Human Resource Management Practices
Creating High Performance Work-Place: Literature Review

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ABSTRACT: Human resource management has gained strategic importance in corporate, both big and small, and the impact of HR practices on total organisation performance is recognised. Academia and the corporate sectors realised the contribution of human resource practices to the success of an organisation in the recent times, and there is wide spread discussion in conferences, workshops and academic circles. There is abundance of literature on the impact of different HR practices on individual motivation to work and their contribution to the organisation’s bottom line. Every organisation is interested in creating high performing workplaces where there is a pervasive performance work culture – people perform because they would like to perform better, and the organisational policies and practices help them in aligning their individual goals to organisational goals. This paper examines recent theoretical and empirical developments in the area of creating and sustaining high performance workplaces and the role of human resource practices on achieving the same. Performance management is a growing topic in today’s highly competitive, global market. This paper will highlight the literature published in the recent times in the area of HR practices and tools that may have a direct/indirect impact on total organisation performance, and provide directions towards creating high performance workplaces (HPW) in different types of organisations.

Keywords: Organisational Performance, Performance Management, HRM Practices, Literature Review, High Performance Workplace (HPW).

INTRODUCTION

Strategic human resource management (SHRM) is an approach to the development and implementation of Human Resource (HR) strategies that are integrated with business strategy and support their achievement. SHRM has been described by Boxall (1996) as the interface between human resource management and strategy management.
Schuler and Jackson (2007) stated that SHRM is fundamentally about systematic linking people with the firm. Strategy has three fundamental characteristics first, it is forward looking it is about deciding where you want to go and how you mean to get there. Boxall (1996:70) explained “strategy should be understood as a framework of critical ends and means”. Second, it is the recognition and third, it aims to achieve fit, But it all depend on human resource strategy.

HR strategy indicate what the organization wants to do about its human resource management policies and practices and how they should be integrated there are depend on some types of human resource strategy, High performance management, High commitment management (Wood, 1996), High involvement management (Benson, 2006).

As organizations consider ways to increase and enhance organizational performance, research on strategic human resource management (HRM) has gained increasing attention. Within research on strategic HRM, a particular focus has emerged on high-performance work systems (HPWS), also referred to as high-performance work practices and best practice HRM. HPWS are a set of practices that typically comprise comprehensive recruitment and selection, incentive-based compensation, performance management, extensive employee involvement, and detailed training initiatives (Huselid, 1995). There is no question that HRM – the management of work and people – is an essential function in organizations and that it affects the quality of organizational performance, but there is a lot more we would like to know. In recent years, much of the debate about the contribution of HRM to organizational performance has been wrapped up in the literature around ‘high-performance work systems’ (HPWSs). HPWS literature contains potent lines of analysis that are relevant to both practitioners and researchers; it suffers from confusing definitions, unjustified assertions, and weaknesses in research methods. It is not a settled body of theory but an area of theoretical ferment. This literature rests on the premise that while work systems are critical to any organization’s performance, there are many types of them, and that our primary task is to chart this variety.

- High Performance Work System (HPWS) is a name given to a set of management practices that attempt to create an environment where the involvement within an organization where the employee has greater and responsibility.
- High performance work system (HPWS) is bundles of HR practices that facilitate employee involvement, skill enhancement and motivation (Huselid and Becker 1998).
- HPWS, specific combination of HR practices, work, structure and process that maximize employee knowledge, skill, commitment and flexibility.
HPWS is a name given to a set of management practices that attempt to create an environment within an organization where the employee has greater involvement and responsibilities.

HPWS comprise a system of HR practices that, when aligned with organizational strategy, are designed to increase organizational performance and productivity (Delaney and Huselid, 1996; Huselid, 1995; Lepak and Shaw, 2008; Takeuchi et al., 2007).

The essential idea behind this intervention is to identify organizational configurations that help organizations achieve the best ‘fit’ between the four cornerstones of organizational architecture: information, technology, work, and people (Nadler and Tushman, 1988). The aim of these high performance work systems (or HPWSs) is to help organizations achieve significantly improved levels of operational and financial performance.

HPWS is an integrated system of HR practices that enables high performance by enhancing employee skills, abilities and motivation (Huselid 1995; Wright and Boswell, 2002).

It takes good management practices in all the key areas of management (financial, human, material, etc.) to achieve high performance. This means that human resource management alone cannot create high performance but as a subsystem of the overall system, it can contribute to high performance. The human resources management practices, however, are supposed to be good and not poor in order to contribute to high performance. Good HR practices are based on sound HR policies and procedures. In addition, the HR practitioners must have the necessary competencies and motivation to implement the sound HR policies.

