High Performance Work Practices: One best-way or no best-way

A.J. Timiyo
(PhD Candidate) The Business School, University of Huddersfield, United Kingdom
Part Time Lecturer, Liverpool Hope University, United Kingdom

Abstract: This paper explored the vast literature on high performance work practices and their impact on organizations’ performance. It aims to determine whether high performance work practices (or best practices) are indeed one best-way of ensuring employee productivity in organizations or not. Although, there is unanimity among authors that high performance work practices have significant impact on organizations’ performance but, the exact combination of these practices differs among authors. The findings revealed that “best practices” exist whereas; the Contingency and Configurational proponents believe that they are obtainable only in theory and definitely not in practice. The paper also showed the interplay of environmental factors in shaping authors’ viewpoints in the Universalist-Contingency/Configurational debate. Studies conducted in US gave credence to “best practices” while those conducted in Europe supported the Contingency and Configurational claims that any human resource practice can produce desired results if aligned correctly to the particular organization’s culture, context and structure. The paper argued that the debate on “best practices” is inconclusive thus; portraying the concept as another management fad.

Keywords: configurational view, contingency, HPWP, organizational performance, universalist view

I. Introduction

In order to achieve a more productive workforce, management scholars and practitioners ought to give more attention to employees than ever before. This is because well trained, motivated and encouraged employees would ordinarily want to perform optimally in the same way a well-greased machine works in a production process. Emphasizing on people was what actually gave birth to personnel management as a separate business function. Personnel management involves the management of people in the workplace. Though, the personnel function is very critical and pervasive throughout the organization as no department can possibly exist without people but, the sole responsibility of dealing with all employee-related issues rests on the personnel department. Personnel management gained recognition in management literature immediately after the Second World War in 1945. Management realized that employees’ productivity can best be optimized through the provision of effective employment policies (CIPD, 2012). Thus, the role of personnel managers then was in ensuring strict adherence to established rules and regulations by all employees. This was essential since what was paramount for management after the war was that of achieving large scale production thus, the process was characterized by bureaucracy (CIPD, 2012). Rules were used as tools to enforce commitment and order in the workplace which of course became too burdensome for HR managers and their employees to bare.

Managing people is a difficult task especially in this era of intense market competition and increase in market share globally. This means that the 21st century human resources (HR) manager in a multinational company is likely to be confronted with the dilemma of manning vacant positions with the right people. Companies need employees who can work in different cultural settings; which is a prerequisite for pursuing global strategies. Globalizing is necessary to overcoming the pressures from the present economic crisis (Hossain et al., 2011) that is shaking the foundations of the world’s most powerful economies. High performance work practices (HPWP) is one way of ensuring that employees are managed effectively to become highly productive in the workplace. HPWP have been the subject of philosophical debate in most human resources management literature for quite some time. Thus, the aim of this paper is to examine the nature, types and efficacy of HPWP in a business organization using both previous and extant literature with the hope of divulging fresh insights about the concept. The knowledge and understanding gained from this exploration would undoubtedly aid the 21st century HR manager to make informed decisions concerning employees in organizations. The paper is therefore divided into the following main headings:

- High Performance Work Practices: An overview
- Empirical studies: The efficacy of HPWP
- Findings/Implications
- Conclusion
- Areas for further research
II. High Performance Work Practices: An Overview

HPWPs is not a new paradigm in human resources management (HRM) because, the idea of managing people effectively existed long ago. Apparently, till date there is no precise definition of what high performance work practices are, and the specific components that make up the practices remains questionable (Lloyd and Payne, 2004). This led to the conclusion drawn by some scholars that “the precise definition of HPWPs is subject to continuous debate” (Sung et al., 2005 p. 4). In spite of these widely held opinions, the term HPWPs has the same meanings with what some authors like Huselid and Rau (1997), Ramsay et al. (2000), Patel and Conklin (2012) refer to as high performance work systems (HPWS), others like Purcell (2006) refer to it as high commitment management (HCM) while, Delaney and Huselid (1996) use progressive HRM practices (PHRMP). A good number of scholars (Kalleberg et al., 2006) also use the term high-performance work organizations (HPWOs).

