

Strategic Human Resource Management Practices of High Performance Organizations

by Steven J. Mayer, PhD

In "Let My People Go Surfing", Yvon Chouinard describes the progressive philosophy and culture of Patagonia in a fascinating and appealing fashion. One reviewer calls it a "detailed blueprint for hope". One wonders if the Patagonia model could be applied to most organizations with, of course, the same success. In fact, if it could, then arguably, most management consultants could retire and pursue a more honorable profession.

However, faced with economic uncertainties, risky strategies, competing priorities, limited resources, and managerial complexities, business leaders are often "hopeful skeptics" when it comes to strategically embracing the value of human resource management. It sounds like a good idea (hope)! Show me the impact on the bottom line (skepticism)! In my view, such skepticism is well deserved and justified.

Three Strikes and You're Out!

Several cultural biases confound a leader's view of HRM. First, the traditional paradigm of viewing productivity or performance considerations as countervailing human or social considerations is seriously flawed. It suggests that a manager must "balance"

results against human needs in an organization, and that one subtracts from the other. From this perspective, you can have too much of a good thing, and there is a price to pay for that. Moreover, managers are often pitted against HRM professionals; the former views the latter as too "soft" and inattentive to the "bottom line" and the latter views the former as too "hard" and inattentive to human needs. In this tug-of-war, no one wins, compromise is marginal, and ultimately, the organization loses. Both are trapped in this flawed paradigm, and fail to clearly see what the research confirms, that both economic and human considerations can be innovatively integrated into the fabric of organizational culture to create a truly sustainable, high-performance organization.

A second cultural bias is that HRM is merely a glorified, up-scale version of traditional personnel management. In short, our culture has shifted in the direction of paying more attention to human considerations and political correctness, thus elevating the status of HRM. This perspective is also flawed. It fails to fully account for the wider and deeper demographic, socio-economic, and global shifts in our society which challenge organizations today and

their relation to people. HRM can assume a much more strategic role in business, aligning its practices to support the business philosophy and strategy of the firm.

A third bias is that HRM practices are rooted in bad science. This perspective argues that the social science of the past 50 years, particularly as it applies to business practices, is largely based on narrow studies of small, unrepresentative samples of firms and questionable research methodology, often designed to demonstrate, not test, certain hypotheses. Clearly, some legitimate criticism is warranted. However, it is a gross overstatement to summarily dismiss the theory and research underlying HRM practices. In the past two decades, social science has improved both its theory and research methodology significantly.

Empirical Research Evidence

Attempting to comprehensively delineate HRM theory and research is a tremendous task beyond the scope of this article. It is possible, however, to cite some limited examples of research to demonstrate the empirical evidence supporting key HRM practices. One of the most convincing discussions is from Jeffery Pfeffer and John F. Veiga in their article titled "Putting People First for Organizational Success" published in 1999 in the Academy of Management Executive journal.

Examples of Research Studies Linking HRM Practices to Results

- A study of 968 firms in 1998 representing all major industries demonstrated that firms with high performance practices achieved \$27,044 more in sales, \$18,641 more in market value, \$3,814 more in profits on a per employee basis, and a 7% decrease in turnover.
- A subsequent study of 702 firms found even greater economic benefits, indicating an increase in shareholder wealth of \$14,000 per employee.
- These results were not limited to USA firms. One example of similar results was a study of more than 100 German firms operating in 10 industrial sectors.
- An earlier study launched in 1988 examined the survival rate of 136 financial companies. Five years later, 60% of the companies were still in existence. Further analysis revealed that with factors such as size, industry, and even profits statistically controlled, both the value the firm placed on human resources and how the organization rewarded its people were significantly related to the probability of survival.

Strategic HRM Practices of High Performance Organizations

Based on the above studies and a growing stream of subsequent research, the following strategic HRM practices were identified in high performance organizations (HPO).

1. **Engaging in Selective Hiring.** On its face, most managers would contend that they already engage in selective hiring, i.e., they pick the best person for the job. The acid test, however, is whether the human resources of a firm represent a collective competency and innovation which propel a firm above its competition. To achieve this level, a firm must engage in strategic HRM planning to forecast its future human resource needs and competencies, develop innovative recruiting tactics to find and attract the talent needed, commit to a comprehensive selection process which includes assessment tests and background checks, and install a cultural immersion process to fully integrate a new person into the firm.
2. **Fostering Employment Security.** Most managers react to the notion of employment security with disbelief in the face of economic uncertainty. Yet, we know that a lack of employment security adversely affects human performance and promotes turnover. First, high performance organizations are willing to openly commit such security to their core employees. Second, installing systems to insure regular performance feedback, e.g., letting people know where they stand, fosters employment security. It entails a social contract within reasonable business parameters.
3. **Building and Empowering Teams.** One of the most striking characteristics of high performance organizations is not only the wide use of teams, but their consistent efforts to create and empower teams capable of making innovative decisions and driving strong results. Such teams do not, however, suggest the absence of leadership or management by committee.
4. **Providing Extensive Development & Training.** Every person has painfully experienced ineffective training programs. As a result, it is not uncommon for managers to be skeptical of the value of training. High performance organizations develop an extensive array of employee training and management development programs, configured in a strategic plan, to strengthen the competencies of its human resources. Moreover, they measure the results and make adjustments as necessary to insure results.
5. **Disclosing Essential Information.** High performance organizations openly disclose key strategic and financial information to all of their employees; in short, they don't "keep them in the dark". Issues of strategic and intellectual property are clearly addressed.
6. **Creating Supportive Cultures.** High performance organizations are culturally sensitive to the social norms and practices which may facilitate or inhibit their results. They routinely examine their work cultures and intervene to change inhibitors and strengthen facilitators of performance.

7. Reducing Status Differences. This consideration may surprise some managers and appear to have a narrow focus. Yet, it is clear that high performance organizations strive to reduce and eliminate social and political status differences. Such differences often interfere with individual performance and team functionality.
8. Linking Compensation Directly to Performance. High performance organizations design compensation systems which reward desired performance, allocating a significant portion of compensation to incentives. The actual design of the compensation system is influenced by a wide range of considerations. Issues of inequity are addressed promptly.
9. Promoting Health and Safety. Work cultures are created in which the health and safety of its employees are a top priority. Paramount is the attitudinal climate in which employees are motivated to enhance their personal wellness and fitness, and to manage their own occupational safety in at-risk work environments. High performance firms often have health promotion programs to support this culture.
10. Integrating HRM Strategy. High performance organizations value HRM because it views it as a strategic partner in contributing to desired results.

These HRM practices are not “stand alone” notions, but part of a strategic configuration of competencies and processes to support the business strategy of the firm. Much like a fine-tuned Swiss watch, each part has to be properly designed and installed in relation to each other to insure overall success.

Strategic HRM Practice Survey

The Strategic HRM Practice Survey is an assessment instrument which facilitates an examination of current HRM practices against the strategic practices of high performance organizations. It enables Business Leaders and HRM Professionals to map those practices which need to be continued and fine-tuned as well as others in need of change and re-design.

Designing and building each of the 10 strategic HRM practices entails the use of a wide range of effective methods and tactics, tailored to fit the strategic needs of particular firms. The services of Innovative Human Dynamics can assist in this process.