HPWS: BACKGROUND

It is important to set the HPWS phenomenon in its historical and social context because there is a long history of interest in how to enhance organizational performance through improving the management of work and people, including such well-known developments as scientific management, the human relations movement, socio-technical work systems, industrial democracy, and job enrichment (for reviews, see Boxall and Purcell, 2011). The notion of high-performance work systems originated in the United States, gaining traction in the debate over the decline of US manufacturing competitiveness. Cappelli and Neumark (2001) trace the term’s popularity to an influential public report, America’s choice: High skills or low wages! (Commission on the Skills of the American Workforce 1990).
A key stimulus of this concern was the rise of Japanese ‘leans production’ systems in the 1970s and 1980s, including such techniques as quality circles, just-in-time inventory, and team-based production, which helped to improve quality, cost, flexibility and delivery (Womack, Jones and Roos, 1990). Most recently, the debate has been encouraged by the rise of ‘off shoring’ to China, India and other low-cost producers. The need to reform US mass-production jobs, which were often low in responsibility and discretion, and invest in greater workforce skills and incentives, was emphasized in leading studies, such as those in automobile, steel, clothing and medical electronics’ manufacturing (Appelbaum et al., 2000; MacDuffie, 1995). While the initial focus was on the way production workers are managed in manufacturing, the topic of HPWSs became part of a larger agenda concerned with the human elements of competitive performance right across manufacturing and services.

The topic of HPWSs became part of a larger agenda concerned with the human elements of competitive performance right across manufacturing and services. There has been growing angst in the United States over the location of services in a globalized production environment, spurring interest in how service firms might use HPWSs as a competitive asset (e.g. Batt, 2002, 2007). HPWSs are a fuzzy phenomenon in which three concepts are loosely tied together: performance, systemic effects, and work practices of some kind (Boxall and Macky, 2009). Organizational performance, the dependent variable, can be understood in a variety of ways. Most researchers have focused on economic performance criteria, as Godard’s (2004) evaluation of HPWS studies indicates. However, economic performance may incorporate short- or long-run financial outcomes and organizational performance can extend to wider notions of social legitimacy or corporate social responsibility (Boxall and Purcell, 2011; Edwards and Wright, 2001). Very importantly, a key premise that runs through the literature is that HPWSs depend on positive responses from employees. For many academics, there is therefore a commitment to measure the impacts of HPWSs on worker interests, which has generated a debate in which some scholars see positive outcomes for employees (e.g. Appelbaum et al., 2000) while others call this sharply into question (e.g. Godard, 2004; White et al., 2003). A second key element in the HPWS notion is the importance of systemic effects (e.g. Delery and Shaw, 2001; Dyer and Reeves 1995). In MacDuffie’s (1995, 2000) terms, ‘bundling’ of work practices is critical in HPWSs: ‘it is the combination of practices into a bundle, rather than individual practices, which shapes the pattern of interactions between and among managers and employees’. His research places emphasis on making changes to skill formation strategies and employee incentives that are consistent with more flexible forms of work design. However, what tends to have been variable in the HPWS literature is the extent to
which the analysis of synergistic linkages has reached out beyond HRM to the companion elements of a business: its technology or proprietary knowledge, product- or service- mix, financing, supply chain, and governance, for example (Boxall and Macky, 2009).

Scholars such as Boyer et al. (1997), Kotha and Swamidass (2000), Das and Narasimhan (2001) and Shah and Ward (2003) show, for example, that the performance of firms adopting advanced manufacturing technology is better when they make commensurate improvements in the human ‘infra-structure’ that enables the technology to function. They show the value of ensuring HR strategy fits with the goals and technological disposition of manufacturing strategy. Similarly, in an important longitudinal study, De Menezes, Wood and Gelade (2010) find that British firms investing in Japanese-style lean manufacturing systems, such as integrated computer-based technology and total quality management, perform better when they support these costly changes in production strategy with a more empowering style of HRM and extensive employee training. It is essential that integration or complementality is understood not only within the sphere of HRM but within the broader management system of the workplace or business unit (Boxall and Macky, 2009). Thinking about HPWSs in this way is likely to be much closer to the way that senior managers think about their businesses.

As early as the mid-1990s, Becker and Gerhart (1996) illustrated the diversity of conceptions of the relevant HR practices in a table of five leading HPWS studies, all conducted in the United States. These studies listed as many as eleven and as few as four practices, with no one practice common to all five studies and some disagreement as to whether particular practices, such as variable pay, had positive or negative effects. This brings us to a major weakness with the HPWS literature: it is hard to define the nature of the proposed solution and the term itself is not inherently descriptive.

