

High Performance Working: A Synthesis of Key Literature

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Foreword

Launched on 1st April 2008, the UK Commission for Employment and Skills is a key recommendation in Lord Leitch's 2006 review of skills *Prosperity for All in the Global Economy: World Class Skills*. The UK Commission aims to raise UK prosperity and opportunity by improving employment and skills. Its ambition is to benefit individuals, employers, government and society by providing independent advice to the highest levels of the UK Government and Devolved Administrations on how improved employment and skills systems can help the UK become a world class leader in productivity, in employment and in having a fair and inclusive society.

Research and policy analysis plays a fundamental role in the work of the UK Commission and is central to its advisory function. In fulfilling this role, the Research and Policy Directorate of the UK Commission is charged with delivering a number of the core activities of the UK Commission and has a crucial role to play in:

- Assessing progress towards making the UK a world-class leader in employment and skills by 2020;
- Advising Ministers on the strategies and policies needed to increase employment, skills and productivity;
- Examining how employment and skills services can be improved to increase employment retention and progression, skills and productivities.
- Promoting employer investment in people and the better use of skills.

We will produce research of the highest quality to provide an authoritative evidence base; we will review best practice and offer policy innovations to the system; we will undertake international benchmarking and analysis and we will draw on panels of experts, in the UK and internationally, to inform our analysis.

Sharing the findings of our research and policy analysis and engaging with our audience is very important to the UK Commission. Our Evidence Reports are our chief means of reporting our detailed analytical work. Our other products include Summaries of these reports; Briefing Papers; Thinkpieces, seminars and an annual Research and Policy Convention. All our outputs are accessible in the Research and Policy pages at www.ukces.org.uk

This Evidence Report synthesises the key recent research evidence on the theme of High Performance Working (HPW), setting out clearly the current state of knowledge on the topic, and identifying research gaps and policy questions. The report is one of the first outputs from the UK Commission's Skills Utilisation project, complementing a fuller literature review conducted by Scottish Government. It will be followed in the coming months by other reports from this major project, which is looking at how the use of the HPW approach can help to ensure skills are better used in UK workplaces. We hope you find this report useful and informative in building the evidence we need to achieve a more prosperous and inclusive society.



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Executive Summary

Introduction

This report presents a synthesis of recent research evidence on the theme of High Performance Working (HPW), setting out the current state of knowledge on the topic, and identifying research gaps and policy questions. It is one of the first outputs from the Skills Utilisation project being led by the UK Commission for Employment and Skills, which is looking at how the HPW approach can help to ensure skills are better used in UK workplaces. In this paper, HPW is defined as a general approach to managing organisations that aims to stimulate more effective employee involvement and commitment to achieve high levels of performance.

Why is HPW moving to the centre of policy debates?

Interest in HPW within policy and research circles has heightened in the past few years. Policy makers in the UK are now recognising the potential of HPW to offer benefits to both employers *and* employees, as well as contributing to the economic performance, competitiveness and prosperity of the national economy.

The focus of skills policy in the UK has recently extended from a primary concern with improving skills *supply* to also looking at the question of employer *demand* for skills. In particular, there has been a shift in focus to considering how we can ensure that skills are effectively *used* as well as developed in the workplace. HPW is believed by many to provide a means to achieve more effective skills utilisation.

Interest in HPW has grown at the same time as increased attention is being paid - internationally, as well as in the UK - to general issues about the quality of work. There is increasing focus, particularly at the European level, on seeking to create 'better' jobs and good working environments that offer mutual advantages to the individual as well as the employer.

Although it may seem counter-intuitive, the current economic circumstances in the UK could offer a window of opportunity for developing policy initiatives directed at increasing the uptake of HPW amongst UK employers. This could help to maximise employee skills, and, importantly, ensure business survival and growth for the longer term.

What is HPW?

There is a lack of consensus amongst experts over how to precisely define HPW.

After carefully considering the literature, in this paper we define HPW as a **general approach to managing organisations that aims to stimulate more effective employee involvement and commitment to achieve high levels of performance**. The precise form this takes within an organisation will vary depending on context, but will include activities in the areas of: human resource management (e.g. pay and incentives, appraisal, workforce development), work organisation (e.g. team working and job design), employment relations, management and leadership (including strategic management and business development as well as line management), and organisational development. Importantly, the HPW approach is specifically designed to enhance the discretionary effort employees put into their work, and to fully utilise and further develop the skills that they possess.

In early work in this field there was considerable interest in identifying, measuring and understanding which specific *practices* make up HPW, and what combination of practices works best. Over time, views have developed from ‘the more the better’ (in other words, that practices provide an additive benefit), to identifying the *best* practices to adopt (often known as the universalistic approach), to a recognition that there is no single, universal, or indeed, ‘off-the-shelf’ formula or set of practices to fit all circumstances. Rather, the most meaningful combination or ‘bundle’ of practices will be context-specific (known as the contingency or best fit approach), and needs will be shaped and managed to suit each specific organisation.

Increasingly within the literature there has been recognition of the complexity of HPW, and a desire to understand how HPW operates as a *system* within a particular workplace setting. There has been a concern with understanding *how* the HPW approach - and its associated ethos of management and leadership, business improvement and people management - achieves more effective performance outcomes, and what this means for future implementation and practice.

Why Does HPW matter?

There is now a significant body of evidence on the benefits of HPW, and although some are more cautious about its impact on employees, the weight of the evidence pointing to the positive link between HPW, performance and employee well-being is difficult to ignore.

This evidence shows a link between HPW and various measures of improved *organisational* performance, showing that HPW is positively associated with company profits, sales and profitability. It also points to beneficial outcomes for *employees* in terms of higher job satisfaction and motivation, greater opportunities for innovation and creativity, greater task discretion, greater employee involvement and commitment and lower labour turnover.

However, this report does not claim that simply adopting HPW will provide a panacea that will *immediately* bring benefits for all, no matter what. The reality is more complex than that. It does argue though that HPW offers a potentially important mechanism for improving organisational performance, employee well-being and competitive advantage *over the long term and assuming implementation is right*. As such, HPW warrants further attention from policy makers.

How does HPW work?

There is growing interest in understanding *how* HPW operates as a system, and how it is best implemented *on the ground*. Researchers have turned their attention in particular to investigating the mechanisms by which HPW might positively influence performance outcomes. This has involved looking more closely at the ways in which organisations work internally, and getting inside the ever-elusive ‘black box’.

A number of theories and models have been developed in an attempt to facilitate better understanding of HPW. These models can act as analytical tools, demonstrating what factors are most important, highlighting inter-dependencies and the importance of chains of impact. They can also help on a practical level to shape management decisions and influence implementation.

Several key points are highlighted in the models of HPW we discuss in the report, including: the need to take a holistic and balanced approach where careful consideration is given to how practices integrate and work together to suit the business context; the crucial role for managers from senior to line management level as well as those responsible for human resources; the pivotal importance of employee commitment and achieving a partnership between managers and their employees; and the need for a clear vision and ethos, underpinned by strong values and culture.

How widespread is HPW across the UK?

Despite the significant body of evidence that exists on the benefits of adopting HPW, it appears that take-up is not widespread in the UK, and that this has not changed dramatically over time. The 2008 Employer Survey undertaken by the UK Commission for Employment and Skills found just under a third of organisations could be classified as taking a HPW approach. However, measurement of HPW is very difficult due to variation in the definitions that are used.

There appears to be considerable variation by sector and size of employer, with HPW being more common in the public sector (according to the UK Commission's Employer Survey, around seven in ten employers adopt HPW practices here), parts of manufacturing (e.g. especially engineering) and amongst larger employers. However, it is important not to jump to conclusions from this about the lack of relevance of in other types of organisations. Given its context-specific nature, HPW has the potential for wider application if it is tailored appropriately.

Various studies have explored the reasons behind the low uptake of HPW. The literature shows that the adoption of HPW is low in the UK for a range of reasons, including: ignorance and a lack of awareness; doubts and inertia (including concerns about complexity and managing costs); inability and difficulties overcoming a range of impediments to effective implementation.

HPW, by its holistic nature (which involves it touching and having implications for all parts of the business), is undoubtedly an extremely difficult and complex thing to achieve and get right. There is no single 'silver bullet', or ready-made blueprint to follow, and there is a significant time lag before the effects can be totally realised. Furthermore, many employers, whether intentional or not, are not *fully* adopting the approach, but may introduce parts of it. However, in the context of changing external pressures in the market (e.g. globalisation, growing international competition, the expansion of trade, on-going technological developments and changes in consumer demand), there are questions about whether this stance is enough and if a more selective approach is sustainable over the longer term.

Managers and leaders (across a range of functions) play a crucial role in fully implementing HPW and ensuring that when it is put into operation it is done so in a way that not only fits the business context, but utilises full organisational capacity and optimises the business benefits. Crucially, effective implementation also depends on achieving employee involvement and commitment, which needs to be underpinned by a strong partnership between employers and their employees.

What further needs to be done? Conclusions and policy issues

The report synthesises the now sizeable body of evidence on HPW, setting out clearly the current state of knowledge, defining HPW, showing why it matters, drawing out some considerations for policy, and demonstrating why HPW should be an important policy priority in future.

Whilst some commentators have raised doubts about the impact of HPW, there is now a substantial amount of evidence pointing to the positive association between HPW and organisational performance and employee well-being at work. HPW, *if it is implemented effectively*, is linked with positive benefits in terms of a range of measures including improved company profits, sales and profitability, as well as wider improvements for employees, in terms of higher job satisfaction, better skill use and development, commitment and motivation.

HPW also offers a potential vehicle for converting public policy messages on skills and productivity into the kind of language that can inspire organisations to act, and by so doing enhance not only the competitive advantage and success of individual organisations, but ultimately, too, the performance of the broader economy.

A key consideration for policy makers, therefore, is how to tackle the currently low take-up of HPW practices in the UK. A set of barriers have been identified, and an immediate priority is to establish where there is a role for public policy help employers overcome them and facilitate take-up.

Clearly, employers are, and must remain, in control of the management of their own organisations and businesses. But that is not to say that there is no role for public policy in encouraging employers to adopt HPW. In this context, there is undoubtedly a need to review the range of current and potential policy instruments that could be deployed to offer help to employers managing their businesses and adapting to change. Evidently there is no one single policy instrument that can exert the influence required. It is thus important to understand how varying policies can work to lift particular barriers for different types of employers. This report offers suggestions about possible future policy developments. It also highlights policy and research questions that warrant further investigation, some of which are being taken forward by the UK Commission as a part of its Skills Utilisation research project.

High Performance Working: A Synthesis of Key Literature

[High performance working] ‘has implications for how everybody will feel about their work, how it is organised and how prosperous our economy will be in the future’ (IPA, 2007: 5).

‘...for those wishing to flourish in an increasingly competitive environment, ignoring the potential gains from high performance working may no longer be an option... It is one of those organisational innovations from which everyone can win’ (Guest, 2006a: 12).

‘...skills and their development (through education and training) affect performance, but so does the way people are managed and the opportunities organisations provide to use higher levels of skills’ (Tamkin et al, 2004: 43).

1. Introduction

The aim of this report is to synthesise the recent research evidence on the theme of High Performance Working (HPW), setting out clearly the current state of knowledge on the topic, and identifying research gaps and policy questions. The report is organised under the following themes:

- Why is HPW moving to the centre of policy debates?
- What is HPW?
- Why does HPW matter?
- How does HPW work?
- How widespread is HPW across the UK?
- What further needs to be done? Conclusions and policy issues

The literature on HPW is now considerable and it is also wide-ranging. This report deliberately (and necessarily), focuses on the key and most recent contributions to the field, drawing on material from a range of disciplines and perspectives. In doing so, we aim to provide a firm underpinning in terms of evidence for the UK Commission's Skills Utilisation project, helping to better direct and focus the project outputs by building on what is already known about HPW. To this end, the paper complements an earlier literature review which looked more broadly at the topic of skills utilisation in the round (see Scottish Government, 2008). A further aim of the report is to raise questions and stimulate discussion on how best to further develop research and policy on this important theme.

2. Why is HPW moving to the centre of policy debates?

Summary

In this report we define HPW as a general approach to managing organisations that aims to stimulate more effective employee involvement and commitment in order to achieve high levels of performance.

Policy makers, practitioners and researchers in the UK have been increasingly turning their attention to HPW in recent years. Policy makers in particular are recognising the potential of HPW to improve productivity and performance in the workplace, as well as to enhance employee well-being.

The focus of skills policy in the UK is changing, and the question of how skills are being used in the workplace is coming to the fore. HPW is believed by many to offer one important tool to achieve more effective skills utilisation and secure competitive advantage.

Interest in HPW within the policy community has grown in the context of an increased interest in quality of work issues, and in response to the pressures of global competition. This is increasingly making employers look at how they can maximise their human resources.

The current economic circumstances in the UK offer a window of opportunity to develop policy initiatives aimed at increasing the uptake of HPW amongst UK employers, helping to ensure business survival and growth.

HPW is a term that is used to describe a distinctive approach to management in the workplace that aims to maximise organisational performance by investing in the skills and capabilities of employees. Although (as we go on to discuss in more detail in section 3 of this paper), there has been considerable debate about the precise definition of the term, **HPW is concerned with more than Human Resource Management (HRM) practices alone. Neither is it simply a new management fad. Instead it signifies an underlying change in the way in which production is organised and businesses are managed** (Belanger et al, 2002; Giles et al, 2002; Ashton and Sung, 2002).

