Chapter 9
CREATING AND MAINTAINING HIGH-PERFORMANCE ORGANIZATIONS

Fundamentals of
HUMAN RESOURCE MANAGEMENT Seventh Edition

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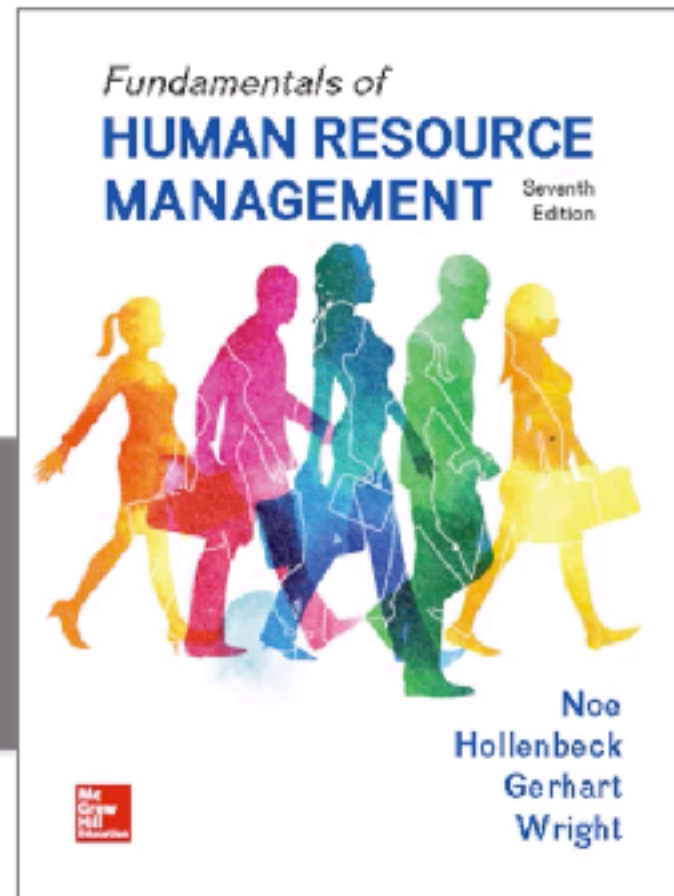
What Do I Need to Know?

LO 9-1 Define high-performance work systems, and identify the elements of such a system.

LO 9-2 Summarize the outcomes of a high-performance work system.

LO 9-3 Describe the conditions that create a high-performance work system.

LO 9-4 Explain how human resource management can contribute to high performance.

LO 9-5 Discuss the role of HRM technology in high-performance work systems.

LO 9-6 Summarize ways to measure the effectiveness of human resource management.

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High-performance work system

- Right combination of people, technology, and organizational structure that makes full use of the organization's resources and opportunities in achieving its goals.

- Each of these elements must fit well with the others in a smoothly functioning whole.

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Figure 9.1 Elements of a High-Performance Work System