In spite of this confusion, the underlying objectives and principles behind these terminologies are the same. Therefore, HPWPs can be defined as those practices which Human Resources (HR) managers adopt in order to improve employees’ performance in organizations (Aston and Sung, 2002), Tamkin (2004) defined HPWPs as those formalized procedures used to test the efficacy of human resources on firms’ performance. While, in the views of Sung et al. (2005) HPWPs are “a set of complementary work practices covering three broad categories which include; high employee involvement practices, human resource practices, reward and commitment practices” (Sung et al., 2005 p. 4) in a business organization. Patel and Conklin (2012) described high performance work practices as those “set of employee management practices that positively affect employees’ attitudes, motivation, and performance” (Patel and Conklin, 2012 p. 210 citing Sels et al., 2006). The implications of these definitions suggest that HPWPs are those set of HR practices that are either capable of improving workers’ skills or motivating them to become more productive (Huselid, 1995).

2.1. Types of high performance work practices

Different types of HPWPs are identified by scholars from a Universalist, Contingency and the Configurational points of view (Delery and Doty, 1996; Guest et al., 2004). The Universalist view suggests that some HR practices (or best practices) are likely to produce maximum results when adopted irrespective of the nature and type of organizations and/or people. While the Contingency supporters believe that a combination of HR practices will only work best if applied within specific organizational setting or within a specific group of workers. Proponents of the Universalist view such as Wood (1995) believe that HPWPs or “best practices” can be adopted to improve employees’ performance in organizations all over the world. Although, this can only be made possible if companies are able to identify the bundles of best fit and be able to diffuse such bundles effectively throughout the organization as argued by Purcell (2006). Guest et al. (2004) conducted a study aimed at helping HR managers to address inherent problems associated with trying to identify the right bundle or combination of HPWPs which are capable of yielding superior performance. 1308 senior personnel managers were sampled and the study showed that the use of sequential tree analysis was able to prioritize lists of HR practices to show unique combinations of bundles which produce the highest outcome. Though, this study was able to resolve part of Purcell’s argument but, the problem of diffusing the HR bundles remained unresolved.

The Contingency theorists believe that it is not the combination of right bundles that produces the needed outcome but rather, the extent to which the practices align with each other and the context in which they are applied (Tamkin, 2004). Whilst the Configurational view describes those “structures, relationships and boundaries through which an organization operates” (Armstrong, 2009 p.33 citing Huczynski and Buchanan, 2007). Whether from a Universalist, Contingency or Configurational points of view, the basic HPWPs as identified by scholars are closely related and tend to address specific areas in employment relationships. Huselid (1995) categorized HPWPs into two dimensions; workers skills and workers motivation while Delery and Doty (1996) identified seven HPWPs from their study which are; profit sharing, employee participation, appraisals, training, career opportunities, job security and job description. Younrd et al. (1996) classified HPWPs into two groups namely; human capital enhancing system and the administrative human resource system. Phil and MacDuffie (1996) identified five basic HR practices namely; online teamwork, job rotation, problem solving skills, employee involvement practices, and decentralization of effort and suggestion programs. Whereas, Pfeffer (1998) identified seven key HPWPs which are; employment security, minimal status distinction, sharing financial and performance information, hiring selectively, self-managed teams/decentralization, relatively high rewards and extensive training.

Ashton and Sung (2002) categorized HPWPs into four groups namely; those that support employees’ performance, employee involvement in decision making, knowledge and information sharing, and rewards. While, Chow (2004) identified thirty HPWPs and categorized them into seven groups namely; employee relations/participation, formalized HR system, compensation/benefits, training and development, strategic orientation of HRM, recruitment and selection, and promotion and career development. Zhang and Li (2009) identified a bundle of six HPWPs consisting of training, participation, well defined jobs, promotion,
performance appraisal and equitable sharing of profits. While Champion et al. (2011) categorized their proposed ‘best practices’ into three topical areas namely: analyzing competency information, organizing the information and using the competency information. Thus, it can be observed that HPWPs are practices that address the employment relationships (between employers and employees) and the HR policies guiding such relationships. They cover the three broad areas of reward and commitment, high employee involvement and human resource practices as stated by Sung et al. (2005). These are highlighted in figure 1 below.