There are such human resource practices such as an employee grievance procedure, which Huselid (1995) considers a high-performance indicator in the United States, is simply a legal requirement in various other countries, and therefore not something that differentiates top performers. There are, as it happens, two main variations on the HPWS terminology that are more meaningful (Boxall and Macky, 2009; Wood 1999; Wood and Wall, 2007). One traces back to Lawler (1986) and is concerned with high-involvement management. This term describes efforts to redesign jobs to enhance worker responsibilities and authority. It thus involves some reverse-engineering of Taylorist job design and is associated with companion improvements in skill development and incentives to participate. The other term traces back to
Walton (1985) and is concerned with high-commitment HR practices. This term involves practices that aim to enhance employee commitment to the organization rather than practices that are narrowly focused on control or compliance. Whether or not we talk of practices, processes, systems or management, these two terms are both more descriptive for HR systems because they indicate the dominant theme underpinning managerial action.

Organizations using HPWS make a significant investment in their pool of human capital so that employees are well trained, skilled, and empowered to conduct their jobs (Becker and Huselid, 1998). Current perspectives on HPWS are closely aligned with research on high involvement work practices and high-performance management practices. In fact, researchers frequently note that various naming preferences are often used interchangeably and refer to the same phenomena of interest (i.e., a system of HR practices rather than isolated practices) (Delery and Shaw, 2001; Guthrie, 2001).

We define HPWS as an integrated system of HR practices that are internally consistent (alignment among HR practices) and externally consistent (alignment with organizational strategy) that include selective staffing, self-managed teams, decentralized decision making, extensive training, flexible job assignments, open communication, and performance-contingent compensation (Becker and Huselid, 1998; Guthrie, 2001; Pfeffer, 1998).

### Categories of Human Resource Practices Comprising HPWS

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<thead>
<tr>
<th>HR Practice Category</th>
<th>Description</th>
<th>Examples</th>
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<tbody>
<tr>
<td><strong>Staffing</strong></td>
<td>Extensiveness of procedures to evaluate relevant knowledge, skills, and abilities for job fit and organization fit</td>
<td>Selective screening Assessment of technical and interpersonal skills, attitudes, and/or personality Performance-based promotions</td>
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<tr>
<td><strong>Self-managed teams</strong></td>
<td>Redistribution of power downward by granting authority and responsibility to team structures</td>
<td>Employee participation programs Teams with task and decision-making authority Exteive use of teams throughout the organization</td>
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<tr>
<td><strong>Decentralized decision making</strong></td>
<td>Empowering employees via greater responsibility and access to resources</td>
<td>Less well defined tasks Authority to make decisions Employee involvement Participative management</td>
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<tr>
<td>HR Practice Category</td>
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<tr>
<td>Training</td>
<td>Extensiveness of formalized programs to develop knowledge, skills, and abilities</td>
<td>Training for current and future skills; including technical and interpersonal skills. Cross training. Training for both new hires and experienced employees.</td>
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<tr>
<td>Flexible work assignments</td>
<td>Opportunities to broaden individual knowledge, skills, and abilities</td>
<td>Job rotation; rotation across teams. Ability to perform +1 job. Job enrichment.</td>
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<tr>
<td>Communication</td>
<td>Open vertical and horizontal communication channels providing access to information and opportunities to express viewpoints</td>
<td>Access to all levels of operating results. Employee suggestion systems. Explanation of business strategy.</td>
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*Note: HPWS = high-performance work systems.*

These practices represent the general categories of HR practices commonly found in most HPWS research. These practices are interdependent, such that the inclusion of one practice often necessitates the inclusion of others (Becker and Huselid, 1998; Pfeffer, 1998; Zacharatos, Barling and Iverson, 2005).