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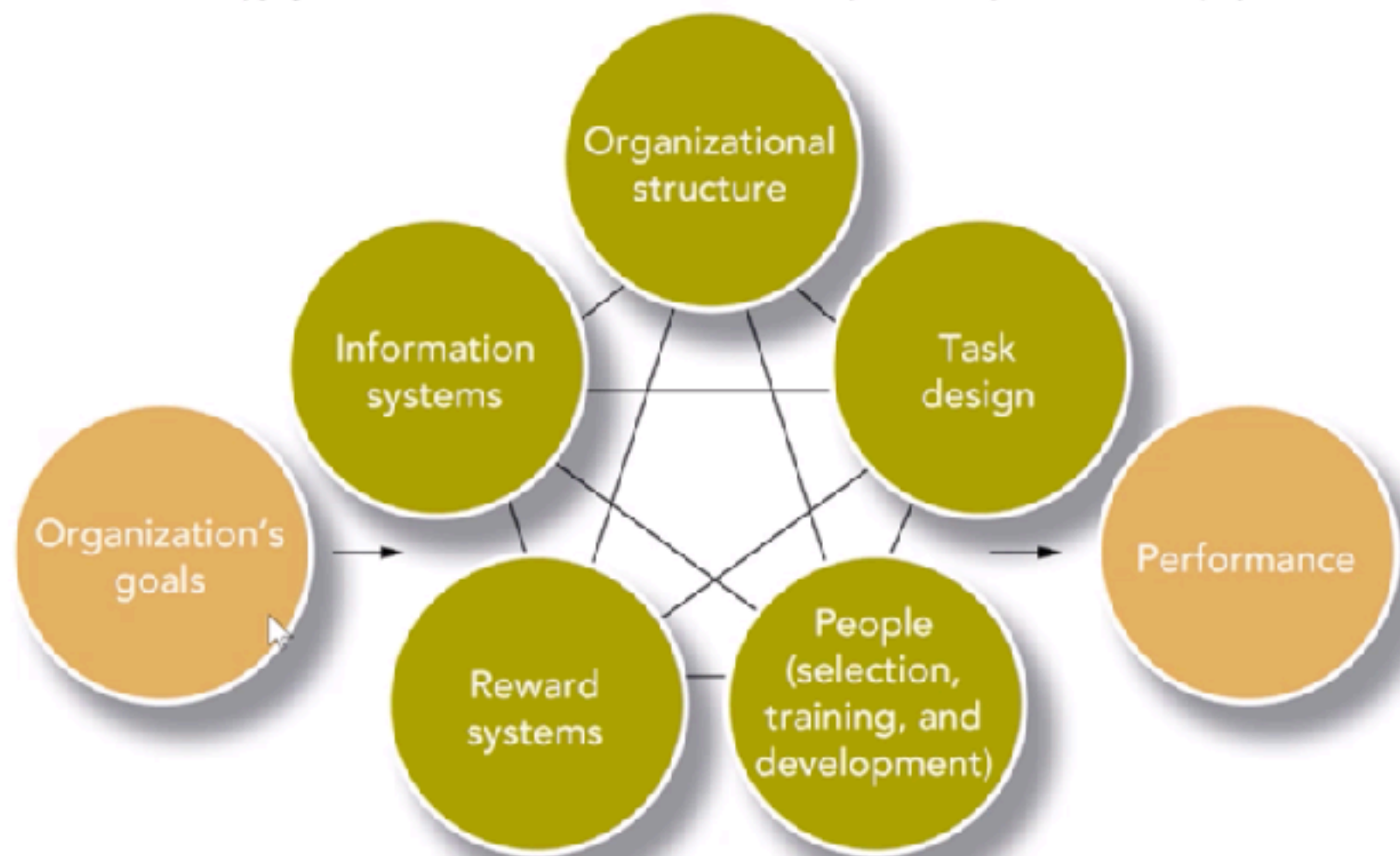
Elements of a High-Performance Work System

1. *Organizational structure:* way organization groups its people into useful divisions, departments, and reporting relationships.

2. *Task design:* determines how details of the organization's necessary activities will be grouped, whether into jobs or team responsibilities.

3. *People:* well suited and well prepared for their jobs.

4. *Reward systems:* encourage people to strive for objectives that support organization's overall goals.

5. *Information systems:* enable sharing information widely.