After a careful consideration of the literature, in this paper we define HPW as **a general approach to managing organisations that aims to stimulate more effective employee involvement and commitment in order to achieve high levels of performance.** The precise form this takes within an organisation will vary depending on context, but will include activities in the areas of: human resource management (e.g. pay and incentives, appraisal, workforce development), work organisation (e.g. team working and job design), employment relations, management and leadership (including strategic management and business development as well as line management), and organisational development. **Importantly, the HPW approach is specifically designed to enhance the discretionary effort employees put into their work, and to fully utilise and further develop the skills that they possess.**

HPW has emerged as a new, recognisable organisational model or paradigm over the last two decades or so. There is general agreement that HPW as a general approach has its roots in Japanese approaches to work organisation and production focusing on 'quality work' that began to spread to other countries in the 1980s, and also in the practices of some American non-unionised firms such as IBM (see EEF/CIPD, 2003; Lloyd and Payne, 2007; Hughes, 2008). **HPW is concerned with the efficient and effective use of the workforce, but with an important emphasis on creating good quality work, rather than simply focusing on making employees work 'harder'.** It involves abandoning traditional Taylorist 'command and control' management approaches, and instead focusing on developing the skills and knowledge of employees to enhance organisational performance (see for example Cabinet Office, 2001; Ashton and Sung, 2002).

Interest in HPW amongst policy makers and academic researchers has heightened in the past few years. This has happened at the same time as the focus in skills policy in the UK has extended from a concern with improving the *supply* of skills to also look at the role of employers in *utilising* the skills of the existing workforce, linking skills into broader management and leadership and business improvement agendas. The quotations below, taken from key skills policy documents, reflect the increasing prominence of skills utilisation in skills policy in the UK:

[The ambitions set out in the Leitch Review] 'will not deliver economic benefits unless they are based on economically valuable skills that are effectively used in the workplace' (HM Treasury, 2006: 14).

'The extent to which people's skills are utilised in the workplace affects organisational performance' (Department for Innovation, Universities and Skills, 2008: 63).

'...we believe that the way in which jobs are designed, filled and subsequently executed is key to unlocking Scotland's economic potential... this means that we need to enable employees to make an immediate positive difference to his or her workplace by applying the skills they have acquired in a productive way' (Scottish Government, 2007: 31).

'Skills will make the biggest difference to the prosperity of Wales when they are used effectively in Welsh workplaces' (Welsh Assembly Government, 2008:17).

'An ambitious employment and skills strategy is an essential component of the necessary transformation [in Wales]. But an employment and skills strategy, no matter how excellent, cannot itself drive economic success: there is no point in stockpiling skills and qualifications if they are not needed and used in the economy....We also need ambition among employers; ambition that translates into greater demand for and utilisation of advanced skills' (Wales Employment and Skills Board, 2009: 4-5).

'The vision is that, by 2015, the Northern Ireland economy is highly competitive in global terms; it is based on high value added jobs, with progressive leadership from a strong cadre of skilled local managers' (Department for Employment and Learning, 2006: 6).

'...there is little value to an organisation having a skilled workforce if the skills are not used well' (UK Commission for Employment and Skills, 2009: 11).

There is, then, now widespread awareness amongst policy makers that it is not enough to raise skill levels alone, but skills must also be *used* effectively (and continuously developed) if the full benefits in terms of improving productivity and raising living standards are to be achieved. In other words, employee skills are necessary, but not *sufficient* by themselves to generate productive workplaces (Bassi and McMurrer, 2006).

Ensuring that skills are fully used involves a wider set of changes taking place *inside* the workplace: changes that concern business strategies, how production and employees are managed, and the nature of organisational culture. As Bassi and McMurrer have noted: 'Most of us have been in situations, at one time or another, where we were unable to put our skills to their maximum use, because the work environment made it impossible to be highly productive' (2006: 106). It is crucial, then, that work organisations provide the right sort of *context* for people to successfully apply and further develop their skills. The potential role that HPW in particular can play here has been recognised by policy makers, many of whom, as Lloyd and Payne have observed, now believe that 'the diffusion of the high performance model is fundamental to the achievement of a high skills economy where employees have greater opportunities to exercise higher levels of skill and learning at work' (2007: 8). Reflecting this confidence in HPW amongst policy makers, a report published by the Cabinet Office in 2001 stated:

'Changes in skills will only lead to improvements in economic performance, competitiveness and living standards if organisations are able to make use of the enhanced knowledge and potential of their employees. There is strong evidence to suggest that adult skills that are not used on a regular basis tend to atrophy and may be lost. To make progress on the basis of enhanced skills across the board requires a move towards High Performance Working (HPW) practices' (Cabinet Office, 2001: 24).

This increased attention on HPW amongst policy makers has happened at the same time as a general growing interest in quality of work issues. Some have recognised that a focus on productivity as a primary goal could risk an over-emphasis lowering costs and raising output, which in turn can lead to job cuts and increases in workloads. Encouraging organisations to aspire to HPW, however, shows that performance improvements do not have to be made at the expense of the quality of work and employee well-being. Indeed, David Guest (2006a) has argued (as captured in the quotation at the top of this paper) that **HPW is potentially an organisational innovation from which everyone - employer, employee, and the economy as a whole, can win**. Other commentators have also recognised that whilst HPW 'does not eradicate differences in the interests of management and workers... it does minimise the conflict of interest and provide a significant improvement in their combined ability to increase wealth and the prospect of an increase in the standard of living for all' (Ashton and Sung, 2002: 1).

This emphasis on the quality of work ties in with recent trends in policy in Europe around creating 'more and better jobs' (see European Parliament, 2000). European policy, in particular, has emphasised the importance of lifelong learning (including through job rotation), and improvements in equal opportunities through the better reconciliation of working life with family life. This focus on increasing employment and maximising its quality has grown out of a desire to raise economic performance, competitiveness and prosperity across Europe at the same time as promoting the development of a knowledge-based economy and social cohesion. Quality employment thus seeks to develop a good working environment, where more highly skilled people are developed and deployed in the most effective way, to add more value to the workplace, and therefore provide mutual advantages to the employee as well as the employer.

HPW has also become an increasing focus of attention for policy makers in the context of the pressures of growing competition in the global economy, particularly from new emerging economies such as India and China which are exhibiting dramatic growth. It is now widely recognised that UK businesses cannot compete on cost alone. Developments in technology mean that goods and services can often easily be produced more cheaply overseas where low cost (and increasingly well-qualified) labour is available. If they are to succeed in the longer term, it has been argued that UK organisations should aim to move 'upmarket', competing on product or service quality rather than on cost. It is widely acknowledged that organisations have to find ways of responding to changes in external pressures and forces such as more sophisticated customer demands, globalisation and expanding trade, ever-increasing competition, and on-going technological developments (see Philpott, 2006).

In this context, many commentators have argued that the *people* that produce products and services must take on central importance. Bassi and McMurrer for example assert that: 'In today's global, knowledge-driven economy, skill is the only source of competitive advantage for nations, organisations and individuals' (2006: 92). In this context, **new business models are needed that involve employers investing in skills and also ensuring that they are using and developing these skills to their best effect.**

HPW is seen by many to offer a valuable approach here. The underpinning rationale of HPW is that the people in an organisation, and the way in which they are managed, are the best route to securing competitive advantage and organisational performance. Many commentators in the academic, policy and business fields have asserted that resources such as technology or finance can be easily obtained or copied, but *human* resources are much more difficult to imitate, especially when accompanied by distinctive ways of working and organisational culture (see for example Guest, 2006a, 2006b). The potential value of HPW in making the most of employee skills and responding to global competition has been recognised by a range of organisations, including the TUC, which in a recent report stated:

'We know the old problem of the UK's productivity deficit. This must be overcome if we are to hold out any hope of remaining a serious player on the global economic stage. Poor skills, low investment, bad management and underachievement simply cannot go on if we wish to meet the challenges of the modern world. Central to meeting the challenge is the development of more high performance workplaces' (Page, 2007: 13).

It is important to note that not all interpretations of HPW are positive, and there is also some scepticism about it, particularly from within the academic community.

The issues critics have pointed to for example include: the lack of a widely agreed definition of the term and the problems this brings in terms of identifying 'boundaries' and consistency in measurement; problems with the term 'high performance working' itself, which implies that a firm, *causal* link between the HPW approach and performance has been proven, when in fact there is disagreement on the issue of causation, as well as about which specific aspects of performance are impacted upon (Wall and Wood, 2005); disagreement on how the performance gains associated with HPW are achieved, questioning whether these come about as a result of building a more motivated, engaged and committed workforce, or through a process of work intensification (see Hughes, 2008); and a general lack of awareness and low take-up amongst employers.

However, the evidence that indicates that HPW - if implemented effectively - is positively linked to improved performance and also to employee well-being is both sizeable and extremely persuasive (Way, 2002; Campbell and Garrett, 2004). As a report by Ashton and Sung for the International Labour Organisation stated in 2002, **‘There is now evidence of a robust link between HPW practices, productivity and profitability and a range of other performance measures’** (2002: 10). This evidence comes from studies using different methodologies and carried out in different countries. Furthermore, HPW is a concept that is valuable in the sense that it is beginning to unite skills policy debates on the difficult and somewhat nebulous question of how to achieve better utilisation of skills in the workplace.

Finally, it is important to note that, although it may at first appear counter-intuitive, it seems **the current economic circumstances in the UK are acting to raise the status of HPW even higher amongst policy makers and influencers**. There is evidence that ‘high skill strategies are particularly important at times of change and risk’ (Tamkin et al, 2004: 35). Reflecting this, the TUC recently argued that skills can play an important role in getting the UK through the current recession, and that government, business and trade unions should ‘send out a unified message that skills investment is more important than ever during an economic downturn’ (2009: 4). Indeed, in an open letter to national newspapers, the UK Commission for Employment and Skills, a coalition of senior business people, government and union leaders recently issued a call to employers to continue to invest in the skills of their staff during the recession, stating that:

‘Now is precisely the time to keep investing in the skills and talents of our people. It is the people we employ who will get us through. When markets are shrinking and order books falling, it is their commitment, productivity and ability to add value that will keep us competitive’.¹

¹ The open letter to employers is known as the ‘now is the time’ campaign. For more information see: <http://www.ukces.org.uk/Default.aspx?page=4758>

Interestingly, research into the training strategies of employers during the 1990-1992 recession found that there was only a small reduction in training overall during this period, and that in fact a combination of regulations and the forces of market competition held up training activity or even increased it in many companies (Felstead and Green, 1994). Recent findings from a CBI survey also indicate - against conventional wisdom - that many employers may be looking to get *more* value from their staff training during the current recession to help their business survive (CBI, 2009). A survey of just over 700 employers carried out by the CIPD in late 2008 similarly found that organisations were in fact focusing *more* of their time on 'engaging, motivating, retaining and fully using the skills of their existing workforce' (CIPD, 2009: 1).

In this context, **it is possible that some employers may be more receptive at this particular time to messages about the value of the HPW approach, and to any support available with implementing it.**

As we discuss later in this paper, the vast majority of employers within the UK are not currently engaging in HPW, and there is evidence that suggests on the whole that UK employers are 'not designing jobs so as to make the best use of the skills offered by an increasingly qualified workforce' (Payne, 2008: 9). In theory at least, **there is a real window of opportunity at this time for developing policy initiatives directed at increasing HPW amongst UK employers that could lead to enhanced organisational and economic competitiveness as well as improved employee well-being.**

This report aims to synthesise the recent evidence on HPW, to clearly define it, optimise understanding of the key issues, to demonstrate the value of HPW and why it needs to be a future policy priority, and to ensure that any future action in this area builds on what is already known. It also highlights policy and research questions that warrant further investigation, some of which are being taken forward by the UK Commission (UK Commission, 2008a). We start by discussing how HPW has been defined and understood.

3. What is HPW?

Summary

There is a lack of consensus over how to precisely define HPW.

Early in the HPW literature there was considerable interest in identifying, measuring and understanding what HPW *practices* might be, and in what combination they should be used. Views have now developed from a general perception of ‘the more practices the better’, to trying to identify the ‘best practices’ to adopt, to a recognition that there is no single, universal formula of HPW suitable for all settings - though there may be common elements of ‘good practice’. Rather, what represents the most meaningful approach will be context-specific.

With the recognition of the importance of context, commentators are increasingly recognising the complexity of HPW, acknowledging that it is not an end in itself and needs to be outcome-oriented. The focus has also turned to understanding how HPW operates as a *system* within particular settings, rather than trying to identify common ‘bundles’ of practices.

Some Key Definitions of High Performance Working

‘High Performance Working (HPW) practices [are those] which actively engage employees in shaping their own working environment and becoming self-directed learners’ (Cabinet Office, 2001: 24).

‘High performance working practices consist of new ways of organising work, rewarding performance and involving employees in the decision-making process in the workplace’ (Ashton and Sung, 2002: 1).

‘The High Performance Workplace encourages the development of workers’ skills and taps into their emotional capital and tacit knowledge in order to enhance organisational performance’ (EEF/CIPD, 2003: 8).