**HIGH PERFORMANCE WORK SYSTEM – LITERATURE**

High performance work systems claim to increase organisational performance. It is crucial therefore to analyse whether or not these systems actually achieve the simple purpose they were devised to fulfil. There is a substantial and growing body of research which claims to show that enormous economic returns can be obtained through the implementation of HPWS (Pfeffer and Veiga, 1999). There are many indicators other than pure financial figures that indicate an increase in organisational performance (Huselid, 1995). High performance work system basically originated in 1988 by David Nadler. The primary role of an HPWS is to help organization achieve a “fit”
between information, technology, people and work (Hanna, 1988, Nadler and Tushman, 1988). The notion of high HPWS was originally developed by David Nadler to capture an ‘architecture’ that integrates technical and social aspects of work (Nadler, 1989) and after that (Arthur 1992) focus on bundles of human resource management practices ‘Bundling’ is the development and implementation of several HR practices together so that they are interrelated and therefore complement and reinforce each other. Cotton, John L. (1993) Argued that employee involvement is a key ingredient of high performance organization design. According to Pfeffer (1996) high performance work systems embrace employment security and high wages as well as communication and involvement schemes. According to Neal and Tromley (1995) HPWS, know as many different names high involvement system, flexibility work system, high commitment/involvement work system, etc., and transformation of high performance work system. There are many indicators other than pure financial figures that indicate an increase in organisational performance (Huselid, 1995). One such indicator is the actual behaviour of employees, through the way they affect turnover and labour productivity (Huselid, 1995). Huselid’s (1995) widely cited study of 968 US publicly owned firms, measures HR practices and outcomes at the firm or organisational level. Like many US scholars in HRM, Huselid (1995) adopts this approach in order to maximise the potential for generalisation of findings across industries and firms. According to Pfeffer (1996) high performance work systems embrace employment security and high wages as well as communication and involvement schemes. High performance work systems aim at reducing turnover, absenteeism and costs through a reduction in the need for control and monitoring (Ramsay et al., 2000). Furthermore, so-called HPWS create high trust, high involvement, high intrinsic satisfaction, high skill and control and as a result, high commitment (Scholarios and Ramsay, 1999; Harley, 1999). Findings that support these ‘objectives’ as stated above, comes from Ramsay et al. (2000) whereby there was a positive correlation between HPWS and employee commitment. Thus, from the literature discussed above, it can be concluded that the myth of thinking HPWS result in an increase in employee commitment is just that, a myth. The results from Ramsay et al. (2000) showed that actual commitment was negatively affected by HPWS. Furthermore Arthur (1994) looked at performance gains from enhanced commitment and any resulting turnover. These results identified an ‘apparent’ statistically significant relationship between commitment and performance; however one performance variable returned an overall insignificant result.

The assumption has been made by HPWS theoretical models that any performance gains are necessarily attributable to a positive impact on employees, chiefly through
increased autonomy, satisfaction and commitment (Harley, 2002). Harley (2002, p. 421) states that two alternatives have been overlooked: (i) improved performance may be driven by factors other than HRM practice; and (ii) improved organisational performance may arise via negative outcomes for workers. Therefore, the following analysis will endeavour to identify whether employees reactions do indeed elicit increased autonomy, satisfaction and commitment.

Deane, Robert (2004) study provide further evidence on link the between so called high performance work system and firm performance with related to organization culture. High Performance Work Organisations. Research indicates the war for talent (Gardner, 2002; Cappelli, 2000: Boudreau and Ramstad, 2005) happening due to labour market shortage yet very little research attention has been aimed at competitive strategies of the firms in this battle.

It is possible to find a range of rigorous studies using different sets of data in different contexts, which support one side or other of the debate. Some recent studies have found positive associations with employee experience of work (Harley et al., 2007; Macky and Boxall, 2007), while others have found negative ones (Berg and Frost, 2005). Some studies show a combination of positive and negative associations (Ramsay et al., 2000) and some none at all (Harley, 1999, 2001).

RELATIONSHIP BETWEEN HUMAN RESOURCES PRACTICE AND HIGH PERFORMANCE WORK SYSTEM

Commitment

As stated above, proponents believe that HPWS have a positive effect on Employee commitment which in turn leads to increased performance. Therefore, this part of the paper will attempt to identify what the effect truly is, whether it is positive or negative. Prior work on turnover has examined the determinants of both individual employees’ departures and aggregate organizational turnover (Huselid, 1995). Previous research concluded that perceptions of job security, the presence of a union, job satisfaction, organisational tenure, demographic variables such as age, gender, education, and number of dependents, organisational commitment, whether a job meets an individual’s expectations, and the expressed intention to search for another job were all predictive of employees’ decision to leave (Arnold and Feldman, 1982; Cotton and Tuttle, 1986).

Harley (2002) identified that HPWS were negatively associated with employee continuance commitment. The workplace practice of ‘high involvement’ creating
commitment was statistically insignificant. Thus, from the literature discussed above, it can be concluded that the myth of thinking HPWS result in an increase in employee commitment is just that, a myth. The results from Ramsay et al. (2000) showed that actual commitment was negatively affected by HPWS. Furthermore, Arthur (1994) looked at performance gains from enhanced commitment and any resulting turnover. These results identified an ‘apparent’ statistically significant relationship between commitment and performance; however, one performance variable returned an overall insignificant result. The issue that arises here is that the Human Resource System Variable in this model, which shows the significant relationship between commitment and performance, must be interpreted with some caution. Furthermore, Harley (2002) identified that ‘high involvement’ practices have a negative effect on continuance commitment.