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In a high-performance work system, all the elements – people, technology, and organizational structure – work together for success.
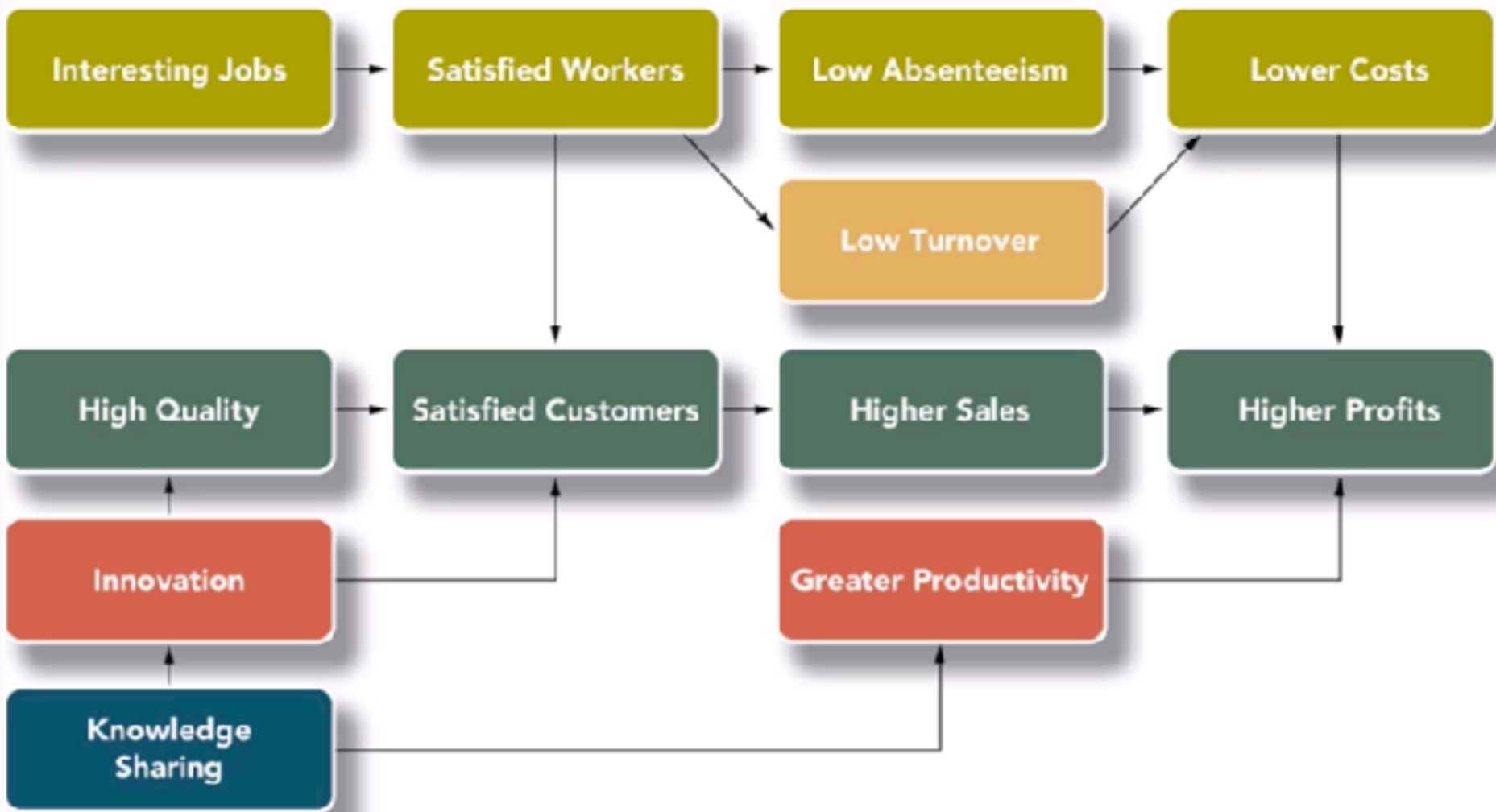
Outcomes of a High-Performance Work System

1. Higher productivity and efficiency that contribute to higher profits

2. High product quality

3. Great customer satisfaction

4. Low employee turnover

Figure 9.2 Outcomes of a High-Performance Work System

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1. Teams perform work.

2. Employees participate in selection.

3. Employees receive formal performance feedback and are involved in performance improvement process.

4. Ongoing training is emphasized and rewarded.

5. Employees' rewards and compensation relate to company's financial performance.

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6. Equipment, work processes and technology encourage maximum flexibility and interaction among employees.

7. Employees participate in planning changes in equipment, layout, and work methods.

8. Work design allows employees to use variety of skills.

9. Employees understand how their jobs contribute to finished product or service.

10. Ethical behavior is encouraged.

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Teamwork and Empowerment

- Design work so it is performed by teams

- Managers coordinate roles and provide resources

It's important for companies to capture and share the knowledge of workers who have had years to learn their specialty.

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Knowledge Sharing

Key Features of Learning Organizations

1. Continuous learning
2. Shared knowledge
3. Critical, systematic thinking
4. Learning culture
5. Valued employees

Job Satisfaction and Employee Engagement

- *Employee engagement*
  - Degree to which employees are fully involved in their work and the strength of their commitment to their job and company.

- *Brand alignment*
  - HR policies, practices, and programs support or are congruent with an organization's overall culture or brand, including its products and services.

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- Passionate people are fully engaged with something so that it becomes part of their **sense of who they are.**

- Feeling this way about one's work has been called *occupational intimacy*.

- *HR has* a significant role in creating these conditions.

Test Your Knowledge

Charlotte is a manager overseeing the work of a team. Which of the following behaviors would empower the team the least?

a) Opening lines of communication between the team and other groups within the organization.

b) Directing the team and monitoring their day-to-day activities.

c) Ensure the team has the resources they need.

d) Keep the team informed as new, relevant information becomes available.

