High-Performance Work System: An Essential Means

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Abstract

In this study we focused on how human resource practices can be used to build and support high-performance work systems and, in turn, how it could contribute to organizational performance. Based on the literature review on strategic human resource management and organizational performance, we developed a parsimonious and prescriptive model for creating employee motivation and retention. We conducted a field study with 395 respondents from 34 manufacturing organizations to test a model linking four configurations of HR practices (acquisition, development, commitment, and retention) to two workforce characteristics: employee motivation and employee turnover. The result showed that a commitment configuration and acquisition configurations of HR practices were significantly related to employee motivation; and a development configuration of HR practices were significantly related to intention to turnover.

Field: Human Resource Management

Introduction

Most people believe that human resources are the most important asset of an organization. But this is a misconception (Denton, 2006). Human resources are important to an organization, but employees that operate in a work system that is implemented in isolation and piecemeal will not be effective and productive. Thus, human resources can only become the most important asset if they are managed in integrated systems. Most researchers in strategic human resource management (SHRM) area argued that high-performance work systems (HPWS) are those organizations that manage their human resources in an integrated manner which in turn contribute to organizational effectiveness Boselie et. al., 2005). In HPWS, human resource practices are not implemented as individual practices in isolation rather as integrated systems or configurations that were intended to create certain workforce characteristics or behaviours (Delery & Doty, 1996; Paauwe & Boselie, 2005).
Most SHRM literature agreed on the important of human resource practices and their contribution to organizational performance (Delery & Shaw, 2001; Ulrich, 1997). SHRM has received attention in the last decade in terms of conceptual and empirical study. While there is mounting empirical evidence which suggests that human resource practices are positively and significantly related to organizational performance (Arthur, 1994; Delery & Doty, 1996; Huselid & Becker, 1996), there is little empirical evidence exploring the mediating mechanisms through which HR practices lead to performance (Becker & Gerhart, 1996). Previous studies have postulated that HR practices may lead to higher performance by developing particular skills in employees or eliciting required behaviours, but none of the studies empirically examined the mechanisms through which the HR practices lead to organizational performance.

By and large, a few research questions need to be addressed. First, what are the mediating variables (or workforce characteristics) that exist between configurations of human resource practices and organizational performance? Secondly, what are the configurations of HR practices that could contribute to these workforce characteristics? Thirdly, how these configurations relate to the workforce characteristics?

In this study, we developed and tested four HR configurations that relate to workforce characteristics and organizational performance. Parsimoniously, our study focused on four configurations of HR practices (i.e. Acquisition, Development, Commitment and Retention) and two important workforce characteristics (i.e. employee motivation and employee retention).

**Purpose of the Study**

Specifically, the objectives of the study are (1) to investigate the relationships between specific configurations of HR practices and workforce characteristics and how these linkages contribute to organizational performance; (2) to propose the configurations of human resource practices that contribute to workforce characteristics; and (3) to empirically test the relationship between the configurations HR practices and workforce characteristics.

**Literature Review**

*High-performance work systems*

HPWS are those organizations that manage their people and systems in an integrated manner rather than traditional piecemeal approach. Each piecemeal is important but it is the integration of the whole systems that makes the process effective - the whole is greater than the sum of its parts. High Performance Work Systems are those organizations that characterized by the seven key dimensions identified by J. Pfeffer (1998) in *The Human Equations* which consists of employment security; selective hiring of new personnel; use of self-managed teams and decentralization of decision making; relatively high compensation that is contingent on organizational performance; extensive training of personnel; reduced status distinctions and barriers, including dress, office arrangements, and wage differences across all levels; and extensive sharing of financial and performance information within organization.

HPWS are a set of configuration of human resource practices with the potential to boost firm performance by developing a more talented and committed workforce (Becker & Huselid, 1998; Kochan & Osterman, 1994; MacDuffie, 1995; Pfeffer, 1994, 1998). The main idea behind HPWS is to create an organization
based on employee involvement, commitment and empowerment instead of employee control (Tomer, 2001).