Work-Life Balance and Work Intensification

Throughout the literature it is purported that HPWS have a positive effect on employees’ discretion (White et al., 2003; Harley, 2002). In particular, there are claims that specific practices such as group work and the formation of teams aid in this positive effect. This concept of ‘discretion’ is the employees’ ability to make good choices, be careful, and have the freedom of choice (Harley, 2002). It was identified in Harley (2002) that HPWS have a positive effect on discretion. The results showed a significant and positive association to team building, which was further supported by White et al. (2003).

The purpose of highlighting this association is that the effect of this increased discretion is that it may have repercussions beyond the workplace. White et al. (2003) examines this possibility through a detailed look into the impact that working hours and selected high-performance practices have on negative job to home spill over. White et al. (2003, p. 177) proposes that it seems “plausible that high commitment or high-performance management will have a negative impact on the home domain of workers to the extent they are designed to elicit greater discretionary effort in pursuit of the organizations goals.” This negative impact is counterproductive for many of the claims that state that HPWS are good for both the employee and the employer. Employers it is argued, gain through improved quality, productivity, and financial returns, whilst employees’ benefit from higher wages and job satisfaction (Huselid, 1995). Evidence shows that this is not the case, with Ramsay et al. (2000) identifying that HPWS are associated with employees’ experiencing job strain, and lower pay satisfaction, while Godard (2001) identified that Canadian employees reported that
high levels of adoption of these practices are linked with low job satisfaction and self-esteem, possibly because the work is considered to be more stressful. Evidence is vast, which challenges the claims that employees gain from HPWS (White et al. 2003).

The concept of work intensification includes not only the longer hours that an employee works, but the pressure created from having a more highly skilled workforce (Green, 2001). When one looks at work intensification primarily from a perspective of increased hours, it is interesting to note that people work far fewer hours than those immediately after WWII (Green, 2001). Furthermore in recent years the average hours worked have changed very little with only a slight increase (Green, 2001). Thus the question must be asked, “Where is this work intensification coming from?”

Job Satisfaction and Relations with Management

Harley (2002) purports that job satisfaction was positively associated with the HPWS practice of quality circles. It is important to clarify just what quality circles are, in order to further discuss their effect on job satisfaction. Quality Circles are generally defined as “small groups of volunteers from the same work area who meet regularly to identify, analyze, and solve quality and related problems in their area of responsibility (Griffin, 1988). Further supporting evidence showing an increase in job satisfaction as a result of quality circles comes from (Griffin, 1988), whereby it was identified that quality circles had a moderately positive increase in job satisfaction over a period of time. It is important to note however that this increase was not stable over time and eventually decreased back to its original level. This suggests that quality circles do have a positive effect on job satisfaction; however this effect is only short term in nature.

The effect that HPWS had on relations with management was both small and very hard to explain. It was identified that employee attitudes to management were negatively associated with employment security (Harley, 2002).

CONCLUSION

The findings identified in this paper show that HPWS sufficiently fulfil their basic premise of increasing performance (Delaney and Huselid, 1996; Way, 2002). However it is important to discuss the fact that Huselid (1995), a reputable researcher in this area, stated that HPWS increase performance through a number of avenues, with one of these being employee behaviour. This employee behaviour affects turnover and labour productivity within the organisations (Huselid, 1995) thus eliciting employee commitment, which is in direct contrast to turnover. Findings in
this paper suggest otherwise (Ramsay et al., 2000; Harley, 2002; Arthur, 1994). The recent emphasis on HPWSs and the strategic role of human resources in helping organizations implement HPWSs has led to a new interest in examining the role and impact of human resource activities on organizational performance.

This suggests that HPWS practices do not have universally ‘good’ or ‘bad’ outcomes. If outcomes vary, then rather than attempting to determine definitively whether HPWS are universally good or bad for employees’ research should explore the circumstances in which particular outcomes arise. That is, we should seek to understand the causal processes through which outcomes emerge in particular contexts. In closing, we agree with the fully understand the impact of HPWS on organizations. Linkage in the relationship between HPWS and organizational performance.

Keywords
Strategic Human Resource Management (SHRM), High Performance Management (HPM), High Commitment Management (HCM), High Involvement Management (HIM), Bundling, High Performance Work System (HPWS), HRM Practices, Blank Box, HRM Strategy, Job Security, Work life Balance, Job Satisfaction, Job Enrichment, Job Stability, Employee Attitude, Strategy Best Fit Model, etc.

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