Answer: b

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Kamran has worked for the same company for 3 years, is enthusiastic and passionate about his work, has not missed a day in two years and has several close friends he enjoys working with. Which of the following best describes Kamran?

a) He is satisfied with his job.
b) He is empowered.
c) He is experiencing occupational intimacy.
d) He is probably going to quit soon.

Answer: c

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Ethics

- Ethical systems include
  - a written code of ethics
  - reinforcement of ethical behavior
  - performance measures that include ethical standards
  - channels for employees to seek help
  - training in ethical decision making

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Table 9.1 HRM Practices That Can Help Organizations Achieve High Performance
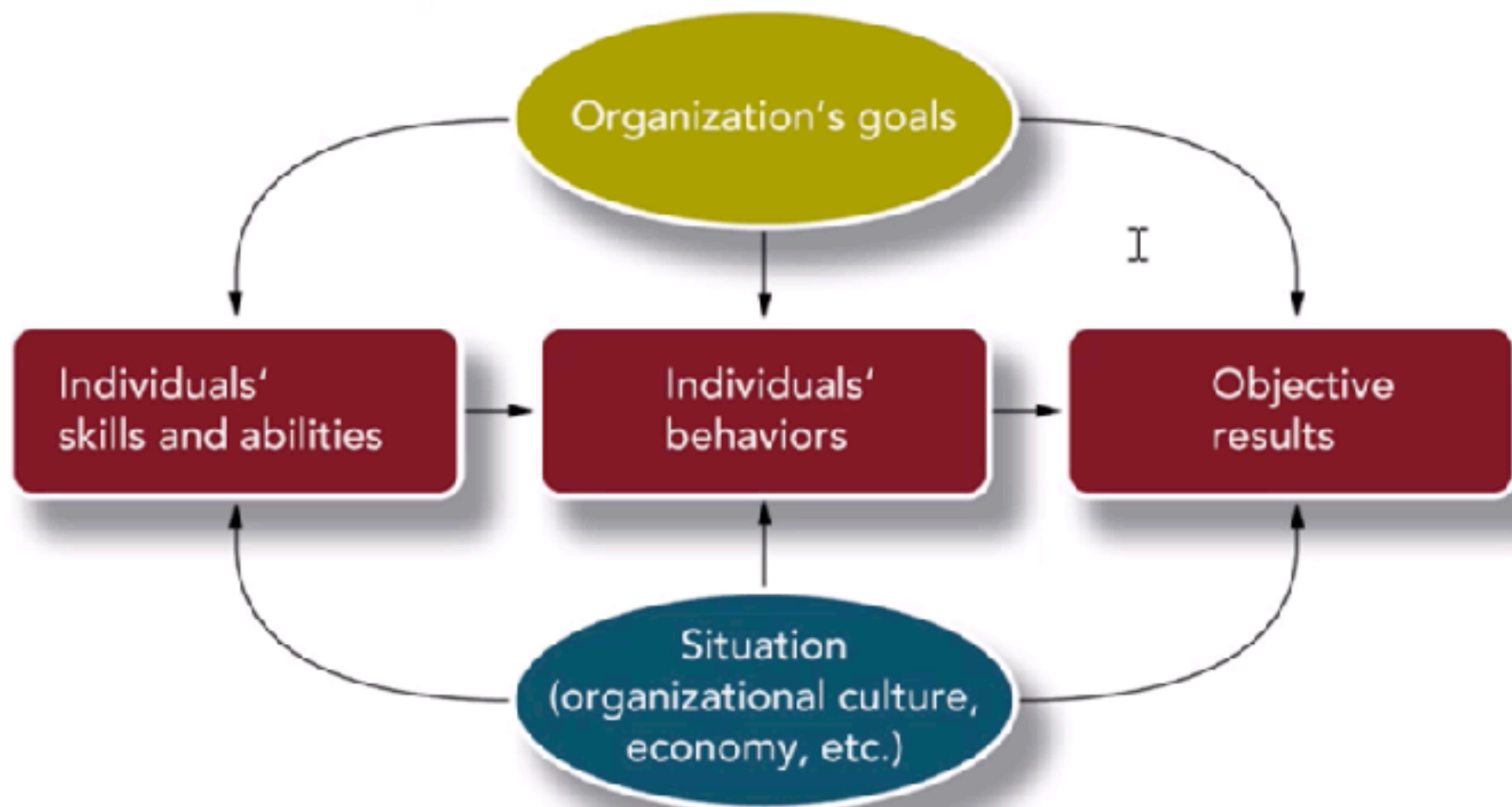
HRM practices match organization's goals.	Performance management system measures customer satisfaction and quality.
Individuals and groups share knowledge.	Organization monitors employees' satisfaction.
Work is performed by teams.	Discipline system is progressive.
Organization encourages continuous learning.	Pay systems reward skills and accomplishments.
Work design permits flexibility in where and when tasks are performed.	Skills and values of a diverse workforce are valued and used.
Selection system is job related and legal.	Technology reduces time and costs of tasks while preserving quality.