‘High performance work practices promote high levels of adaptability, flexibility and involvement and enable people at all levels within organisations to participate in the development of processes, products and services. They involve the promotion of teamworking, and learning and practices that move

away from the tradition of “command and control”, to achieve constant incremental improvement and step changes in performance’ (Wales Management Council, 2005: 7)

‘High performance workplaces or organisations have been described in various ways, but there is a general emphasis on engaged and empowered workforces, and on high quality goods and services’ (Tamkin et al, 2005: 12).

‘High performance working is a distinctive approach to managing people at work that raises productivity while also improving the well-being of employees’ (Guest, 2006a: 3).

‘The combination of skill and use of skill involves what is commonly known as “high performance working” (HPW) - people management practices that enable staff to work smarter rather than harder’ (Philpott, 2006, p. 158).

Although there is now a considerable literature on HPW, a lack of consensus about definition remains (Campbell and Garrett, 2004). A range of definitions of HPW exist, many with slightly different emphases, and the quotations above give a flavour of this, although it is fair to say that **there is a broad level of agreement about the general thrust of what HPW is.**

Researchers and practitioners have used, and continue to use, different terminology to describe HPW, which also adds to the confusion and ‘fuzziness’ around definition. Alternative/similar terms found in the literature include ‘smarter working’, ‘high commitment management’, ‘strategic HRM’ and ‘high involvement working’ (see Belanger et al, 2002; CIPD, 2008a; Hughes, 2008).

In an attempt to create more clarity around definition, and to enable effective measurement of HPW in research, **a number of authors have tried to identify the precise practices and activities that constitute HPW.** There has been considerable disagreement about which practices constitute the ‘definitive set’, and a number of different ‘lists’ have been produced (see for example EEF and CIPD, 2003; Sung and Ashton, 2005). We now turn to briefly discuss some of these ‘lists’ to give an idea of the practices that are covered by the HPW ‘label’.

One early and influential attempt to define and measure HPW practices was put forward in the US by Huselid (1995). Drawing on earlier work by Delaney et al (1989) Huselid identified the following as HPW practices:

Enhanced selectivity in recruitment
Pre-employment testing
Internal recruitment for non-entry level jobs
Formal information sharing
Formal job analysis
Provision of formal training
Attitude surveys
Quality circles and labour-management participation teams
Company incentive plans/profit sharing scheme
Formal grievance procedures
Formal performance appraisals
Performance-related pay
Focusing on employee merit in promotion decisions

Building further on this work, Becker et al (2001) developed a 'HPW System Index' or 'HR Index', setting out a more detailed list of specific policies, practices and also outcomes that are associated with high performance in organisations. This consists of 35 variables, including additional practices such as formal HR plans and 360 degree appraisals, as well as an emphasis on the importance of clearly articulated business and people management strategies, good communication with staff, and a strong overall management and leadership approach - including 'visionary' leadership. The HPW System Index places strong emphasis on the role of HR professionals within an organisation, in particular, whether they are perceived to be 'agents for change' and 'employee champions'.

Also in the US, Bassi and McMurrer have developed a methodology for measuring human capital practices that has used the HPW literature, isolating the leading indicators of future business performance (see Bassi and McMurrer, 2006). They have drawn up a list of five 'human capital indicators', with 23 underlying 'factors'. These are summarised below:

<p>Leadership practices: communication (managers); communication (executives); inclusiveness (managers); inclusiveness (executives); supervisory skills; executive leadership; systems for ensuring smooth leadership transitions.</p> <p>Employee engagement: job design; commitment to employees; time (e.g. appropriate workload, work-life balance); systems to help retain good performers.</p>
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Knowledge accessibility: availability of information, training, job tools; collaboration and teamwork; information sharing; systems for collecting, storing and making information available.

Learning capacity: innovation; training to support organisational goals; formal development plans; value and support for learning; systems in place for learning management.

Workforce optimisation: well defined processes for getting work done; good working conditions; accountability; good hiring decisions; systems in place for managing employee performance and talents.

In the UK, Sung and Ashton's work (2005) has been influential. This work identified a detailed list of 35 HPW work practices, and these are listed in Table 1 below:

Table 1: Sung and Ashton's (2005) Definition of HPW Practices

HPW Practices		
High Involvement	Human Resource Practices	Reward and Commitment
Circulating information on organisational performance and strategy	Annual appraisal	Performance pay for some employees
Providing all employees with a copy of the business plan/targets	Formal feedback on job performance from superiors	Performance pay for all employees
Staff Association	Formal feedback on job performance from customers/clients	Profit-sharing for some employees
Internal staff surveys	Reviewing vacancies in relation to business strategy	Profit-sharing for all employees
Staff suggestion schemes	Formal assessment tools for recruitment	Share options for some employees
Quality circles/total quality management	Annual review of employees' training needs	Share options for all employees
Self-managed or self-directed teams	Training to perform multiple jobs	Flexible job descriptions
Cross-function teams	Continuous skills development programmes	Flexible working
'Kaizen' - specific efforts on continuous improvement	Structured induction training	Job rotation
	Work (re)design for improved performance	Family-friendly policies
	Work diversity for competitive advantage	Non-pay benefits
	Mentoring	Benefits covering spouse or family members
	Quality assurance	
	The Business Excellence Model ²	

² The Business Excellence Model was introduced at the beginning of 1992 as the framework for assessing applications for [The UK Excellence Award](http://www.bqf.org.uk/ex_description.htm). It is a practical tool that allows organisations to assess their management system, see: http://www.bqf.org.uk/ex_description.htm.

There are clearly many overlaps in the lists of practices identified in the definitions discussed so far. However, there are also some differences, which in a part reflect cultural differences, but also differences in conceptualisation. For example, the Bassi and McMurrer definition is distinctive in terms of its focus on the importance of having good systems in place under each of their key indicators, as opposed to focusing on a selection of individual practices. A key point of difference in the Sung and Ashton definition above is that this covers additional reward/commitment practices such as flexible working, family-friendly policies and non-pay benefits, which are not typically included in other lists. The UK Commission for Employment and Skills also included some less commonly used practices in its definition of HPW in its recent Skills for the Workplace Employer Survey (UK Commission, 2008b). This survey measured the presence of 16 HPW practices amongst UK employers. In addition to some of the practices already listed above, the definition of HPW used here also included the creation of dedicated training budgets, Investors in People accreditation, and also ISO 9000 accreditation.³ In addition, the UK Commission includes consultation with trade unions as a HPW practice, which is not typically emphasised in other definitions.

There are then, a wide range of individual practices/factors that have been included in definitions of HPW. As Sung and Ashton (2005) point out, what is striking is that **many HPW practices are not radical or new, in fact, many are very familiar and commonplace in work organisations.**

In order to make sense of the rather long list of potential HPW practices, it is helpful to see the practices as falling into a number of more general categories. A report by the EEF/CIPD (2003) for example notes that HPW practices tend to be focused on four key themes, namely: a) employee autonomy and involvement in decision making; b) support for employee performance; c) rewards for performance; and d) sharing of knowledge and information. Philpott (2006) similarly argues that HPW practices fall into three main categories, namely employment relations, performance management, and reward. As shown in Table 1 above, Sung and Ashton (2005) also group their list of practices around three similar themes: high involvement, human resource practices, and reward and commitment. Therefore, **although there is diversity in terms of which precise practices are deemed to constitute HPW practices, there is much commonality in terms of the broad defining themes: HRM policy and practice; employee skills; employee relations; management and leadership; and work organisation.** In addition, others have noted that production management and/or processes are also a key

³ ISO900 is a recognised standard for an organisation's internal quality management. It measures an organisation's ability to ensure that its products or services satisfy customers' quality requirements and comply with necessary regulation.

defining theme of HPW (see Belanger et al, 2002; Butler et al, 2004). Thus, **HPW is not simply about HRM policies and practices alone, but also incorporates wider aspects of management and operational processes.**

In the broader literature on HRM and performance, there has been a line of argument that the more practices that an organisation has in place, the greater the impact on performance - in other words, practices have an *additive* effect. However, most commentators are now agreed that **organisations do not necessarily have to have a long list of practices in place to be considered to be undertaking HPW.** The *number* of practices (although this may be indicative of the extent to which an organisation has prioritised people management issues and has a full HPW system in place) is, therefore, not the main distinguishing factor of HPW. In addition, **there is agreement too that there is not a fixed list of practices that make up HPW.** Some authors in the early literature on HRM and performance argued that there are certain practices that enhance performance in *all* organisational settings regardless of circumstance or context (known as the 'universalist' or, alternatively the 'best practice' approach) (see for example Pfeffer, 1998). However, in their thorough review of the key literature on the HRM and performance link Boselie et al (2005) conclude that there is in fact no clear agreement between authors on which practices should be used together. The majority of commentators appear to be of the view that **whilst there may be elements of 'best practice' in HPW that apply across settings, what works is heavily dependent on organisational context**, a perspective which has become known as the 'contingency' or 'best fit' approach.

Most commentators, then, agree that there is no one, universal list of HPW practices that can be applied to any organisation. Rather, what constitutes HPW will vary with context (Philpott, 2006). This observation has led to a concern amongst authors to consider what constitute meaningful collections - or to use the preferred terminology in the HRM literature - 'bundles' of practices within organisations, and how these align with each other. The notion of 'bundling' has since become a defining characteristic of HPW (see Hughes, 2008). Some authors have looked for patterns in terms of which bundles are used across sectors. For example, a survey by Sung and Ashton (2005) found that some practices appear to be more effective in some sectors than they are in others. Looking at four broad sectors, the study found that companies in the financial services sector made more use of financial incentives, but in business services and manufacturing high involvement practices were more frequently used. They summarise that **HPW practices appear to be used in different ways in different sectors in order to achieve business objectives:** 'Our findings suggest that the choice

of which bundle or bundles of practices to use in order to achieve a given organisational outcome or objectives is influenced by the type of sector in which the organisation or company is operating. In other words, some of these bundles are more effective in some industrial sectors than others' (Sung and Ashton, 2005:15). Case study research by the same authors also shows that different combinations or bundles of practices are effective in addressing specific performance issues.

The focus on how practices are combined together has led authors to assert that HPW involves more than a 'simple eclecticism' (Hughes, 2008). HPW is 'not an art that organisations simply happen to pursue but a *coherent* range of practices that must be learned and rigorously applied' (Philpott, 2006: 163, our emphasis). **A key defining characteristic of HPW therefore is that organisations have a set of *complementary* practices in place that are coherent and work together to achieve greater/enhanced performance.** This has led some authors to argue that an organisation can thus only be considered as a high performance workplace when they are actually *successfully implementing* a set of inter-linked practices that are having a positive impact upon performance in their organisation. This reflects a shift in viewing HPW from individual practices to an *outcome* or *effect* of the successful alignment of a range of HRM and management policies and initiatives (see Becker et al, 2001; Campbell and Garrett, 2004; Sung and Ashton, 2005; Guest, 2006b). It also emphasises the importance of looking at HPW as a *system*. As Guest has argued, '**what matters is the way [a range of practices] combine into a system of practices that complement and reinforce each other and also *fit* with and work towards the aims of the organisation**' (2006b: 174, our emphasis). This concern with 'fit' draws on insights from the wider literature on the HRM-performance link, which has emphasised the importance of both the 'internal fit' of HRM practices (or the extent to which there is synergy between practices), and 'external fit' (or the extent to which HRM practices are aligned with business strategy). It also brings us on to questions of *how* HPW works, and its implementation, which we move on to discuss in more detail in section 5.

As will be clear from the discussion so far, the definition of HPW has received a considerable amount of attention in the literature, and it is a concept that resists attempts to 'pin it down'. However, as Stevens (2007) notes, **perhaps the issues around the *precise* definition HPW are more of a problem for those *studying* HPW as opposed to those that actually want to put it into practice.** Indeed, it has been argued that the variation in HPW between different contexts, and the lack of specificity in terms of definition, although it may cause problems for researchers (particularly in terms of the measurement of HPW via surveys), can actually be seen as a key *strength* in some

respects - particularly when looking at its practical application - in the sense that it allows flexibility in approach depending on the varying needs of individual organisations (see EEF/CIPD, 2003; Campbell and Garrett, 2004). As we have shown in this discussion, **there is now agreement amongst commentators in the field that there is no ‘off-the-shelf’ model of HPW that managers can simply pick up and ‘apply’ to their own organisations.** It is in the light of this that we came to our own definition of HPW as a *general approach* to managing organisations that aims to stimulate more effective employee involvement and commitment to achieve high levels of performance. The shape this will take in practice will vary depending on context.

4. Why does HPW matter?

Summary

There is now significant evidence available on the links between HPW and improved organisational performance, and employee well-being. Although some commentators have been critical of the impact of HPW - particularly on employees - the weight of the evidence on the positive association between HPW, performance and employee well-being in a number of respects cannot be ignored.

This evidence shows a positive link between HPW and various measures of *financial* performance and also with beneficial outcomes for *employees* in terms of higher job satisfaction and motivation, opportunities to use skills, task discretion, involvement and commitment.

However, HPW is not an instant ‘fix’. The success of HPW depends very much on the quality of the implementation, which is in turn contingent on management practice. The evidence also shows that organisations that have an integrated system in place also see the most benefit.