![Figure 1: The three broad areas of HPWPs](image)

Adopted from Sung et al. (2005 p. 4)

### III. Empirical Studies: The Efficacy Of HPWPs

Many inter-disciplinary studies have been conducted over the years on the impact of HPWPs and organizational performance. Huselid (1995) in a national sample of 968 public companies in US attempted to find out the impact of HPWPs on the companies’ three key performance indicators; turnover, employee productivity and finance. The data was collected with a structured questionnaire from senior HR executives through their respective e-mail addresses. By holding a number of variables such as size of the firms, net sales and industry/firms level constant, the study revealed that HPWPs reduces employee turnover while increasing in their productivities and financial position. In a later study, Huselid and Rau (1997) adopted a longitudinal and cross-sectional analysis to determine the factors affecting organizations’ choice of adopting HPWS. High performance work systems which were considered include employee motivation, skills and organizational structure. While, environmental factors such as environmental dynamism, complexity and munificence were used as the independent variables. Secondary data was collected from the US National Sample Survey of 1992, 1994 and 1996. A sample of 2410 firms was drawn from a commercial database known as Compact Disclosure and the data was analyzed using descriptive statistical methods. And that environmental factors and organizational characteristics are closely linked with HPWS. Another finding was that firms operating within profitable industries are keener to apply incentives on HPWS than firms that are operating within dynamic industries.

Huselid’s study opened the door for many other researches on HPWPs and organizational performance. One of such studies was conducted by Neumark and Cappelli (1999) who felt that previous researches on HPWPs and firms’ performance were mainly cross-sectional thus, had faulty methodologies. Thus, their study aimed at determining the effect of HPWPs on firms’ performance whilst addressing the problem of methodology. But, instead of using HR managers like other researchers, they sampled heads of various establishments. The data was collected at two time intervals in 1994 and 1997 from the United States Bureau of the Census Standard Statistical Establishment List (SSEL). The sample size consisted of 5465 heads of establishments within the manufacturing and non-manufacturing sectors. Some of the findings from Neumark and Cappelli’s (1999) study were inconsistent with previous researches. They discovered that HPWPs do increase productivity but, the relationship is weak when statistically tested. Also, HPWPs were found to improve employees’ compensation while at the same time increasing their labor costs hence HPWPs failed to produce clear effects on efficiency. So, while the findings suggested that adopting HPWPs can actually benefit employees, it did not suggest whether or not HPWPs are good for employers as well. This discovery is rather a confusing one because interestingly, it is employers who adopt HPWPs. It will be difficult for them to adopt practices whose benefits they can hardly determine.
Wright et al. (2003) undertook a study of 50 business units of a food company operating in US and Canada to determine the effect of HPWP s on firms’ profitability and performance. They used predictive design to obtain data from a sample of 5635 employees who were delivery drivers, sales personnel or warehouse staffs. From the study, four key HPWP s were identified which are; remuneration, training, selection and employee participatory practices. While six indicators of performance namely; profitability, shrinkage, expenses, quality, productivity and compensation were used to measure the performance of the business units. The study revealed that even at the business unit level, HPWP s leads to employee commitment and also had significant impacts on firms’ profitability. In a survey of 248 firms adopting the same type of HR practices in Hong Kong, Chow (2004) sought to determine whether the implementation of complementary HPWP s affect the firms’ performance or not. Primary data was collected through a well-designed questionnaire which was administered to HR managers of these firms by e-mail. Six key indicators of performance were used to measure the firms’ performance which is; recruitment, net profit, retention, sales turnover, employee morale and product/service innovation. The findings revealed that the adoption of coherent or complementary HPWP s can actually lead to increase in employees’ productivity and firms’ performance.