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HRM Practices

- Job design
  - Enable the organization to benefit from teamwork and employee empowerment
- Recruitment and Selection
  - Employees who contribute to teamwork, empowerment, and knowledge sharing
- Training
  - Teach employees the specific skills they need to perform the duties of their job
- Performance Management
  - Ensure that employees' work contributes to achieving the organization's goals
- Compensation

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Figure 9.3 Employee Performance as a Process

Organization's goals

Individuals' skills and abilities

Individuals' behaviors

Objective results

Situation (organizational culture, economy, etc.)

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Guidelines for performance management

1. Define and measure performance in precise terms.

2. Link performance measures to meeting customer needs.

3. Measure and correct for the effect of situational constraints.

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HRM Applications

- Transaction Processing
  - Computations and calculations used to review and document HRM decisions and practices

- Decision Support Systems
  - Systems designed to help managers solve problems that usually include a "what if" feature

- Expert Systems
  - Computer systems incorporating decision rules of people deemed to have expertise in a certain area

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Human Resource Information Systems

- Relational Databases

  - Stores data in separate files that can be linked by common elements identifying the type of data to sort by fields

  - Can track employee benefit costs, training courses, and compensation

- HR Dashboard

  - A display of HR-related indicators showing human resource goals and objectives and the progress toward meeting them

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Human Resource Management Online: E-HRM

- Improving HRM effectiveness through online technology

- Speed requirements of business force HRM to leverage technology for delivery of HRM activities

- With Internet, *E-HRM* enables all employees help themselves to HR information whenever needed

- E-HRM uses social media applications

- Cloud computing enables access to information that's delivered on demand from any device 24/7

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Table 9.2 Customer-Oriented Perspective of HRM

Who Are Our Customers?	What Do Our Customers Need?	How Do We Meet Customer Needs?
• Line managers • Strategic planners • Employees	• Committed employees • Competent employees	• Qualified staffing • Performance Management • Rewards • Training and Development

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Human Resource Management Audits

– Formal review of the outcomes of HRM functions

- Staffing, compensation, benefits, training, appraisal and development, and overall effectiveness

- Compliance with equal employment opportunity laws, succession planning, maintaining a safe workplace, and positive labor relations

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Table 9.3 Measures of Success for an HRM Audit 1 of 3

Business Indicators	Customer Satisfaction Measures
Staffing • Average days taken to fill open requisitions • Ratio of acceptances to offers made • Ratio of minority/women applicants to representation in local labor market • Per capital requirement costs • Average years of experience/education of hires per job family	• Anticipation of personnel needs • Timeliness of referring qualified workers to line supervisors • Treatment of applicants • Skill in handling terminations • Adaptability to changing labor market conditions
Compensation • Per capita (average) merit increases • Ratio of recommendations for reclassification to number of employees • Percentage of overtime hours to straight time • Ratio of average salary offers to average salary is community	• Fairness of existing job evaluation system in assigning grades and salaries • Competitiveness in local labor market • Relationship between pay and performance • Employee satisfaction with pay

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Table 9.3 Measures of Success for an HRM Audit 2 of 3

Business Indicators	Customer Satisfaction Measures
Benefits • Average unemployment compensation payment (UCP) • Average workers' compensation payment (WCP) • Benefit cost per payroll dollar • Percentage of sick leave to total pay	• Promptness in handling claims • Fairness and consistency in the application of benefit policies • Communication of benefits to employees • Assistance provided to line managers in reducing potential for unnecessary claims
Training • Percentage of employees participating in training programs per job family • Percentage of employees receiving tuition refunds • Training dollars per employee	• Extent to which training programs meet the needs to employees and the company • Communication to employees about available training opportunities • