicators of economic performance, which across studies, embrace such indices as productivity, return on assets, return on capital, return on equity, profit, and general measures of performance relative to competitors. The use of 'objective' in the body of the table signifies the data were obtained from publicly available audited accounts, whereas 'reported' denotes performance rated by the respondent. We exclude from the analysis non-financial performance indicators such as labour turnover and quality.

Under study design, in the fifth column of Table 1.1, 'cross-sectional' indicates single concurrent measures of HRM and performance (with performance typically being for the previous financial period). 'Quasi-longitudinal' applies to studies taking a single measurement of HRM practices and examines how this relates to subsequent performance having controlled for previous performance. 'Longitudinal' is used for studies in which change in HRM is related to change in performance. Under synergy test (column 6) the entry is for conventional statistical tests for interactions (e.g., using cross-product terms within regression) between two or more components of HRM (e.g., investment in training and job enrichment). It does not cover other interactions of wider theoretical interest, such as those between HRM and company strategy or capitalization. Finally, under performance effect (column 7) 'yes' signifies a statistically significant relationship between HRM practices and any one performance indicator, but does not necessarily indicate results are consistent across the two or three outcome measures typically used.

The entries in Table 1.1 describe the main thrust of studies involved, but cannot represent the more complex findings and nuances therein. Indeed, there is much to commend in the individual studies included, as well as in

**Table 1.1** Features of empirical studies on HRM and performance.

Study	Sample	HRM measure	Performance measure	Study design	Synergy test	Performance effect
Arthur (1994)	30 mini steel mills	Reported, single-source	Same source, reported	Cross-sectional	No	Yes
Guest and Hoque (1994)	119 manufacturers	Reported, single-source	Same source, reported	Cross-sectional	No	No
Huselid (1995)	968 US companies	Reported, single-source	Objective	Cross-sectional	Partial	Yes
MacDuffie (1995)	62 car plants	Reported, single-source	Objective	Cross-sectional	No	Yes
Delaney and Huselid (1996)	590 for profit and non-profit firms	Reported, single-source	Same source, reported	Cross-sectional	Yes (none found)	Yes
Deleury and Doty (1996)	216 banks	Reported, single-source	Objective	Cross-sectional	No	Yes
Koch and McGrath (1996)	319 business units	Reported, single-source	Objective	Cross-sectional	No	Yes
Youndt et al. (1996)	97 manufacturers	Reported, single-source	Same source, reported	Cross-sectional	No	Yes
Huselid, Jackson, and Schuler (1997)	293 firms	Reported, single-source	Objective	Quasi-longitudinal	No	Yes
Ichniowski, Shaw, and Premeaux (1997)	36 steel lines	Reported and observed, multi-source	Objective	Cross-sectional and longitudinal	No	Yes
Wood and de Menezes (1998)	1693 workplaces	Reported, single-source	Same source, reported	Cross-sectional	No	No
Hoque (1999)	209 hotels	Reported, single-source	Same source, reported	Cross-sectional	No	Yes
Vandenberg, Richardson, and Eastman (1999)	49 life insurers	Reported, single-source	Objective	Cross-sectional	No	Yes
Wright, McCormick, Sherman, and McMahan (1999)	36 refineries	Reported, single source	Same source, reported	Cross-sectional	Yes (positive effect)	No
Capelli and Neumark (2001)	666 manufacturers	Reported, single-source	Same source, reported	Longitudinal	Yes (none found)	No
Guthrie (2001)	164 firms	Reported, single-source	Same source, reported	Cross-sectional	No	Yes
Orlando and Johnson (2001)	73 banks	Reported, single-source	Objective	Cross-sectional	No	No
Guest, Michie, Conway, and Sheehan (2003)	366 firms	Reported, single-source	Objective	Quasi-longitudinal	No	No



other empirical contributions not listed for reasons of space constraints (e.g., Appelbaum et al., 2000; Ichniowski, 1990; Way, 2002). Considered collectively, however, this body of evidence has clear limitations, so caution should be exercised in reaching any strong conclusion about the existence and general applicability of an effect of HRM on performance.