In this section we look at why HPW matters, particularly focusing on the evidence on the links between HPW and organisational performance and also employee well-being.

There is now a large body of literature on focusing on the HPW-organisational performance link. One recent review for example, identified 92 studies reporting relevant statistics on the relationship (see Combs et al, 2006). Researchers have used a range of different methodological approaches and sampling characteristics to study the HPW-performance link, with some focusing on single organisations or sectors, and others involving large scale cross-sectional research looking across a range of industry sectors (see Ashton and Sung, 2002; Combs et al, 2006). It should be noted that much of this

research, rather than focusing on the impact of the whole HPW approach, has specifically been concerned with human resource management (HRM) and its link to performance (using varying interpretations of HRM). As a consequence, we discuss some studies here that have looked at the effects of HRM practices as well as those that focusing more broadly on the impacts of the HPW approach.

A substantial amount of the literature has focused specifically on the impact of HPW on *financial* performance. **There is now a considerable body of research that indicates that introducing HPW is associated with economic benefits in terms of a company's profits, sales and productivity.** The evidence on the impact of HRM practices also shows that organisations that adopt an integrated range of practices are likely to perform better on key indicators like profit and sales growth. **There is agreement that it is the implementation of sets of HRM practices or systems that is associated with performance improvements, rather than the individual practices in themselves.**

The following are key findings that point to positive links between HPW/HRM and business performance from studies that have been carried out within both the UK and internationally:

- A recent study by Flood et al (2008a, 2008b) using data gathered from 132 organisations in Ireland found that HPW and partnership are positively associated with labour productivity. Their models indicate that increasing use of HPW and partnership from average to above average will generate an additional 11 million Euro in sales revenue.
- In a study for (the then) Institute of Personnel and Development, Patterson and colleagues showed that almost a fifth of the variance in productivity and profitability between firms could be attributed to HRM practices (see Patterson et al, 1998).
- In a longitudinal study of 308 UK manufacturing companies focusing on the effects of three specific HPW practices, Birdi et al (2008) found statistically significant positive performance effects for the practices of empowerment and extensive training in particular. They found that empowerment represented a gain of nearly 7 per cent in value added per employee, and that there was a gain of over 6 per cent for extensive training. Together, empowerment and extensive training accounted for a 9 per cent increase in value added per employee. They also found that the practice of teamworking seems to enhance the effect of all other practices.

- In a study of UK the aerospace sector, Thompson (2000) found that firms increasing their use of HPW practices between 1997 and 1999 recorded increases in value added per employee between 20 to 34 per cent. He also concluded that both the number of HPW practices adopted, and the percentage of the workforce covered are key differentiating factors in terms of performance (see also Armstrong and Baron, 2002).
- A study by Guest et al (2003) found that those companies that deploy a greater range of HRM practices can double the profit per employee compared to those implementing relatively few.
- Research by Tamkin et al (2008) found that a 10 per cent increase in business investment in HRM, training and management practices equated on average to:
 - An increase in gross profits per employee of between £1,139 and £1,284.
 - An increase in profit margins per employee of between 1.19 per cent and 3.66 per cent (i.e. the ratio of profit over sales).
 - A 0.09 per cent increase in sales growth per employee.
 - A 3.1 per cent increase in the probability of achieving sales from new technology.
- Tamkin et al (2008) also identified a positive relationship between Investors in People (IiP)⁴ accreditation and business performance, in turn due to a relationship between IiP and intensity of HRM practice. In addition Bourne et al (2008) found a relationship between adopting IiP (and the associated HRM practices embedded within the Standard), and better firm performance, both in financial and non-financial terms.
- A recent study by Stirpe et al (2009) found a positive and statistically significant relationship between the implementation of HPW and company profitability in small firms in particular using the ratio of firm sales to the number of employees.
- A study of 750 large publicly traded firms in the US found that those organisations with the best HRM practices provided returns to shareholders that were three times greater than those with weak HRM practices (Pfau and Kay, 2002).

⁴ Investors in People is a standard which aims to help organisations to achieve success and improvements in performance through better strategic direction, management and development of their employees - see: <http://www.investorsinpeople.co.uk/Pages/Home.aspx>

As well as individual studies, some authors have also carried out meta-analyses (large-scale or reviews of existing research) that point to a positive relationship between HPW and performance. Huselid⁵ for example produced a summary of studies of the HRM-performance link conducted between 1995 and 2003 that shows that out of over 158 studies, 91 found positive effects, 12 reported mixed results, 13 found weak or partial supports and just 4 negative results (the remainder were either not available or not applicable). Combs et al (2006) undertook a meta-analysis of 92 studies involving statistical aggregation of the existing evidence on the HPW and organisational performance link. They concluded that HPW does materially affect organisational performance, but that HPW *systems* have stronger effects than individual practices.

Some commentators suggest that the impacts of HPW on organisational performance could be even greater - but further sector studies need to be undertaken to establish this (see for example CIPD, 2003; Boselie et al, 2005). This is largely because much existing research assessing the effects of HPW on performance deploys standardised, objective measures of economic and financial performance such as profit, sales and/or productivity per head, and measures of shareholder value (i.e. distal performance measures). Whilst these allow comparability across organisations and sectors, they are influenced by a multitude of factors which are harder to measure and hence capture at the workplace level. They will also have varying relevance to different business contexts and be more distant from certain business approaches and/or practices. As Ostroff and Bowen point out 'Organisations operate in many domains and may perform well in only a limited number of them... and there may well be trade-offs between different performance dimensions' (2000: 216-7). As such, there is a growing emphasis on the need for the use of more proximal (or nearer) measures of performance too, many of which are sector specific, closer to the business and therefore not only often have more meaning but deliver stronger performance effects and messages. Proximal measures could include factors such as customer satisfaction, loyalty and waiting times, wastage and scrap rates, technological breakdowns, and so on.

Whilst there is significant evidence that highlights the positive association between HPW systems and the *financial* performance of organisations, these are not the only beneficial outcomes. **HPW is also associated with wider benefits for both the individual and the organisation.** Indeed, there are links between HPW and higher levels of skills, greater opportunities for innovation and creativity, greater task discretion, higher job satisfaction and employee motivation, greater employee involvement and commitment, lower absenteeism and lower labour turnover. For example:

⁵ See <http://www.markhuselid.com/articles.html>

- Research by the CIPD/EEF (2003) identified links between HPW and improved staff retention rates.
- Research by Flood et al (2008a, 2008b) in Ireland found that increased use of HPW and partnership saw marked increases in innovation and a decrease in voluntary labour turnover.
- Shipton et al (2005) tested the impact of three HPW practices on levels of innovation (these included contingent pay - or the proportion of remuneration paid based on performance; job variety; and harmonisation). They found significant and positive relationships between aggregate job satisfaction and product and process innovation, and between harmonisation and product and process innovation.
- Research in the US by Appelbaum et al (2000) on workers in three sectors found that employees in organisations engaged in HPW earned more than those in other workplaces, and had higher levels of organisational commitment and job satisfaction.
- Using case studies and a survey of just under 300 organisations, Sung and Ashton (2005) found a positive association between HPW and employee perceptions (e.g. of how effective the firm was in terms of employee flexibility, how well change was managed and how well employee involvement was created).

There is, then, significant evidence that points to the beneficial links between HPW and organisational performance, as well as to the links between HPW and employee job satisfaction, skills use and commitment. However, it is important to recognise that some have been more critical about the effects of HPW. Several authors have raised concerns about the claims made for the HPW-performance link on methodological grounds (see Purcell and Kinnie, 2007). For example, Boselie et al (2005) highlight the 'time-lag' problem, namely that the effects of any HRM intervention may not be seen for several years, and note the problems this brings for measurement. In addition, these authors note that many studies rely on *perceptual* estimates of performance by managers, and these are questionable in terms of reliability as they are based on 'subjective judgment calls' - in other words, there is a possible disparity between what employers say they do and what *actually* happens in reality. Wright and Nishii (2004) also emphasise the importance of differentiating between intended and implemented practices, and Wall and Wood (2005) have argued that methodological limitations mean that it is not possible to form firm conclusions from many studies about the HPW-performance link in terms of *causality*, and that some studies have exaggerated the strength of the link. In particular, some authors have pointed to the potential problem of 'reverse causality' (i.e. that the 'effect' - in this case high performance, can actually occur before the 'cause' - in this case the

introduction of the HPW approach), and the importance of not assuming a linear pattern of causation (see Edwards and Wright, 2001). These limitations aside, it is worth noting, however, that even the critics (e.g. Wall and Wood, 2005) acknowledge that the evidence of the benefits of HPW are nevertheless 'promising'.

Furthermore, in addition to these methodological issues, other commentators have questioned the idea that HPW offers 'mutual gains' for both employer and employee, doubting employers' 'real' motivations for change. It has been argued for example that the sorts of work practices associated with HPW are in some cases introduced by employers as an alternative to unionisation (see Hughes, 2008). There is also a stream of literature which has emerged from within the labour process tradition that has made a link between HPW and increased stress and work intensification (see Ramsay et al, 2000). Indeed, some commentators have seen a general decline in factors such as task discretion and autonomy as indicative of such developments - for instance, the skills surveys between 1992 and 2001 identified a fall in the degree of influence that employees have over the tasks that they do (Felstead et al 2007). The thrust of this research is that the use of HPW practices 'can turn out to be a thinly veiled way of increasing the pressures on people to perform' (Stevens, 2007: 15). Danford et al (2005) for instance found evidence of work intensification and rising occupational stress in their study of two firms in the aerospace industry. Ashton and Sung (2002) note too that the strong emphasis HPW places on employees to be committed to an organisation's values is not something all employees are comfortable with, and that peer group pressure can lead to the intensification of work.

Some of the studies looking at the impact of HPW on employees have suggested that at least some of the **variations in the effect of HPW between organisations are likely to be due to differences in the quality of implementation**. Appelbaum et al (2000) for example found that job satisfaction and commitment improved in the steel and medical electronics manufacturing companies they studied, but lowered among apparel workers in self-directed teams. Sparham and Sung (2007) identified both positive and negative impacts upon workers, and note that **work intensification is 'a very likely outcome' if HPW is not implemented in an appropriate manner, drawing attention particularly to the importance of ensuring attention is paid to the 'intrinsic job satisfaction' of employees**. In this context, some have called for more research to better understand the precise impacts of the HPW approach on employee well-being (see Hughes, 2008). **A key issue that needs further investigation is around what constitutes good practice in HPW implementation from the perspective of employees. Although there are clearly potentially positive associations between HPW and organisational**

performance and employee well-being at work, poorly managed HPW can have negative effects, particularly on employees (see Sparham and Sung, 2007). The matter of just what it takes to successfully implement HPW is an issue to which this paper now turns.

5. How does HPW work?

Summary

With a growing interest in understanding ‘how’ HPW operates as a *system*, and works in practice, attention has turned to investigating the mechanisms by which HPW might positively influence performance outcomes. This has involved looking more closely at the ways in which organisations work internally and getting inside the ever elusive ‘black box’.

A number of conceptual models have been developed in an attempt to facilitate understanding of how HPW works. These offer valuable analytical tools to demonstrate what factors are important in HPW, highlight inter-dependencies and key considerations. They can also shape management decisions and influence implementation.

Models vary in terms of their focus and orientation, but key elements highlighted include the importance of encouraging employee discretionary effort through job satisfaction and the key role of the employer in providing the right sort of work environment. Management skills play a crucial role in bringing this to life. The irony is if HPW is poorly implemented it can actually serve to undermine the discretionary work effort and commitment it is designed to promote.

As we noted in section 3, researchers have recently emphasised the importance of looking at HPW *systems* rather than identifying lists of HPW practices. This section will turn to look in more depth at the evidence on *how* HPW systems work, turning attention to the mechanisms by which HPW might positively influence performance outcomes. This involves looking at the ways in which organisations work internally - getting inside what has been termed the ‘black box’ (CIPD, 2003) - an area of research in which there is lively debate. In this section we are also concerned with the effective *implementation* of HPW systems. A number of commentators have developed theories and models that attempt to explain how HRM and HPW can affect employee and organisational performance, and we now turn to discuss the some of most influential and useful of these.

Becker et al (2001) set out a model of a 'High Performance Work System' in their influential book *The HR Scorecard*. They argue that in a HPW system, each element is designed to maximise the overall quality of human capital throughout an organisation. Organisations with HPW systems in place should therefore structure each element of their HR system 'in a way that relentlessly emphasises, supports, and reinforces a high-performance workforce' (2001:14). According to Becker et al, in order to do this a HPW system should do the following:

- 1 Link selection and promotion decisions to validated competency models;
- 2 Develop strategies that effectively support the skills demanded by an organisation's strategy;
- 3 Enact effective compensation and performance management policies that attract, retain and motivate high performing employees.

This model highlights three key themes in the literature on HPW, namely the importance of selecting and promoting the right people, developing employee skills by ensuring they have the opportunity to acquire new skills and knowledge via appropriate training and job design, and linking pay to performance. Studies have shown that careful, targeted recruitment and selection processes, extensive training and performance related pay systems are all strongly associated with HPW organisations (see Ashton and Sung, 2002). Becker et al argue, however, along with others that conceptualise HPW as a system, that **the *interrelationships between HR practices, and the broader strategy and implementation system an organisation adopts, are crucial to making HPW work.*** Organisations should undertake an 'alignment process' to ensure that HR practices and business strategy fit and are mutually reinforcing.

Fundamentally, Becker and colleagues also argue that each of the three steps outlined above is crucial in improving the *quality of employee decision-making* throughout the organisation, and ensuring that this is in line with business needs. Related to this, they also note that HPW systems can generate 'unique customer value'. The authors note that organisations need to begin with a clear understanding of their value chain: what kind of value is generated and how this is achieved. From this, a strategy implementation model can be developed that specifies appropriate values, competencies and behaviours. What Becker et al call '**strategic employee behaviours**' are central in HPW organisations, or those behaviours that '**directly serve to implement the firm's strategy**'. This raises issues around the crucial role of employees in HPW, an issue that has also been explored in other models.

One of the most influential and widely used models organisational performance is known as the 'AMO model', originally formulated by Appelbaum et al (2000) (see also CIPD, 2003; Boxall and Purcell, 2003). This model states that for organisational effectiveness/optimal performance, employees must have:

- 1 The **A**bility (knowledge and skills);
- 2 The **M**otivation to work well (both in financial terms and in terms of the rewards offered by the job itself);
- 3 The **O**pportunity to deploy their skills and make a contribution.

A range of HR policies and practices are important to turn the AMO model into action. A report by the CIPD (2003) identifies 11 policies in particular, covering recruitment and selection, training and development, career opportunity, communications, involvement in decision-making, teamworking, appraisal, pay, job security, job challenge/job autonomy and work- life balance. However, **one of the strengths of the AMO model is that by focusing on the broad themes of knowledge, motivation and opportunity, attention is shifted away from trying to define specific HPW practices.** Rather, the AMO model allows a range of alternatives depending on the nature and circumstances found within an organisation.

The AMO model conceptualises the impact of HPW in a linear way: HPW practices impact on employees (on their abilities, motivation and their opportunities to make use of these), and this in turn influences organisational performance. The model highlights a crucial issue that has been picked up by other authors: HPW practices encourage people to exercise a degree of *choice* in terms of how well that they do their job. **Key to the success of HPW therefore is the encouragement of discretionary effort, or employees being prepared to voluntarily put in the extra effort that is required to perform a job well.** In other words, the willingness of employees to deliver beyond the job description is crucial in high performing organisations - and to achieve this they must have sufficient abilities, motivation and opportunity. Even in seemingly routine job roles, workers have a choice of how, and how well to perform their work. The withdrawal, particularly at the collective level, of discretionary effort can be extremely damaging for an organisation. **The most effective organisations tend to have 'a level of sophistication in their approach to people management which helps induce discretionary behaviour and above-average performance'** (CIPD, 2003: 6). Central to the AMO model is the proposition that **what encourages employees to exercise discretionary behaviour is the experience of job satisfaction (for example through having autonomy over their work), and also being committed to the organisation where they work.**

Guest (2006a, 2006b) proposes a similar conceptual model of HPW which identifies four core components of HPW system, each of which is associated with a range of practices:

Competence - refers to the workforce having the appropriate level of knowledge and skills. In a HPW organisation these are likely to be at a high level, so that employees can make the most of other resources. Individuals also need to be able and willing to acquire new knowledge and skills if they are able to respond to organisational change and competition, and so a positive attitude to learning and development is crucial.

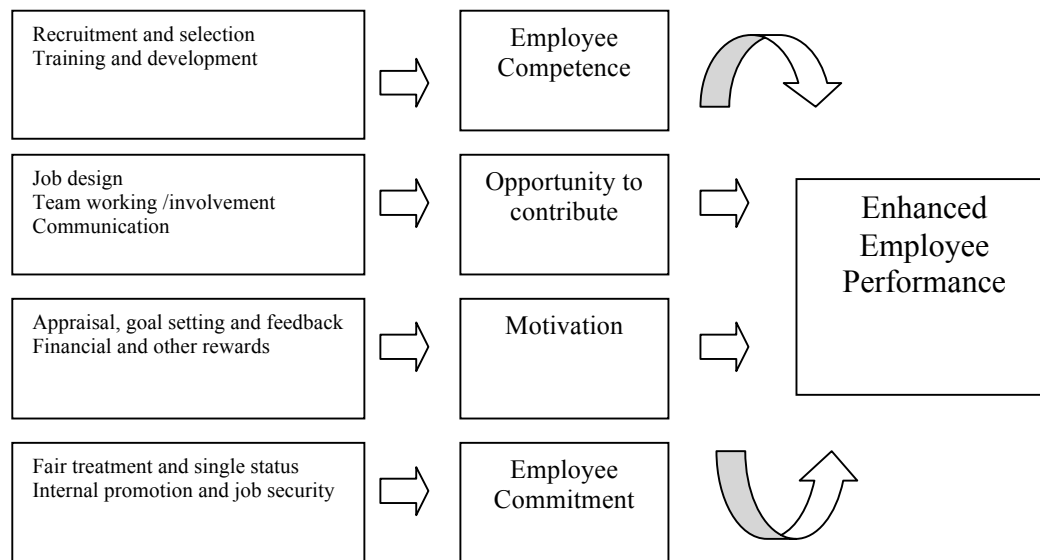
Opportunity to contribute - involves the careful design of jobs to ensure that they provide the challenge and level of autonomy and responsibility that enables workers to make full use of their skills and competences. In addition, a HPW organisation will encourage employees to share their ideas about improvements and innovation.

Motivation - employees must be motivated to contribute to the goals of the organisation. This may be through pay and rewards, but also through the provision of opportunities for learning and achievement. Attention also needs to be paid to the use of performance management systems and rewards.

Commitment - employees need to be committed to remain with the organisation. There are a range of practices associated with achieving this. This includes providing job security and fairness, and is related to the psychological contract between employer and employee so that expectations of an individual are met.

Guest argues that all of the four elements above must be addressed to achieve HPW, and doing this represents a considerable challenge for employers. Each element cannot be considered in isolation (for example there is no advantage in having competent workers that are not motivated sufficiently, and so on). Practically, this means that a wide range of practices have to be in place, effectively implemented and working together. The following diagram illustrates this:

Figure 1: Guest's (2006b) Model of a HPW System

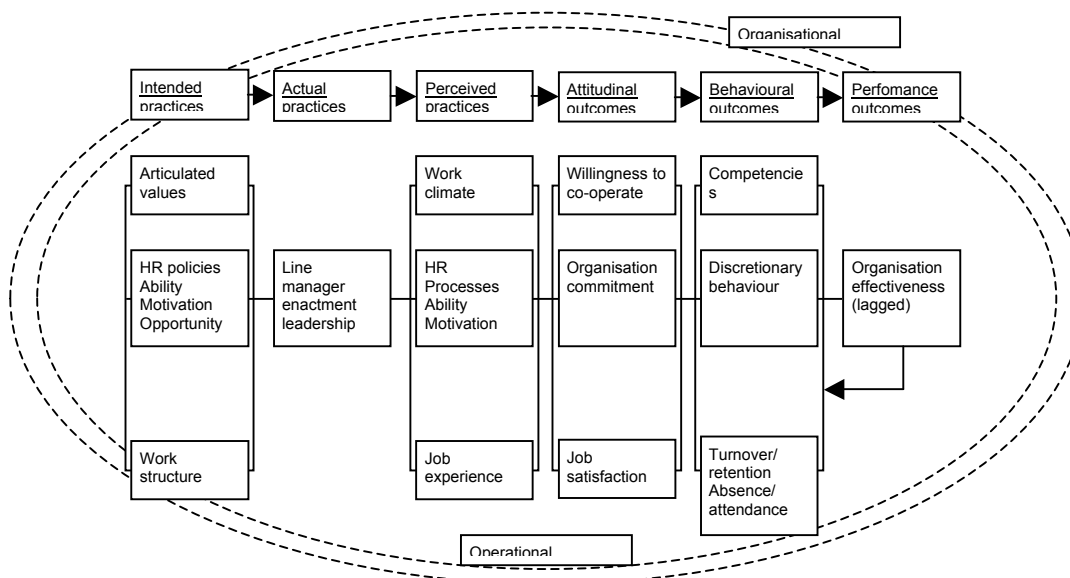


The inclusion of commitment in Guest's model draws attention to the importance of the building of trust between employer and employee. This is supported by Ashton and Sung's study for the ILO (2002) which also found that **trust is a precondition for the effective implementation of HPW**. Trust can be achieved in various ways within an organisation. Key to achieving trust is the sharing of information and the presence of shared values and culture within an organisation. This involves a fundamental shift in the balance of power, with employees becoming directly involved in decision-making processes.

Purcell and Kinnie (2007) have recently noted that whilst the AMO model has real value as an analytical structure in understanding the people-performance link, it also has limitations. In particular, they note that it still does not fully answer the question of precisely *how* the selected practices an organisation chooses to introduce influence performance - **or what are the 'intermediary processes' that need to occur within the 'black box' of an organisation to create change**. In order to address this, drawing on the work of Wright and Nishii (2004), they argue attention needs to be turned to the logic chain, or what they call the 'HR causal chain'.

Purcell and Kinnie note that **employee experiences and perceptions have been neglected in studies of HRM and performance, even though it is now widely acknowledged in the HRM literature that improvements in performance are achieved through people** (see also Boselie et al, 2005). Looking at the HR causal chain brings employee attitudes and behaviour to the fore, and attempts to better explain the process by which practices impact upon behavioural outcomes. Purcell and Kinnie's development of the causal chain sets out the critical steps that have to be taken if HRM practices are to have positive impacts on performance. Their 'people management, HRM and performance' model sets out a six point chain of impact, moving from intended practices through to performance outcomes, as illustrated by the top line of boxes in the diagram below:

Figure 2: Purcell and Kinnie (2007) People Management, HRM, and Organisational Effectiveness



This model distinguishes between three categories of practices: *intended* practices, which are the practices that are designed for implementation by senior management; *actual* practices, which are those that are actually applied, usually by line managers; and *perceived* practices, which turns attention to how employees experience and judge the practices that are applied to them. The model also distinguishes between three categories of outcome. *Attitudinal* outcomes refer to the attitudes employees hold about their job and employer; *behavioural* outcomes refer to the employee behaviours that flow from these attitudes; and overall *performance* outcomes which can be of various types - both short and long term. The key contribution of this model is the way it makes explicit the **linkage between employee attitudes, behaviour and performance**. It also draws attention to **the importance of how employees perceive HRM systems and the employment relationship more generally**.

Highlighting **the centrality of employee perceptions is a useful step forward in understanding how HPW works**, as it prompts a focus on identifying which **features of organisational life have most influence on employee attitudes and behaviour**. Purcell and Kinnie argue that HR practices and policies have a role to play here, but **the role of line managers in implementing policies is also crucial**. In addition, key features of an **organisation's operating system as they affect employees in areas such as staffing and job design are also important in shaping employee perceptions, as is the overall culture and 'climate' of the organisation** (see also Bowen and Ostroff, 2004; Sparham and Sung, 2007). Purcell and Kinnie argue that all of these aspects of management and leadership affect organisational performance, although they have often been neglected in research on the people-performance link, which has often tended to focus more narrowly on the impact of particular HR practices or sets of practices.

A number of studies have also recognised that strong management and leadership is an essential prerequisite to the successful implementation of HPW, and crucial in employee engagement (see Ashton and Sung, 2002; Scottish Government, 2008; CIPD, 2008c). Furthermore, **there is agreement that HPW requires good management and leadership at all levels within an organisation** (Guest, 2006b). As Becker et al (2001) have highlighted (and we discussed above), *senior managers* need a good grasp of business strategy and to be able to align this with HR practices. They also need to be capable of undertaking the continuous change and improvement throughout the organisation to ensure that strategy and practices remain aligned over time (Ashton and Sung, 2002). Studies also indicate that one of the keys to the success of HPW is the existence of a 'big idea' or clear mission for an organisation, underpinned by strong values and culture (CIPD, 2003). This idea needs to be embedded, connected, enduring, collective and 'measured and managed', which requires leadership at senior level. In a more general sense, as Guest (2006a) points out, senior managers also play a key role in creating a supportive culture in the sense that they set an example to employees through their own behaviour.

The role of *line managers* is also increasingly being recognised as being crucial. Whilst a set of sound HR policies might provide the basis for successful HPW, these policies need to be consistently applied and seen to be fair by employees, much of which hinges on how they are operationalised by managers (Sung and Ashton, 2005). **As line managers implement HR practices on a day to day basis, it is important that they are**

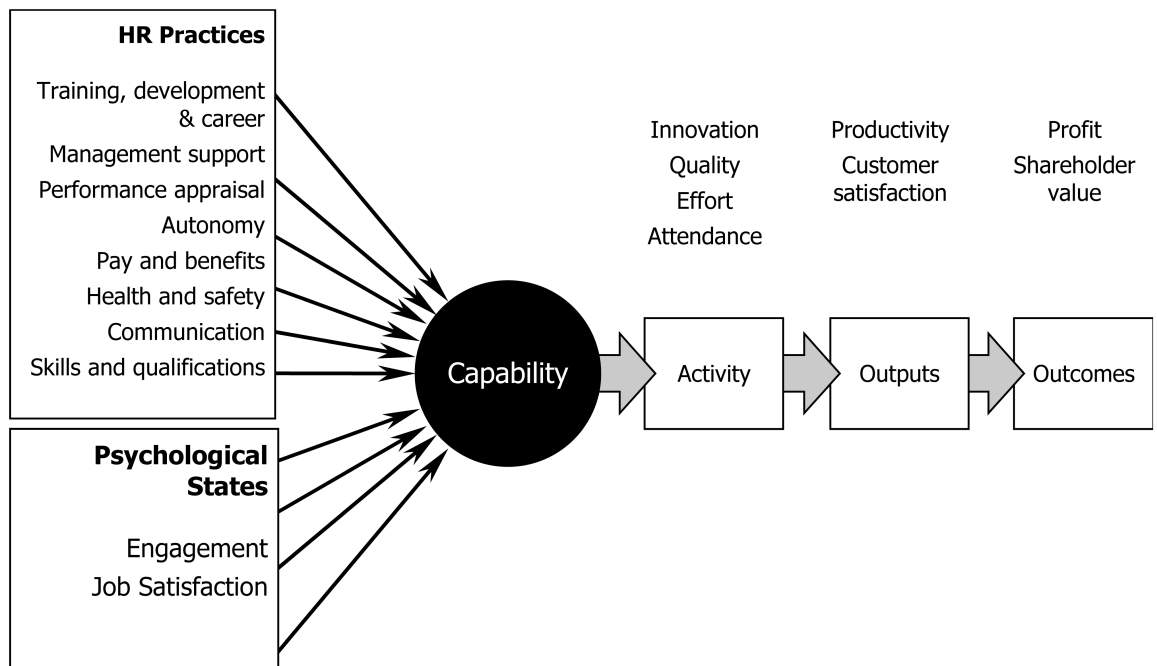
committed to making them work. In order to successfully implement HPW, line managers need to be given the right tools in terms of the practices and policies themselves, but also given appropriate training and support from middle and senior managers (CIPD, 2003). As we discussed above, HPW depends on there being a change in the basis of management control within the organisation, with employees given more freedom to make their own decisions, and line managers are central in making this work.

In addition, as Philpott (2006) has noted, the successful implementation of HPW also depends on *human resource managers*, who must be adept at the most effective management techniques. Boselie et al (2005) have also asserted that **HR managers have a role to play across the board in terms of aligning HR with business strategy, convincing line managers of the value of HRM practices, and co-ordinating implementation effectively.**

The Purcell and Kinnie (2007) model is useful in helping to understand how HPW works, then, as it highlights that a focus on the influence and impact of HRM practices alone will not *fully* explain the people-performance link. Rather, **it is important to take a much broader perspective and consider the influence and impact too of other aspects of organisational life such as business strategy, management and leadership, and operational processes since these are so central to the work experience.**

Another explanatory model or framework that also allows a broader perspective to be taken on how HPW works has been developed by Tamkin and colleagues (see Tamkin et al, 2004; Tamkin, 2005). This work has sought to understand the 'logic chain' of HPW looking at the question of the influence on performance. This framework is based on an extensive analysis of existing literature on the relationship between people management and organisational performance, and a review of other conceptual models. The aim was to include, in one holistic model, all of the key factors identified in the literature on the people-performance link. Tamkin and colleagues set out what they call a 'chain of impact' to explain the link between investment in people and organisational performance. 'Capability' - which refers to the abilities and commitment of employees and is expressed through their activities - is at the centre of this chain. Capability impacts on the quality and effort that employees put into their work, and in turn upon productivity and customer satisfaction, and ultimately results in a financial outcome for an organisation. The chain of impact model is illustrated in figure 3 below:

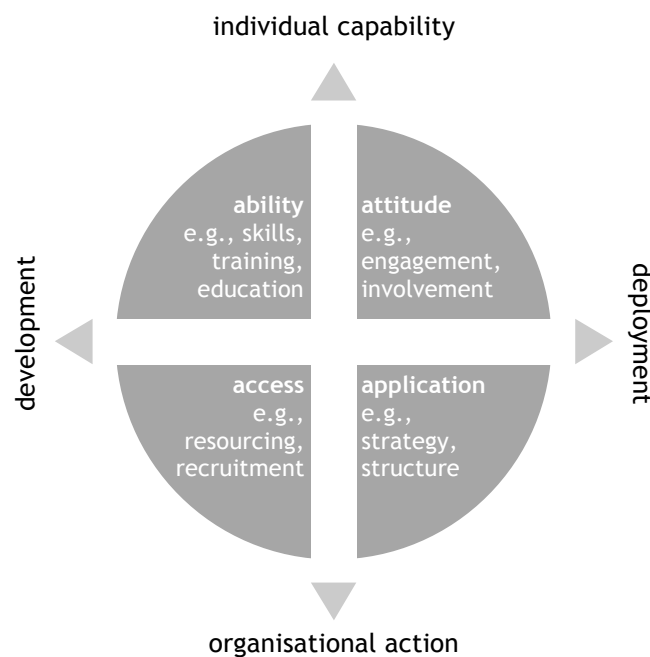
Figure 3: The Chain of Impact



Source: Tamkin, 2005

Tamkin and colleagues place employee capability at the centre of their approach of the people-performance link because this is such a key factor in fully optimising business performance and achieving competitive advantage. They have undertaken work to further unpack what precisely constitutes and determines capability, developing what has become known as the '4A' model, illustrated in Figure 4 below:

Figure 4: The 4A Model of Capability (Tamkin et al, 2004, 2005)



The 4A model seeks to capture the wide range of influences on capability in addition to individual skills. To do this, it identifies two key dimensions of capability in the workplace. The first dimension ranges from the *development* of capability at one end to its *deployment* at the other. The second dimension explores the roles of *individuals* at one end, and the *organisation* at the other. In this way, the model shows that the capability of the workforce is dependent not only on the recruitment and development of skills, but also on the way in which these skills are managed and *utilised*. In addition, it illustrates not only the importance of individual practices but how they come together as a whole - the HPW system. It thus also serves to show **the importance of taking a holistic and balanced approach, where a range of practices is adopted and care is needed in thinking about how they are implemented, work together and are integrated to suit the business context to deliver the greatest benefits.**

The intersection of the two key dimensions leads to four 'quadrants' of activity (or the 4'As'):

Access - the effective resourcing of roles in the organisation in terms of initial recruitment, ongoing job moves and succession activity. The focus here is on deliberative organisational activity including policy and practice.

Ability - the skills and abilities of the workforce. In essence, the quality of people that the organisation has at its disposal, and the ongoing development activity of those individuals which maintains and further develops their capability.

Attitude - it is clear that skills are not the totality of what makes people do an excellent job. There is also the engagement, motivation and morale of the workforce and the meaning they find in work, their beliefs about the workplace and their willingness to put in additional effort. Important aspects of this thus include the means to achieve employee involvement and develop shared values and a strong organisational culture, climate and identity.

Application - the opportunities made available to individuals to apply themselves to changes in the market and business strategy. This recognises that people need an appropriate working environment to prosper provided through information, job design, technology, organisational structure, operational processes, leadership and business strategy.

Fundamental to the 4As model too is the *dynamic interplay* between the different quadrants or 'pieces of the capability cake'. Thus, rather than employers thinking of achieving a static equilibrium across all parts of the framework, it needs to be deployed in a more dynamic way, with changes in one quadrant driving changes in another, which

generates the need for continual improvement and business development. This enables the model to capture the **close relationship between different aspects of managing the business, not least the important relationship between product market strategies and managing people**. Thus changes to HRM and skills (largely captured by the Ability, Access and Attitude quadrants) can follow management decisions around business strategies and product market strategies (covered by the application quadrant). Consequently, rather than a static circle it has the potential of becoming a dynamic wheel or spiral of success.

The 4A model is helpful in bringing together a number of themes identified in other models/theories of the people-performance link, emphasising the role of effective recruitment and promotion, employee abilities and skills, the importance of developing a strong organisational culture with shared values and enhancing employee attitudes and motivation, and the opportunities made available to employees through job design, operational processes, work organisation and business strategy. In particular, the model highlights the **importance of the *interaction* or partnership between the organisation and the employee, demonstrating that the presence of skilled people alone is not enough to create good performance. Rather, how the skills are *utilised* and the *context* the organisation provides are crucial**.

In this section we have considered a number of theories that can act as analytical or explanatory tools that help to explain how HPW works. These models have emphasised **the importance of both employees (in terms of discretionary effort) and the role of employers (in providing the right context or environment) in making HPW work**. We have shown that implementing **HPW successfully is complex, and fundamentally depends on excellent management skills across the organisation, combined with practices to engage employees too**. Furthermore, as Ashton and Sung (2002) have observed, these management skills need to be consistent and sustained over time. In summary, therefore, HPW is very challenging for organisations to achieve, and it is certainly not a simple thing for managers and employees to implement:

‘Fundamental to the success of HPW is the presence of workers who can demonstrate high levels of personal skill. However, it also requires management commitment and, in many cases, significant cultural change. Therefore it cannot be regarded as a quick or easy solution’ (Cabinet Office, 2001: 25).

Crucially, **if HPW is poorly implemented and experienced negatively by employees, there is a danger that this can undermine the commitment and discretionary work effort that the approach is intended to promote**.

6. How widespread is HPW across the UK?

Summary

Despite the significant body of evidence that exists on the benefits of adopting HPW, it appears that take-up is not widespread across the UK. However, estimates of the take-up of HPW vary because there are differences in terms of the definitions used to measure it.

Whilst there is considerable variation in the presence of HPW by sector and size of employer, with HPW being more common amongst the public sector and larger employers, it is important not to assume from this that it does not have value elsewhere.

Various studies have explored the reasons behind the low take-up of HPW. Philpott (2006) believes the adoption of HPW is principally so low in the UK because of an 'implementation gap' which he puts down to three key issues: ignorance; doubts and inertia; and inability and impediments. This points again to the fundamental role that managers and leaders play in the effective implementation of HPW. The barriers to uptake need to be clearly identified and understood in order for possible policy solutions to be formulated.

There is significant evidence pointing to the benefits of adopting HPW, yet it appears that only a minority of organisations are implementing it in the UK, and rates of take up have not changed dramatically over time (see Guest et al, 2001).

As Guest (2006a) and others have pointed out, and we have already noted, there are difficulties in measuring HPW due to the differences in definitions of HPW that are used. However, there are several evidence sources that can give a broad indication of the extent of HPW in the UK. A recent survey by the for Employment and Skills based on a survey of over 13,000 employers found that just under a third of all firms in the UK could be considered as HPW organisations (UK Commission, 2008b). Using older data from the Workplace Employee Relations Survey (WERS) Bach and Sisson (2000) found that 20 per cent of companies had at least half of 16 key practices in place. Using the same data, Wood et al (2002) found that 26 per cent of UK workplaces had a 'high involvement orientation' (Wood et al 2002).

However, studies also report strong sectoral variations (see Sung et al, 2009). Thompson (2000), for example, found generally higher levels of HPW within the aerospace sector for example, with around 20 per cent of UK aerospace establishments using high performance HR practices to a significant degree. Mason (2004) has pointed to **the preponderance of more advanced, high-value added production techniques and HPW** in parts of manufacturing, particularly engineering, where sectors have been subject to severe competitive pressures for some time, and this has therefore required employers to change their practices as a means to secure competitive advantage. Furthermore, the UK Commission's employer survey (UK Commission, 2008b) found establishments adopting HPW are more widespread within the public sector (with seven in ten employers here having HPW practices in place). This is likely in part to be due to institutional factors, and the fact that for some time the public sector has sought to be a 'model employer', and to set good practice for the private sector (see for example Farnham and Horton, 1996). As such, there have been attempts to implement centralised guidance and policies that will harmonise the delivery of public services and seek to ensure consistency in quality, with standardisation in public management a key part of this. However, **the mere presence of policies and practices alone of course does not tell us anything about how well they are actually implemented in practice and/or their effectiveness.**

Relatedly, a range of evidence (see Ashton and Sung, 2002; Boxall and Purcell, 2003; Green et al 2003; Angelis and Thompson, 2007; Sung et al 2009) has pointed to the importance of the type of market being served and the overall business and/or product strategies of firms to HPW uptake. This evidence highlights **a strong relationship between markets, and, in turn, product market strategies in key sectors (such as aerospace, energy and utilities, food and drink, and finance for instance) and approaches to skills utilisation and HPW.** In particular, research has shown that **those organisations that are most likely to adopt HPW are in those sectors exposed to: international competition and greater market pressures from abroad; more advanced technology and greater technological development; where consumer demand is more sophisticated thus requiring a strategy of innovation and differentiation of products on the basis of high-value, quality and service** (see also Scottish Government, 2008). For example, in sectors where innovation and creativity are important as drivers of productivity, Sung and Ashton (2005) found that companies tend to implement practices that create high levels of trust to enable the sharing of ideas (such as teamwork and informal sharing of ideas, support for learning and constant questioning of systems designed to enhance skills). Boxall (2003) also shows that differences in

markets in the service sector affect the knowledge content required for the service, with knock-on effects for the approach to job design, the skills required and the range of HRM practices adopted.

In addition to product market/business strategies, further research shows that **the underlying 'core beliefs' and 'mindset' within an organisation are key push factors and drivers for HPW** (CIPD, 2008a). It seems too that the HPW approach evolves over time, with research indicating that **organisations are more likely to take the HPW approach when they have previously introduced a good set of HRM practices** (Ashton and Sung, 2002). Furthermore, **other studies have shown differences in take-up between foreign and domestically-owned organisations in the UK (EFF/CIPD, 2003), with US-owned firms in particular making more use of HPW practices**, which suggests the importance of different cultural perspectives.

There are also **differences in terms of up-take of HPW depending on organisational size**. The UK Commission's employer Survey found, as have other studies, that **the adoption of HPW practices is lowest amongst smaller organisations**. Edwards (2007) has argued that HPW is primarily a 'large firm concept' and has not been translated into terms suitable for small firms to adopt. He has also observed that the take up of HPW within small firms in the UK and across Europe at present is limited, and that the sectors many small firms operate in are relatively unsophisticated, which might be read to cast doubt on the relevance of the HPW approach for small businesses. However, Edwards notes that it is too simplistic to assume that HPW is irrelevant to small firms. Rather, it is more the case that a specific and targeted approach is needed if its potential is to be realised in these settings. A key part of the issue here is that small firms often do not favour the formal or structured nature of some HPW practices (especially the kind picked up and measured in quantitative surveys), preferring to adopt more 'informal' implementation. However, it should be noted this is not universally the case, and there is evidence of the adoption of more formal approaches in some small firms too (see Constable and Touloumakos, 2009). Edwards argues that what is needed to improve the uptake of HPW in small firms is a tailored approach that recognises the diversity of this sector. Clearly, therefore, **issues around variation in practices by organisational size also need careful interpretation**.

Research also shows that there are **marked differences in which specific HPW practices are taken up**. Sung and Ashton's (2005) survey of CIPD member companies found that many of the 35 practices they were looking for had already been adopted by the vast majority of the organisations, including appraisals (adopted by 95% of companies), structured induction training (adopted by 93%). Other practices were far less widely used, such as profit sharing for all employees (adopted by 20% of organisations), and share options for all employees (16%). Some practices such as job rotation and 'kaizen' (continuous improvement) are also used by a minority (around 25%) of organisations. The UK Commission for Employment and Skills' employer survey (2008b) found similar variation between the 16 practices measured there. In this survey, work shadowing/stretching/supervision was undertaken by 92 per cent of organisations, and 74 per cent of organisations conducted appraisals. By contrast, the creation of project teams was carried out in just 15 per cent of organisations.

Various research studies have explored the reasons behind the low take-up of the HPW approach as a whole amongst UK organisations. Philpott (2006) believes take up has been low in the UK because there is an 'implementation gap'. He usefully categorises the problems into a number of key areas, as follows:

- **Ignorance:** There may be an information failure where some employers are unaware of the need to change or the benefits to their businesses of: adapting their business approach, adopting new and/or different HPW management practices, which practices to deploy and how to implement them, investing more effectively in their staff and/or utilising their skills in different ways.
- **Doubts and/or inertia:** Given that the benefits to changing management processes, adopting HPW and investing in skills may not be immediate and/or uncertain compared to tried and tested approaches or the status quo, some employers may excuse inactivity because change is thought to be too complex, 'risky' and/or costly. The emphasis too of UK business on short term returns may also be a particular deterrent to change.
- **Inability or impediments:** Finally, given the difficulty of managing change programmes, some employers may be reluctant to act because they lack sufficient know-how and ability, they fear failure or because there are impediments or barriers in their way. There may be a lack of management and leadership ability, resistance from employees or regulations that make it difficult to introduce the necessary changes.

In line with Philpott's observations, several studies have shown that **many managers in the UK have never heard of HPW, and this would seem to be one of the main barriers to a more wide-spread uptake of practices** (see for example Ashton and Sung, 2002 and Guest et al, 2001). Furthermore, research by Guest et al (2001), which involved interviews with senior managers in 16 organisations, also illustrates aspects of the management inability problem reported by Philpott. In particular, Guest points to **a general skepticism about HR policies and practices**. The HR function is sometimes seen as 'lightweight' by senior managers, and is not typically seen as a key business priority. In addition, whilst the senior executives Guest and colleagues interviewed tended to recognise that there were areas for improvement in terms of people management within their organisations, they tended to be more comfortable with looking at making improvements to individual practices, rather than considering changes to the HR *system* as a whole. Indeed, **'systems' thinking is not an approach used widely in UK organisations, particularly amongst smaller businesses**. Tamkin et al have also noted that **many UK employers 'do not find the evidence base [for HPW] either accessible or compelling, and even if they are convinced, struggle to understand how they might apply, measure and monitor such practices in their workforce'** (2008: 3).

Other research has also pointed specifically to **problems with the capabilities of HR managers. The effective implementation of HPW relies on an HR director or senior manager acting as a partner in strategic change, working alongside the head of the organisation. However, many HR managers do not have the business knowledge required to perform this role effectively** (Ashton and Sung, 2002). This issue points again to the fundamental role that managers and leaders must play in implementing HPW - as we discussed previously. As one report has noted, HPW takes a 'tremendous amount of effort, energy and time' to implement (Ashton and Sung, 2002: 4). **Deficiencies in management in the UK - across a range of practice areas - could thus be a key contributory factor inhibiting the take up of HPW and more effective skills utilisation, with negative consequences for organisational performance and productivity**. Bassi and McMurrer thus note, 'The complexity and difficulty of [getting HPW right]... may help to explain why there appears to be a fairly consistent tendency to under-invest in human capital across all types of organisations' (2006: 106).

Perhaps unsurprisingly, given this complexity, some research has shown that even when managers *are* aware of the general principles and benefits of HPW, they may still not choose to apply it, which itself acts as a substantial barrier. **The HPW model in its full form represents a considerable challenge to many employers.** If an organisation is looking to introduce a wide range of practices it can mean a radical organisational change. **Resistance to change in organisations and inflexibility in terms of business cultures and organisational routines have also been highlighted as a problem in encouraging the greater uptake of HPW** (Pil and MacDuffie, 1996; EEF/CIPD, 2003). One problem here is **the culture of management and employee relations in the UK, and the traditional focus on the ‘command and control’ managerial approach.** It has been observed that a lack of trust between employer and employee makes the implementation of HPW more difficult (see EEF/CIPD, 2003), and some employers are simply not prepared to take the risk of giving workers greater autonomy and control over the tasks that they perform (Guest, 2006b). Recent survey research by the CIPD indicates that there appear to be problems in this area from the perspective of employees too, with only a third of employees stating that they trusted their senior managers (CIPD, 2007).

Resistance to organisational change is also linked to **a more deep-rooted problem which acts as a further barrier to the uptake of HPW, namely financial pressures and the short-term focus of many UK businesses.** Campbell and Garrett (2004) note that the set-up costs of implementing HPW may act as a deterrent to implementation, not least in terms of the time and effort of the people involved. Furthermore, **HPW is a long term model, with clear up-front costs, and the gains are certainly not immediate.** As Pil and MacDuffie (1996) have argued, **switching to new systems of work organisation as well as requiring new learning, also involves ‘unlearning old practices’.** This has costs, and can actually have detrimental effects on the initial performance of the organisation, even if the new work practices are superior in the longer term. This can act as a significant block to take up, and in this sense HPW may **‘not be an economically rational choice for individual managers held accountable for short-term results’** (1996: 447). Once implemented, there are also on-going costs that are associated with maintaining operational processes and the training and the acquisition of new skills. Whilst an employer may severely under-estimate the costs of a task centred approach associated with high labour turnover and absenteeism (which could provide the case to modify business strategies and practices) they will equally have difficulty showing the full benefits of adopting HPW too if this is only considered in the short-term.

Short-termism and financial pressures are also associated with low value-added business strategies, and, as we have already noted, research indicates that **there is a relationship between the product market strategy of an organisation and the extent to which skills are used/the uptake of HPW, with higher valued-added strategies more strongly associated with the HPW approach** (see Angelis and Thompson, 2007; Sung et al, 2009). Whilst it is too simplistic to suggest that the entire UK economy is locked into a 'low-skills equilibrium', it has been argued that in the UK the balance is tipped in the favour of low value-added strategies when compared to other industrialised economies, with the majority of organisations serving markets where customers are very cost-conscious rather than seeking to produce specialised, bespoke and customised products and services (see DTI, 2003; Mason, 2004). Indeed, this was found in a series of 'matched-plant' studies conducted through the 1980s, 1990s and 2000s (e.g. Steedman and Wagner, 1989; Mason, et al, 1994; Mason and Wagner, 2002). The tendency of UK organisations to position their product market strategies in this way presents a considerable barrier to the uptake of HPW.

Recent research by Sung and colleagues (Sung et al, 2009) sheds further light on this issue, but warns against assuming a simplistic relationship. Whilst attempts to compete in higher value-added markets can create pressures on organisations to introduce HPW, there is no invariant, deterministic, one-to-one relationship here. In fact, employers may choose to move their product market strategy into higher value-added goods and services *without* simultaneously raising the skills of their employees and fully adopting HPW. To complicate the picture further, this research suggests that there are also 'systematic differences' between sectors in terms of the HPW practices that are selected and used.

Furthermore, for some employers, **only *partial* adoption of the HPW approach may actually be a legitimate and rational business strategy**. In this context, some have suggested that there is a need for more research into **how much of the overall HPW approach needs to be adopted for organisations to see some benefit**. As one commentator has stated, 'from a policy point of view, we do not want to tell companies that they have to "buy the whole package" of HR system practices to obtain improvement if, in fact, that is not necessary' (Gerhart, 2007: 18). However, **whilst a partial approach may lead to positive business benefits, it is important to note that there are questions about the sustainability of such approaches over time**, not least because of the susceptibility to sudden external shocks in some markets (e.g. due to changes in consumer demand, technological developments, a sudden recession, growing international trade, etc.) and/or the likely deleterious, long-term and deep rooted, effects

on the business climate and/or commitment of employees. There is evidence that it is where HPW has been effectively embedded into wider organisational processes and accompanied by appropriate changes in work systems as a whole that the mutual effects are felt and the strongest results are yielded (see Mason, 1999).

7. What further needs to be done? Conclusions and policy issues

Summary

This review has aimed to succinctly synthesise the now sizeable body of research evidence on HPW, to set out clearly the current state of knowledge, to show why HPW matters, to begin to draw out the key considerations for policy and demonstrate why HPW should be an important policy priority in future.

Whilst some researchers have raised doubts about the impacts of HPW, the weight of the evidence pointing to the positive association between HPW and organisational performance and employee well-being is persuasive. HPW - if it is implemented effectively - is strongly associated with positive benefits in terms of a range of measures including improved company profits, sales and profitability, as well as with wider improvements for employees in terms of higher job satisfaction, better motivation, and greater opportunities for innovation and creativity.

HPW is also valuable in the sense that it offers a key vehicle for converting public policy messages on skills and productivity into the kind of language that can inspire organisations to act, and by so doing enhance not only individual organisational performance but ultimately that of the broader economy.

A key consideration for policy makers therefore is how to tackle the currently low take up of HPW practices in the UK. A number of barriers to uptake have been identified, creating a significant 'implementation gap'. An immediate priority should be to review the range of potential policy instruments that could be deployed to lift some of these barriers.

Clearly, employers are, and must remain, in control of the management of their own organisations and businesses. But that is not to say that there is no role for public policy, for example in stimulating employers to think about how they manage their organisations and staff and how they might do things differently; in making a convincing business case to employers to value and adopt HPW as a way forward; and in developing appropriately tailored support for employers wanting to implement HPW.

As the previous discussion has shown, there is now a sizeable body of research evidence on HPW, which includes a weight of convincing material pointing to its benefits for organisational performance and also for employee well-being. As we discussed in section 2 of this paper, this evidence has caught the interest of policy makers as the UK government continues to see improvements in productivity and competitiveness as a key economic priority. In this context, as Hughes has noted, HPW has ‘increasingly come to be viewed as the vehicle for a high-skills route to organisational and national competitiveness’ (2008: 9).

Guest (2006a) has highlighted three main reasons why HPW should be a policy priority in the UK at the present time:

First, at national level, because there is still a strong case for improving uptake of HPW to increase UK productivity;

Second, at the level of the organisation, there is strong evidence that HPW can help gain competitive advantage;

Third, at the individual level, because as long as HPW is properly implemented, workers benefit, and job design associated with more control and autonomy is associated with increased employee well-being.

Until recently, the discussion of how well people are managed has not been central to policy debates on productivity. However, as Philpott has pointed out, the public policy objective of higher national productivity is difficult to translate to employers, who tend to be more concerned with the performance of their own organisations (in a range of different ways, including for example profit, quality of service provision, market share). **HPW has real value here in providing a key way of ‘converting public policy messages on skills and productivity into the kind of language that organisations can relate to’** (2006: 158).

However, as we have explained in this report, the research evidence also shows that the take-up of HPW is currently very patchy amongst UK employers. **A key consideration for policy makers therefore is how to resolve the so-called implementation gap.** In particular, this means: establishing how the barriers to the take-up of HPW practices can be lifted; how employers can be stimulated to review and change the way they operate; how a convincing business case for HPW can be developed so that HPW is valued by employers and inspires them to change; and what advice, support and services can be provided to help different types of employers effectively implement HPW and ensure that take up is increased.

Philpott (2006) notes that all of the barriers to the effective implementation of HPW he identified - related to ignorance, inertia and doubt and inability - could be potentially influenced by public policy intervention. There are a range of policy instruments and/or tools potentially at the disposal of policy makers, and a key question is which ones might be appropriate in this context. These range from 'light touch' practices which depend on making a stronger case for change through information and advice and persuasion; through to direct public investment in specific policy initiatives, products and services targeting particular groups of employers and individuals with specific types of support; to more interventionist measures which seek to stimulate, incentivise and sometimes even to enforce particular types of actions and behaviour amongst individuals and employers, often supported through the use of regulation. The current literature offers some suggestions of what might be effective in relation to stimulating take up of HPW in future.

In terms of addressing the 'ignorance' problem, there is potential to look at strengthening the case for the business benefits of HPW and making a stronger argument for employer action, emphasising the 'pull factors'. This means harnessing the current evidence to raise awareness and provide a convincing narrative of the need for change and the value of investing in and implementing HPW in terms of the impact on the bottom line, as well as on wider measures of performance. The contingent, context-specific nature of HPW as shown earlier, suggests that such **information has to be sufficiently tailored to varying contexts and, in addition, there is also a need for clarity about which employers, and, more specifically, which *managers* should be targeted.** Where there are gaps in current evidence, particularly with regard to understanding the complex issues around implementation, there is also a case for extra research to strengthen the case still further in the future. Clearly, not all employers will wish to follow the lead and/or require specialist advice or help, but many employers may benefit, which points to the need for careful targeting of finite resources to maximise their usefulness and effect.

Furthermore, given the importance of the business context, there is room for more case study research to clearly demonstrate the precise nature and value of HPW to UK employers in different sectors, jobs and types of businesses. This can undoubtedly help to tackle specific issues around the lack of employer knowledge or cynicism about the effectiveness/suitability of HPW amongst managers. It can also serve to bring some of the analytical tools to life. Strengthening and harnessing the evidence more effectively may enable the development of **targeted guidance and promotional material, to more clearly communicate the key messages, and provide concrete**

and specific examples to facilitate understanding, stimulate action and help overcome implementation difficulties. Clearly, this is not enough on its own and needs to be supported with concerted action on wider fronts. In this context, **there is also, undoubtedly, a role for respected, intermediary bodies who work with employers such as the Sector Skills Councils and partners valued by business who will be best placed to give the most relevant advice.** Not only can these bodies work to strengthen the evidence base for their specific sectors as part of their on-going work programmes and the development of their strategies, but there may also be wider roles in making information more accessible, and offering help and navigating employers to appropriate, tailored advice and support. It would also be useful to develop case studies of how organisations in different sectors define costs, benefits and measures of performance with sufficient contextual information so that other organisations can assess the relevance to them and deploy them in a more meaningful way to manage their businesses. In addition, more opportunities for leaders in different sectors to come together and discuss what they are doing in terms of introducing the HPW approach would be beneficial.

In addressing the ‘inertia’ problem and overcoming doubts, a key question to consider is what is the best way to reassure and *inspire* employers to introduce HPW? This will require an understanding of the crucial ‘push factors’ that lead organisations to take up HPW. Again, **case study research is potentially useful here to provide practical advice, which is context-specific and employers can relate to, to help with implementation issues and questions.** As Guest (2006a, 2006b) notes, organisational case studies not only offer valuable in-depth research insights, but they can also be used as persuasive tools, alone or perhaps as part of a wider tool kit, with employers because: ‘Senior managers are most likely to be impressed by stories about the success of high performance working that are told by other senior managers’ (Guest, 2006a: 12). In particular, he states: **‘We need more cases of how, starting from a low base, organisations have implemented high-involvement HRM and we need a sufficient body of cases to resonate with managers in different sectors’** (Guest, 2006b, p. 193).

Whilst there is good evidence on the barriers to the uptake of HPW, **less is known about how the practicalities of implementation and how the decisions on adoption and implementation are taken.** Further examples of this may therefore be useful, especially if they can be developed and tailored for specific sectors and types of employers. Case studies can also help identify who within organisations acts as the driving force in introducing HPW. In tackling inertia, it is also important to show employers as practically

as possible: *how* employers design, shape and implement HPW practices; what are the key considerations; give an idea of the 'real' costs and benefits involved and how long such benefits take to reach fruition; and show how barriers to implementation are tackled and problems overcome in different contexts. **This synthesis has started to highlight the complexities of implementation, the potential problems and risks associated with getting things wrong, and therefore points to the importance of enhancing understanding of implementation issues. This now needs to be supplemented with more focused and context-specific work.**

Once a range of relevant and practical information and advice has been articulated, employers have to be inspired in sufficient numbers and scale to recognise the need, and accept responsibility, to act. **Such an approach could benefit from influential ambassadors from business who can provide leadership and galvanise and incentivise employers collectively to consider new approaches to analysing and tackling the particular skills and business issues they face.** Key businesses can not only offer more direct and relevant business support and advice, thus overcoming doubts, but can help employers understand their needs and develop more effective solutions, directing them too as appropriate to public programmes and provision. Indeed, Guest (2006a) has argued that there is a need for powerful 'champions' of HPW at national level. These champions would aim in particular to convince managers to implement HPW in the context of scepticism about HRM fads and fashions and the pressures of the contemporary workplace. In a recent report, the CIPD (2008a) argue that HR has a vital role to play in supporting organisations too to undertake HPW. However, they also emphasise the importance of an effective business case and the crucial role HR directors will have contextualising the case and clearly presenting the costs, benefits and savings achievable to finance directors and CEOs, to secure their commitment to change.

Some commentators (e.g. Keep 2008) have raised questions about the value of moving beyond individual organisations to establish networks of ambassadors and champions relevant to or from the world of business to help make a persuasive case, and a 'cadre of experts' that can go into organisations and facilitate change. In such a context there may also be benefits to building learning networks and clusters where managers and employees can develop and learn from each others' experience and develop effective solutions for their own businesses. In turn, as mentioned earlier, there is also undoubtedly a role for wider professional and representative bodies and agents to encourage networking, to offer particular intelligence, advice and support and to put employers in touch with particular providers and or services as appropriate.

Further 'push factors' that might be considered in terms of tackling the inertia problem are around **how to influence employers' management of their product market and business strategies in response to external pressures in the market, which in turn raises implications for HPW and skills utilisation.** There is a relationship between product market strategies and the skill levels of firms, with organisations using higher value-added product strategies typically (although not in all cases) requiring higher skills (Sung et al, 2009; Green et al 2003; Mason 2004). It has been argued, therefore, that one of the best ways to influence the level of skills and the take up of HPW to achieve more effective utilisation and competitive advantage is to encourage firms who are responding to changes in external pressures in the market, to move towards high value-added business strategies to. **Mason (2005) suggests that this is best done by in part by identifying the 'agents of change' within organisations and then providing them with the evidence or 'ammunition' that they need to convince others of the need for change in product market strategies.** This again puts the emphasis on public agencies and intermediaries providing a good evidence base and advice so that agents of change can use information to influence decisions over the on-going management of business strategies to enhance competitive advantage. Mason also emphasises the importance of continuing to develop public policies and programmes that ensure in future any new training associated with such changes is both relevant and cost-effective, especially to smaller employers, thus enabling champions of training inside firms to make a stronger case for continuing participation.

However, whilst there is a clear correspondence in product strategies, skills demand and HPW, this is not an invariant relationship, as shown earlier, and therefore the '*fully-fledged*' adoption of HPW wont be seen as a business solution appropriate to all employers when developing their business strategies. Some will be quite happy operating in a more low to medium end of the product market and adopting a partial approach to HPW to ensure competitiveness, centred, for example, round cost efficiency, and supported by a more task-focused approach with lower skills for the majority of employees, and so on. These limitations need to be borne in mind, and, again, this points to the need for careful targeting of support and advice.

Other more interventionist, policy instruments might also be considered and investigated further as a means to overcoming inertia problems, because of their influence on employers' product strategies and in turn aspects of their business approach. For example, Sung et al (2009) have explored a range of policy mechanisms used by government in this regard, which would have varying affect depending on the character of the employer. These include, grading systems influencing the quality of key

businesses, efficiency regulations (e.g. those used to regulate the utilities sector), the delivery of standards (such as the Investors in People standard), specific initiatives (e.g. the Private Finance Initiative), Health and Safety regulations and public procurement policies. These mechanisms are important because they directly affect employers' behaviour by setting minimum standards or benchmark activity against which employers need to comply - such standards may regulate the efficiency, effectiveness and/or quality of operations. Thus, for instance, if certain employers want to tender for a specific public contract, they will need to adapt their business approach accordingly - whilst employers will not all respond in the same way, this may provide a sufficient incentive to stimulate some to introduce HPW as a result.

Finally, in terms of addressing the 'inability' problem, there are those employers who feel unable to act, often due to capacity and/or capability problems in their firms. These issues can exist equally amongst managers and employees alike. In this regard, **there is a key role to ensure that employers are offered the right help, support, advice and provision to enable them to secure the necessary skills and capability to act and to overcome impediments and barriers.** The first step here is to gain clarity over the policy measures that *already* exist offering support in this area. A key priority here is to understand the scope and coverage of current provision in the UK (in terms of policy initiatives, products and services) that promote the take-up of HPW amongst employers. Key questions that need to be asked here include:

- Are the current policies and initiatives coherent in terms of how they link with each other?
- Is there room for improvement in terms of current initiatives?
- Is there any evidence on the success of existing initiatives in terms of improving the take-up of HPW?
- Is there scope for more joined-up intervention?
- Are there existing products and services that could be used to promote the take-up of HPW that are not currently being used in this way?

It is also important to establish whether there are any gaps in provision, where these are, and whether there is any scope for *new* policies and initiatives to promote and/or stimulate HPW. The nature of support offered will also be an important consideration, and various aspects will need to be taken into account. For instance, how can different types of employers best be identified and effectively offered support? What should the balance be in terms of future provision between national, sub-national and

sector-specific approaches? To what extent should provision be tailored to the employer, and how might this be achieved? Which organisations are best placed to play a role in promoting/supporting the take-up of HPW in the UK in the future? What is the best way of incentivising organisations in both the public and private sectors to ‘tip the balance towards high performance’ (IPA, 2007).

The evidence shows **that management capability is a crucial factor in making HPW work**. Indeed, Mason has highlighted the importance of the quality of management, particularly at senior levels, as a key factor influencing the ability of companies to develop new high value-added strategies. Guest et al (2001) found that the area of people management most frequently cited as having room for improvement by senior executives was the quality of line management. **This therefore raises important issues about the importance of management development in the context of HPW**. There is a need to get organisations and their firms to think about their skills and how to deploy them. It is also important to consider the support that is needed for employers to take the steps towards HPW. This needs bottom-up approaches within firms and sectors, and concerted action on a number of fronts involving policy makers, intermediaries, practitioners, and a range of business experts acting as advisers.

The CIPD (2008b) have recently called for the government to set up Workplace Commission ‘to promote the critical importance of good people management and HPW’ (2008: 4). They argue that the absence of a body with a remit to improve management performance specifically represents a serious gap in terms of driving up productivity. They also suggest that the government could invest a greater proportion of Train to Gain funding in supporting leadership and management. However, action must not solely be restricted to managers, and must also effectively target and involve employees too. We have drawn attention in this report to the importance of employers working in *partnership* with employees in the successful implementation of HPW as opposed to HPW being a management-led strategy where employees are simply consulted on what is happening within the organisation. There is a clear role here for trade unions in taking forward the HPW agenda.

Given the current economic conditions, HPW is likely to take on greater importance in the coming months, but it is crucial that it is not seen as a response to difficult times or a short-term fix, but rather as a long-term approach to improving performance. In this context, the UK Commission for Employment and Skills, working closely with key partners,⁶ is leading a major research project on HPW and its contribution to more effective skills utilisation and performance. The project consists of four key components:

- A **skills utilisation literature review** (published by the Scottish Government)⁷ and a **synthesis of research on HPW** (this paper) to ensure we can draw from the existing evidence, and identify gaps in knowledge;
- In-depth **organisational case studies** to investigate in detail real-life examples of HPW in the workplace and to better understand how it is implemented in practice.
- A **policy review** to establish exactly what policies are currently being deployed to encourage HPW, and to draw out implications for future policy interventions.
- The **development of a survey tool**, with the intention of using this to investigate future take-up of HPW across the UK on a consistent and comparable basis.

The project was launched in autumn 2008, and research is due to complete in the summer 2009. The project is looking to tackle some of the existing research gaps and policy questions that we have identified and discussed in this report, and by so doing pool knowledge and strengthen our understanding of the means to stimulate HPW and greater skills utilisation in UK workplaces.

⁶ The key project partners are the Scottish Government, DIUS, BERR, WAG and DELNI.

⁷ See: <http://openscotland.gov.uk/Publications/2008/12/15114643/0>

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