Evaluating the Impact of Human Resources on Firm Performance: A Literature Review

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Research has been controversial regarding theorized findings of High Performing Work System (HPWS) / firm performance research due to several reasons. First, operationalization of variables differs drastically from one study to the next. Second, theoretical frameworks also vary greatly as does the methods researchers use to test their hypotheses. In order to significantly theorize findings regarding the HPWS / firm performance relationship, researchers must come to a consensus on how to conduct such studies. Only then, when similar methodology is implemented among studies and across industries, can researchers actually theorize the HPWS / firm performance relationship accurately. Therefore, in present study, 33 HPWS / firm performance studies from 1994 to 2013 based on a Proquest and Google Scholar Scholar Database were analyzed. First it has been determined how the major variables of an HPWS and firm performance should be operationalized, then a method for better development of theoretical frameworks has been suggested. A new model to measure an HPWS called the Total Strategic Resource Approach, which is based on the universalistic, contingent and resource-based view was suggested. We also recommend using the balanced scorecard approach to firm performance measurement, and finally, we recommend the use of structural equation modeling to build more robust models that test multiple mediating and moderating variables as related to the HPWS / firm performance relationship.

Keywords: High performing work system, human resources, firm performance