HPWS are said to be ensuring superior employee output through the system’s set of HRM practices selecting, developing, and retaining workforce comprised of individuals that possess superior abilities (skills and behavior scripts); motivating these individuals to apply their superior abilities in their work related activities; and whose work-related activities result in these organizations achieving superior intermediate indicators of organizational performance and sustainable competitive advantage (Becker & Huselid, 1998; Delery, 1998, Wright & Boswell, 2002; Guthrie, 2001). Based on SHRM literature (e.g. Delery, 1998: Delery & Doty, 1996) there are three primary workforce characteristics that postulate to be contributed to organizational performance: employee motivation, employee turnover and empowerment. This study will focus on the first two workforce characteristics.

**Employee Motivation**

George and Jones, (2006) define motivation as psychological forces that determine the direction of a person’s behavior in an organization, a person’s level of effort, and a person’s level of persistence in the face of obstacles. Motivation is central to workforce characteristics because it explains why people behave the way they do in organizations and how this will contribute to organizational performance. The level of employee motivation in the organization affects the overall organizational performance. When employees are committed to the organizational and their jobs, they will be more willing to contribute discretionary effort and knowledge for the good of the organization (Mowday, Steers & Porter, 1979). Organizational performance should be high when employees are motivated to contribute to the organization because of their high level of organizational commitment and job involvement and when there is a strong climate for cooperation with one another. Therefore, employee motivation was measured through three indicator climate variables: organizational commitment, job involvement, and cooperation.

**Climate for Organizational Commitment**

Employee commitment is an effective response to the whole organization and the degree of attachment or loyalty employees feel towards the organization. Now a day, Steers & Porter (1979), refers organizational commitment as the strength of individuals' identification with and involvement in a particular organization

Meyer, Allen and Smith (1993) state that organizational commitment is; a) a psychological characterizes the employee's relationships with the organization, and b) has implications for the decision to continue membership in the organization. Commitment involves a willingness to exert considerable effort on behalf of the organization, and acceptance of the values and goals the organization portrays (Ingersoll et al., 2000). According to March and Simeon (1958:52), real commitment often evolves into an exchange relationship in which individuals attach themselves to the organization in return for certain rewards or outcome; and employee can only be committed when their needs are met and fulfilled by their organizations (Maslow, 1954:122).
Climate for Cooperation

It is likely that employees will work together, combine and exchange information and knowledge with one another when there is a climate of cooperation inside the organization (Nonaka, 1994). In an organizational context, cooperation refers to the willingness of employees to collaborate in expending their efforts towards the successful completion of organizational tasks (Wagner, 1995). Cooperative behavior is often manifested in members’ willingness to work with others, even when it is not formally demanded, and in preference for being rewarded for working alone or in group (Wageman, 1995). Petersen (1992) suggested that the likelihood of cooperation depends not only on individual predisposition, but perhaps more so on the formal and informal control systems that reward individual achievement or cooperative efforts.

Climate for Job Involvement

Organization’s ability to perform and achieve sustainable competitive advantage is partially a factor of employee willingness to contribute discretionary effort. The concept of job involvement reflects the extent to which work is a central life interest. Dubin (1995; 1968) describes that job involvement is the degree to which the total job situation is perceived to be a major sources of satisfaction of important needs. Along the same line, Lodahl and Kejner (1965) define job involvement as the degree of importance of one’s work to one’s total self-image.

Intention to Turnover

Employee turnover will also affect the ability of employee to contribute to organizational performance and sustainable competitive advantage. Decreased turnover leads to a more stable environment and increases the likelihood of employees being able to contribute to organizational performance.

Intentions are, according to researchers such as Ajzen and Fishbein (1980), and Igbaria and Greenhaus (1992), the most immediate determinants of actual behavior. They are also of practical merit from a research perspective, as once people have actually implemented the behavior to quit; there is little likelihood of gaining access to them to understand their prior situation. Intention to quit represents an attitudinal orientation or a cognitive manifestation of the behavioural decision to quit (Elangovan, 2001). While some findings argue that intention to quit is the immediate antecedent to turnover, considerable diversity of opinion exists concerning the antecedents to intention to quit. Intention to leave the organization was measured with three items: desire to quit, seriously thinking about quitting, and intention to quit (Chang, 1999; Mobley et al., 1978). According to Meyer et al. (1993)(a), the intention to leave the organization was assessed with three measures: how frequently the employee thinks about leaving their current employer; how likely it is that the employee will search for a job in another organization; and how likely it is that an individual will actually leave the organization within the next year.

Configurational Approach of Strategic HR Practices

SHRM researchers have consistently argued that organizations must first internally align HR practices with one another in a coherent system that supports each other and align these systems of practices with key organizational contingency variables (Wright & McMahan, 1992).
According to configurational perspective, HR practices should be bundled to be most effective (Delery and Doty, 1996). Several studies found that bundles of HRM practices used with appropriate business strategies were related to reduced employee turnover (Arthur, 1994), higher productivity (Arthur, 1994; MacDuffie, 1995; Wright, Mc Cormick, Sherman, McMahan, 1999) and greater financial performance (Huselid, 1995). Thus, the effectiveness of any HR practices depends on its interrelationship with others; they do not stand on their own (McDuffie, 1995). This perspective draws on the holistic principle of inquiry (Doty et. al., 1993; Meyer et. al., 1993(b); Miller & Friesen, 1984) to identify configurations or unique pattern of factors that are posited to be maximally effective. These patterns or configurations represent nonlinear synergistic effects and higher-order interactions that cannot be represented with traditional bivariate contingency theories (Doty & Glick, 1994). Furthermore, configurational perspective incorporates the assumption of equifinality by posting that multiple unique configurations of relevant factors can result in maximal performance (Doty and Glick, 1994; Meyer et. al., 1993(b)). These configurations are assumed to be ideal types that are theoretical constructs rather than empirically observable phenomena (Doty & Glick, 1994; Meyer et. al., 1993(b)). Therefore, configurational theorist working in SHRM must theoretically decide internally consistent configurations of HR practices, or employment systems that maximize horizontal fit, and then link these employment systems to alternative strategic configurations to maximize vertical fit. By accepting this perspective it is necessary to consider a precise specification of: (a) the particular HRM practices that must fit together; (b) the way in which they must fit together; and (c) how the fit is measured and analyzed operationally (Delery, Gupta and Shaw, 1997).

But these issues are not consistently addressed in the strategic HRM literature. For example, Arthur (1994) classified HRM practices in terms of how much they were control versus commitment-oriented based on cluster analysis. Huselid (1995) factor analyzed HRM practices, and summed factor scores for practices representing either employee skills and organizational structures factor or an employee motivation factor. Youndt et al. (1996) followed a similar analytic approach with respect to two different types of practices, administrative and human capital enhancing. While Delery and Doty (1996) measured similarity of the HRM system to two ideal HRM systems; market-type and internal systems. Thus, a clear consensus does not emerge in terms of the exact specification, operationalization, and analysis of the configurational or systems perspective. As a consequence of these differences, configurational theorists working in SHRM must theoretically derive internally consistent configurations of HR practices, or employment systems, which maximize horizontal fit, and then link these employment systems to alternative strategic configurations to maximize vertical fit.

Based on the literature, there are multiple configurations which may operating in an organization, each of which is designed to affect a different workforce characteristic (e.g. Delery, 1998). Therefore, this study focused on four configurations of HR practices which could be used to affect the two workforce characteristics - employee motivation and retention. They are acquisition configuration, development configuration, commitment configuration and retention configuration.