A feature of the studies is that they have been conducted predominantly on manufacturing or financial organizations (column 2) and little is known about their generalizability to other sectors. The most obvious weakness, however, is the measurement of HRM. As evident from column 3 of Table 1.1, with only one exception (Ichniowski et al., 1997), investigators have relied on reports from a single organizational source to characterize HRM. Such reports may be quite accurate for some practices, such as whether or not there is a pay incentive scheme, but for others, like job enrichment or teamwork, they are likely to be less so. What appears to be teamwork to a senior manager, for example, may be less evidently collaborative to those supposedly working together. If such measures do include random error, then their relationship with performance will be underestimated.

In addition, in half of the studies, performance has also been measured through reports from respondents (column 4). Given that reported performance is often measured by ratings on items such as 'how does your performance compare with that of your main competitors?' there is plenty of scope for error, as a result, for example, of mis-recollection of actual financial data, or differing interpretations of what performance means. If random, such error would further weaken the observed relationship between HRM and performance. More troublesome, however, is the possibility of 'common-method response bias'. This is a risk in all studies using reported performance because the information on HRM has come from the same person. If some respondents take an overpositive view of their organizations, and others show the opposite tendency, then this factor alone will lead to a positive (but spurious) relationship between HRM and performance. At present, we simply cannot tell whether either of these measurement problems has significantly affected the results.

Research design (see column 5) is also a collective weakness. Fourteen of the 18 studies are solely cross-sectional, so the direction of causality between HRM and performance cannot be determined. Two studies are quasi-longitudinal (Huselid et al., 1997; Guest et al., 2003), in that they control for prior performance when examining the relationship between HRM and subsequent performance. This would seem to strengthen the basis for causal interpretation, in that any effect of prior performance on the use of HRM practices (e.g., higher profit leads to investment in training or selection) would be removed. However, as Guest et al. (2003) argue, it could also mask the effect of interest. If the practices actually measured had been fully operational for some time (say four years) before the period covered by the measure of prior performance (say two years), then they could already

have had their effect on performance. Thus controlling for prior performance would remove the very effect being sought. The basic problem is that no study measures the time of implementation of HRM practices, and this omission limits causal interpretation. A key point is that only two studies examine change in HRM and change in performance (Capelli & Neumark, 2001; Ichniowski et al., 1997). These yield contradictory performance findings (positive and negative respectively), but a sample of two is a scant base on which to draw conclusions.

Although theoretically the rationale is that the various components of HRM are mutually reinforcing, with empowerment at the core, this aspect has been neglected. Indeed, as shown in column 6 of Table 1.1, the hypothesis of interactions among HRM practices has only been directly addressed in 4 of the 18 studies, and with mixed results. No special emphasis has been placed on testing for interactions between the most direct measures of empowerment (e.g., job enrichment) and assumed supporting practices (e.g., selection and training). Correspondingly, and going beyond the evidence in Table 1.1, few studies have examined the more parsimonious possibility that just one or a few of the practices included within overall HRM measures might account for any observed results. More generally, the link between theory and practice within the studies is not strong. Although empowerment is a central component of most authors' conceptualization of performance enhancing HRM systems, this is not always so prominent within the measures used. Indeed, different authors, and even the same authors across different studies, use different measures of HRM, weakening the opportunity to synthesize findings.

A final point to note from Table 1.1 is that the findings for the relationship between HRM and performance (column 7) are mixed, with two-thirds of the studies revealing some evidence of an association, and one-third none at all. If those findings were systematically related to the other characteristics of the studies, for example more positive results for weaker research designs or only in studies using reported measures of performance, then there would be some basis for drawing conclusions—but they are not. Huselid's observation on his own study, that these 'results are not entirely unambiguous' (p. 662), applies to the field more generally.

### **Strengthening the Evidence Base**

The above analysis, together with that offered by others (e.g., Wood, 1999; Wood & Wall, 2002; Wright & Gardner, 2003), leads to the conclusion that studies so far are not conclusive with regard to the link between HRM and performance. They provide encouraging evidence, but not a sound basis for causal inference; nor do they establish whether or not empowerment is a key ingredient.

For future studies there are four main priorities. The first, drawing on

traditional psychometric principles, is for multiple and independent ratings of HRM practices and systems to enhance the reliability and validity of the measurement of the independent variable(s). In particular, the use of experts external to the organization is to be encouraged, because they are more likely to know about the full range of possible development of relevant practices, and thus can provide more sensitive ratings than internal respondents with more restricted appreciation and vested interests.