In a later study of 45 business units of a food corporation with branches in Canada and US, Wright et al. (2005) further re-examined the relationship between HPWP s and organizational performance using the same performance indicators which they used in their previous study in 2003. The data was collected from 1998 to 2000. They discovered that HPWP s usually derived from effective HRM practices have a positive impact in improving workers’ skills and competences. But, they argued that good HR practices such as effective work design/structure, motivation, training and development will definitely influence employees’ behavior positively. And that, this will in turn cause a dramatic change in organizations’ overall performance in the form of increase in sales volume and profits. Kalleberg et al. (2006) also examined how the adoption of HPWP s in US differs among profit-making, non-profit making and within the public sector. The survey data was derived from the 1996 National Organizations’ Study which was collected from 1996 to 1997. While, a sample of 40 companies was drawn from Dun and Bradstreet database which contains lists of establishments in United States. The study used four sets of HPWP s namely; multiskilling, teamwork, committees and reward incentives as against financial, strategy, technology and other external constraints. Patel and Conklin (2012) undertook a rigorous approach in determining the effect of HPWP s in Canada to determine the effect of HPWP s and group culture on employees’ productivity and retention among small enterprises operating in UK. The data was collected from Dunn and Bradstreet (D&B) database.

They discovered that group culture acts to mediate the effect of labor turnover. Although, organizational culture produces a dual effect on firms’ performance, it may also act as a predominant factor in either trying to facilitate or hinder small business enterprises from gaining competitive advantage in their respective industries. In a recent study in Europe, Ferreira et al. (2012) took a rigorous approach in determining...
Europeans viewpoint on HPWPs and, also to know the effect of HPWPs on European companies’ performance. The sample was drawn from 30 countries in the ECS (European Company Survey) in 2009. A sample size of 11,221 employers was used mainly from the production industries and HPWPs from previous researches were used. These include; teamwork, reward and training. The findings revealed five bundles of HPWPs which are adopted by European companies which are; representation of employees and training, rewards on profit sharing, teamwork, ownership rewards, and communication. Ferreira et al. (2012) suggested that indeed there is a European approach towards the adoption of HPWPs as opposed to the Universalists paradigm. And, that, there was an absence of a positive effect between HPWPs and firms’ performance. While, teamwork, communication and training had positive effects on firms’ performance, employee representation on the other hand had negative effects on firms’ performance.

IV. Findings/Implications

The empirical studies revealed that the concept of HPWPs has truly come a long way. Thus, it borders one to ask how effective HPWPs or best practices are and, are there any human resources practices that can be referred to as “best practices”. The answers to these questions can be found at the two opposing sides of the debate between the Universalist and Contingency views of HPWPs. From a Universalist point of view, yes “best practices” do exist and their impact on firms’ performance cannot be denied. Although, most proponents of the Universalists view like Neumark and Cappelli (1999), Huselid and Rau (1997) and Wright et al. (2005) are still in a dilemma to determine the effect of high performance work practices on firms’ performance. This is because, some of the Universalist researches could not directly determine any positive relationship between HPWPs and firms’ performance yet; there is the general notion that HPWPs improves firms’ performance.

Suffice to say then that, HPWPs is an elusive concept which might as well be another management gimmicks. But, from the Contingency side of the debate it can be argued that best practices only exist in theory and not in practice. What is rather obtainable is a “best fit” model which emphasizes aligning HR practices to suit the structure and context of organizations (Armstrong, 2009). Supporters of this stance (Godard, 2004; Kalleberg et al., 2006; Ferreira et al., 2012) claimed that there are no universally accepted HR practices which are capable of providing superior performance in organizations. In as much as “there is room for differences of emphasis within the literature on HPWS” (Ramsay et al., 2000 p. 503), the findings from this paper imply that:

i. Environmental factors cannot be overlooked in the adoption of HPWPs. The review showed that only those researches that were conducted in the United States gave credence to the acceptance of a Universalism stance. Studies that were conducted in Europe did not accept the existence of best practices. This was due to differences in some key contextual and environmental variables such as socio-cultural, political and economic factors which were found in the European business environment. This probably urged Ferreira et al. (2012) to address the dialogue between HPWPs and firms’ performance from a European point of view. And, they confirmed that the types of HPWPs adopted by Europeans organizations and the adoption processes are quite different from those practiced by the American firms. If this is anything to go by, then the Universalist approach cannot hold true meaning that HPWP is just another management fad.

In addition to this, the Universalist supporters cannot undermine the impact of environmental factors in shaping HR practices across the globe. These key issues must be critically addressed considering the fact that business organizations do not operate in a vacuum. They function within a wider network of societal, political and economic factors which managers do not have absolute control of. Thus, “organizations are dynamic and complex, and typically operate in multiple product markets” (Machington and Grugulis, 2000 p. 1116) which cannot be readily predicted. So, it is hard to tell whether HPWPs contribute to or benefit from organizational performance (Machington and Grugulis, 2000) especially when one considers the constant environmental changes.

ii. No much empirical evidences were found to support the Universalist claim. This is because HRM activities can only affect firms’ performance by realizing two objectives; either by improving firms’ efficiency and/or increasing their profit level (Becker and Gerhart, 1996). Efficiency is defined in terms of minimizing firms’ operational cost while at the same time making profits. Universalists researches failed to determine how HPWPs can directly achieve these two objectives. They lack concrete testable proofs to back their claim as argued by Ferreira et al. (2012). Some of the empirical studies (Neumark and Cappelli, 1999; Ferreira et al., 2012) rather revealed a negative, weak or no effect between high performance work practices and organizations’ performance. Part of this could have been as a result of the inconsistencies surrounding HPWPs both in theory and in practice.

Thus, it is crystal clear that high performance work practices adopted by companies differ from company to company as was analyzed from the empirical studies. And it means that practices that work in one organization may not necessarily work in others. For example, Primark’s HR policy is like a three-legged stool because it addresses three broad areas concerning employees’ welfare which are; training and development, rewards and benefits, and, value and diversity (Primark Stores Limited, 2012). The three areas have are
High Performance Work Practices: One best-way or no best-way

diagrammatically presented in figure 2 below. While, the HR practices of Royal Mail Group covers seven core areas concerning employees’ relationship with unions, safety, recognition, equality/diversity and fairness, internal communication, training and modernization (Royal Mail Group, 2012).

**Figure 2:** Primark’s HR activities

![Primark’s HR activities](adopted_from_Primark_Stores_Limited_2012.png)

V. Conclusion

From the discussions so far, this paper concludes that the debate on HPWPs and organizations’ performance is inconclusive and confusing therefore, examining the effectiveness of HPWPs is difficult. Furthermore, existing literature failed to determine how much more employees ought to be productive in order to attain the optimum level of effectiveness and efficiency. Part of the confusion arose from the fact that, most HR practices adopted by organizations differ from company to company and from country to country. Another unresolved issue is the contextual, usability and applicability of the concept of high performance work practice. For any management concept to be accepted universally, it must be universally applicable both in theory and in practice as emphasized by the “Universality of management” principle. This means that all managerial functions are the same everywhere. But, HPWPs failed to meet this “Universality” criterion thus; it is unjustifiable to make any generalized statements about it.

Nevertheless, there is no doubting the fact that a significant relationship exist “between bundles of ‘best’ HRM practices and organizational performance” (Gold and Bratron, 2003 p. 3 citing Baker, 1999). This is true only in organizations operating in Canada and US but, researchers are yet to take a stand on whether the relationship is significantly positive or negative. American companies believe that no single HRM practice can achieve the ultimate goal of optimizing employees’ competences hence a combination of practices is needed to achieve this aim. Even at that, the challenge still remains on how individual organizations can define what their bundle of best practices will constitute and how to effectively diffuse the bundle throughout the organization. Nevertheless, the effectiveness of HPWPs depends on the companies’ culture, structure, type of employees and other environmental factors.

Areas for Further Research

Since the problem of identifying the bundle of “best practice” was addressed extensively by Guest et al. (2004) using the sequential tree analysis, this paper suggests that further research be conducted on how HR managers can effectively diffuse the bundle of “best practices” throughout the organization. Another area is on how to determine the right number of practices that are supposed to make up the right combination or bundle of the so called “best practices”. This is necessary because, from the discussions so far it can be plausibly argued that scholars are yet to agree on the minimum and/or maximum numbers of HPWPs suitable for companies to practice.

REFERENCES


www.iosrjournals.org 13 | Page
High Performance Work Practices: One best-way or no best-way