**Acquisition Configuration**

One way of building the workforce characteristics is acquiring individuals from outside the organization who have the required knowledge and experiences. HR planning, extensive recruiting, and selective staffing practices have been seen as the keys to acquiring higher levels of human capital (Snell & Dean, 1992; Terpstra & Rozell, 1993; Koch & McGrath, 1996).
Selective staffing practices are often championed as the foundation of HR strategy focused on acquiring human capital. Snell (2004) suggested that selective staffing can be thought as two distinct search processes: a) extensive search that expands the applicant pool by using wide variety of recruiting sources while b) intensive search increases the amount of information gathered about each applicants. Staffing practices is likely to be complemented by compensation and reward system. To attract the best candidate, companies frequently pay high wages relative to competitor in order to ensure they meet or exceed market equity. Firms can significantly improve performance by acquiring new employees with skill levels and unique knowledge (Pfeffer, 1998). In a tight labour market, organizations using extensive recruiting practices, using multiple sources, attempting to build a large pool of candidates, devoting significant resources for higher salaries and incentives to attract applicants, will be more likely to attract highly skilled, more experienced and knowledgeable workers.

Based on the above argument, we hypothesize that;

Hypothesis 1a: There will be a significant positive relationship between an acquisition configuration of HR practices and higher levels of employee motivation.

Hypothesis 1b: There will be a significant negative relationship between an acquisition configuration of HR practices and intention to turnover.

Development Configuration

A second strategy in developing human capital is for an organization to increase the knowledge, skills and abilities within its existing workforce. Organization can enhance their human capital pool through a development configuration based on training and development. Researchers have noted the central role of comprehensive training in firms attempting to transform their workforce from touch labor to knowledge work (Snell and Dean, 1992). While training tend to be a focal point in discussion concerning the development of human capital, Becker (1964) originally pointed out that under norms of rationality organization would prefer programs that produce firm-specific skills that are non-transferable to other companies.

Broadening supportive performance feedback, through comprehensive performance appraisal system, is also espoused to facilitate employee development where as it is a development aspect that is most expected to influence learning and skill enhancement (Snell, 2004). Compensation systems particularly those associated with skill/knowledge-based pay are also likely to play a significant role in motivating employee to increase their human capital. When companies link pay to the knowledge, skills and abilities of their workers, they hope to direct the attention of their employees to development opportunities and to encourage skill-seeking behavior (Murray and Gerhart, 1998).

We hypothesize that;

Hypothesis 2a: There will be a significant positive relationship between a development configuration of HR practices and higher levels of employee motivation.

Hypothesis 2b: There will be a significant negative relationship between a development configuration of HR practices and intention to turnover.
Commitment Configuration

High levels human capital are necessary but insufficient factor for building workforce characteristics that contribute to organizational performance, employee must also be willing and motivated to contribute their skills, knowledge and experience. To support or created an employment relationship that is organization focused, firms will likely rely on a commitment-based HR system (Arthur, 1994) that nurtures employee involvement and maximizes the firm’s return on human capital investments. Human capital theory suggests that firms will also invest significantly through extensive training initiatives (Becker, 1976). To complement training, organization might sponsor career development and mentoring programs to encourage employees to build idiosyncratic knowledge that is more valuable to the firm than competitors.

Additionally, firms might structure pay systems to focus on employee learning and information sharing to encourage employee development (Delany & Huselid, 1996). Developmental performance appraisal systems also may be used to make certain that employees receive continued and useful feedback (Snell & Dean, 1992). Use of these practices in combinations is consistent with recent work on HR configurations for high-performance work systems (Huselid, 1995; Lawlwer et al., 1995).

We hypothesize that;

Hypothesis 3a: There will be a significant positive relationship between a commitment configuration of HR practices and higher levels of employee motivation.

Hypothesis 3b: There will be a significant negative relationship between a commitment configuration of HR practices and intention to turnover.

Retention Configuration

The turnover rate of organizations can be dramatically affected by the systems of HR practices employed by that organization. Both Arthur (1994) and Huselid (1995) found that high commitment systems of HR practices were related to lower turnover rates in organizations. Thus, it seems likely that some configurations of human resource practices will be to encourage employees to remain with the organization, thus helping the organization to retain its organizational experience and human capital.