The second priority is to improve the measurement of performance. Where possible, objective measures should be deployed. Of course these can also contain errors, as a result of such factors as the assumptions made about depreciation rates, or bringing forward planned expenditure in good years to offset tax or for cash-flow reasons (Smith, 1996). However, there are limits to how far objective measures can deviate from real performance, especially in the longer term, and they hold the advantage of being independent of measures of HRM. Where objective measurement is not feasible, for example where such data are not available for the chosen level of analysis (e.g., plant) or type of organization (e.g., certain charitable and service organizations), then attention should be paid to enhancing the reliability and validity of reported measures, which should be elicited from sources independent from those used to determine HRM practices. Ideally, both objective and reported measures of performance should be used, allowing greater breadth of coverage and triangulation between the two on aspects where they coincide.

The third requirement is for longitudinal studies, with repeated measures of HRM and performance, and in which the date of introduction of HRM practices is recorded. This will make it possible to relate known changes in HRM to subsequent changes in performance. Particularly desirable would be change studies investigating the long-term performance effects of major HRM initiatives.

The final priority is to strengthen the links of theory with measurement and analysis. There is a need to ensure that measures of HRM correspond to the driving theoretical position, and to examine whether supposed mechanisms (e.g., employee motivation, involvement, or commitment) account for any link with performance. Also of importance is to establish whether there are synergistic relationships among theoretically constituent HRM practices and if some practices are more salient than others, thus allowing more parsimonious explanations.

## CONCLUSIONS AND FUTURE DIRECTIONS

We have taken a wide lens to the relationship between empowerment and performance, by spanning psychological, role, organizational, and embedded empowerment perspectives. There are two benefits of this approach. One is

to suggest new or largely neglected lines of inquiry concerning how the different perspectives on empowerment may inform one another. The other is to help identify generic issues for future research by revealing common methodological and theoretical limitations.

### **Linking the Empowerment Perspectives**

Many essentially new lines of inquiry are suggested by considering the interplay between the different perspectives on empowerment. Though the development of psychological empowerment has its roots in role empowerment, and thus questions concerning their interrelationship have already been framed, that is not the case for the relationship of either of them with organizational or embedded empowerment.

In this respect a large number of questions arise, of which the following are a sample. Do employees with greater organizational empowerment through trade union representation or works councils experience greater psychological empowerment? Is such psychological empowerment limited to those who are representatives, or does it extend to those whom they represent? Similarly, to what extent does embedded empowerment through HRM systems promote psychological empowerment? Is the promotion of psychological empowerment a necessary condition for other forms of empowerment to affect performance? Are the different forms of situational empowerment separate and distinct in their effects on psychological empowerment and performance, or are the benefits of one (say role empowerment) enhanced by the existence of the others (organizational and embedded empowerment)?

There is no need to extend the list of questions further. The essential point is that, while research has been conducted largely within the separate domains of psychological, role, organizational, and embedded empowerment, there is much to be gained both methodologically and substantively by opening up those borders.

### **Methodological and Theoretical Issues**

Four methodological and substantive issues stand out as common to research on empowerment. The first is the need for longitudinal change studies. The vast majority of empirical research has relied on cross-sectional designs, exclusively so in the case of psychological empowerment, and with only occasional exceptions for organizational and embedded empowerment. Even in the more established work on role empowerment, change studies are the exception rather than the rule. This over-reliance on cross-sectional evidence severely undermines causal interpretation. Future work should redress this imbalance, which is likely to require different strategies for the different empowerment perspectives. For psychological and role empowerment, where the focus is on individual or group performance

within organizations, deliberate intervention studies are feasible. In the case of organizational and embedded empowerment, greater reliance will have to be placed on exploiting naturally-occurring change, by comparing performance over time in organizations at different levels of development with respect to empowerment, and especially for those who adopt or shed organizational empowerment practices during the period of study.