Competitive salaries and financial rewards are major factors in employees’ decisions to leave organizations or seeking new opportunities. Key employees may find it costly to leave if they are paid wages above the industry (Pfeffer, 1994). Becker (1964) suggested that organizations are less likely to lose the human capital when they develop skills in employees that are firm specifics and difficult to transfer to other settings. However, much of the knowledge and skills that are created through external training may be applied to other types of organizations.

We hypothesize that;

Hypothesis 4a: There will be a significant positive relationship between a retention configuration of HR practices and higher levels of employee motivation.

Hypothesis 4b: There will be a significant negative relationship between a retention configuration of HR practices and intention to turnover.
Based on the above literature review, we proposed the research framework as shows in Figure 1. The study then developed instrument to collect relevant data to test the framework, and use the result to develop meaningful interpretation.

Methodology

**Sampling and data collection:**
The target population for the study was manufacturing companies located in Khairtul, Tongi and Gazipur. Because of the time and budget constraints, organizations were chosen based non-probability sampling methods. A questionnaire survey was administered to a sample of 34 manufacturing companies operating in Khairtul, Tongi and Gazipur. These companies have been selected based on the premise that they are large corporations involved in various business activities and hired a large number of human resources. Furthermore, their human resource departments are well established and they practice complete functions of human resource management.

The questionnaires were sent to the human resource department to be distributed randomly to various levels of employees in various subsidiaries and departments. In total, 395 respondents sent back the questionnaires from 500 questionnaires distributed and all questionnaires were available for analysis.

**Instruments:**
Self-administered questionnaire was developed based on research objectives and framework. It consisted of information on respondent background, company background, questions regarding human resource practices, questions regarding employee motivation and questions regarding intention to turnover. All items regarding the above variables were adapted from various SHRM literatures. It used Likert-type scale rating (1 for strongly disagree and 7 for strongly agree).

**Results**
List of independent and dependent variables, reliability, means, and standard deviations for each of the variables. It was found that all variables were highly correlated at .01 significance level.
We used stepwise multiple regression analysis to test the prediction of relationship between HR configurations and employee motivation. Regression analysis is a procedure for deriving a mathematical relationship, in the form of an equation, between a single metric dependent or criterion variable and a single metric independent or predictor variable. It is shown that the adjusted R square or the explanatory power of the model 1, 2 and 3 are 0.316, 0.361 and 0.368 respectively. R-square value is an indicator of how well the model fits the data (e.g., an R-square close to 1.0 indicates that this study has accounted for almost all of the variability with the variables specified in the model). The results show that the relationship between configurations of HR practices and employee motivation is strong. 

Hypothesis 1 through hypothesis 4 predicted that different HR configurations would be related to two key workforce characteristics: employee motivation and turnover. Overall, there were support for the hypothesized relationship between configurations of HR practices and employee motivation, and intention to turn over.

Limitations and Future research

While the results of this study are important, there are some limitations. First, the study involved a field sample in which all of the data were cross-sectional, thus, it is not possible to prove causality. Second, as with all studies, there are other possible variables that were not examined that may have exogenous effect on the relationship studied. Future research should explore this factor. Third, target population was limited to the manufacturing industry. Future research should cover more areas and industries.

Conclusion

Generally, this study provided evidence that configurations of HR practices are significantly related to employee motivation and turnover. Furthermore, these HR configurations are indirectly related to these two key workforce characteristics. Specifically, this study found that the commitment configuration of HR practices and the acquisition configuration of HR practices are significantly related to high levels of employee motivation. This study found that the development configuration of HR practices is significantly negatively related to intention to turnover as well. Based on these findings, practitioners and scholars should continue to pursue his more detailed approach for understanding the complex relationship between HR practices, workforce characteristics and organizational performance.

References


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