The second issue concerns the need to improve measures of independent and dependent variables. One aspect of this problem is over-reliance on self-report, and often single-source, measures. This is especially evident for the independent variables in studies of HRM as a form of embedded empowerment, where there is a clear need for objective measures of the HRM practices, or at least ones based on multiple and independent respondents. This requirement applies equally to studies of psychological empowerment where, although there is no logical alternative to self-report and single-source measures of the focal construct, this makes it even more important that measure of antecedents and outcomes derive from objective or independent sources. Much of the research on role empowerment displays the same weakness. In many studies, this is compounded by the use of reported measures of performance as outcome variables. In the absence of such improvement in measures, observed relationships between empowerment and performance, and especially those derived from cross-sectional data, leaves open the interpretation that they result from response bias rather than representing substantive findings.

Research on organizational empowerment is to some extent free of this self-report measurement problem, because the approach has been to compare the performance of those organizations with and without relevant provisions (e.g., trade unions or works councils). This body of work, however, highlights a second measurement issue of wider relevance. This is the need to measure practices not simply in terms of their existence, but also in terms of their effective development. For instance, works councils in the case of organizational empowerment, HRM practices in the case of embedded empowerment, or self-managing work teams in the case of role empowerment, can all exist along a continuum from being notional or rudimentary to fully-fledged. It is not unreasonable to assume that how well they are developed will affect their impact on performance, or even that insufficient development could have a worse effect than no use at all.

The third general issue concerns the question of mechanism, that is, why and how empowerment affects performance. In the case of role empowerment, motivational mechanisms are traditionally assumed, and others have been recently proposed. For organizational empowerment various mechanisms are hypothesized to link unions or works councils to overall financial performance, including a union mark-up on wages and the provision for employee voice. Embedded empowerment through HRM practices assumes that performance gains arise by promoting organizational commitment,

employee involvement, skill, and competence. Finally, psychological empowerment can itself be seen as a possible mechanism through which the other forms of empowerment affect performance and indeed is fundamentally based on motivational assumptions. The important point about these mechanisms is that they have featured strongly as justifications for expecting a relationship between empowerment and performance empowerment, but rarely has their role been directly scrutinized. The emphasis of research has been on the effect of empowerment on performance, not on the extent to which alternative mechanisms account for any such effect observed. That deficiency requires redress, because explanation of why an effect occurs adds considerable weight to evidence showing that it does occur. Moreover, such identification of mechanisms provides insights into when effects are likely to be realized, which leads to the next point.

Our final issue concerns contingencies, that is the circumstances under which empowerment will have a lesser or greater effect on performance. A feature of research on all four forms of empowerment is the variability of findings. This strongly suggests the existence of third factors, or contingencies. Among the contingencies proposed are self-esteem in the case of psychological empowerment, production uncertainty for role empowerment (Wall et al., 2002), product market competition and labour-management relations in the case of the trade unions as a form of organizational empowerment, and organizational strategy for embedded empowerment in the form of HRM systems. As was the case for mechanisms, however, there have been too few systematic and concerted attempts to test these contingencies empirically.

Implementing the improvements recommended above to organizational and embedded empowerment, where the focus is with the effect on the performance of the enterprise as a whole, will require considerably greater research resource than has been characteristic of individual studies to date. Independent audits by multiple assessors, that provide detailed and differentiated measures of say trade unions or HRM systems, are that much more labour-intensive than simply recording the presence or absence of unions or determining the use of HRM practices by questionnaires to single organizational representatives. Longitudinal studies similarly require substantial research investment. If investigators take such requirements on board without increased resources the result will be fewer or smaller scale studies, and a consequent reduction in the accumulation of evidence. For this reason it is desirable to look beyond individual studies to large-scale collaborative ventures. Moreover, it is desirable to examine whether the relationship of organizational and embedded empowerment practices with performance differs by sector. It is possible, for example, that practices that are most effective within manufacturing companies differ from those that work for financial institutions or retailing organizations. Where individual studies are conducted such evidence arises largely by chance rather than by design.

Such considerations lead to the need for major national investigations, with repeated audits of practices in large samples of organizations in all major sectors, and with the resulting information integrated with existing national databases on their economic performance. Research to date has helped justify and set out the requirements for such 'big science', which would have the potential to provide much more definitive answers. Its realization would involve active collaboration between researchers, employer representative bodies, and government agencies.

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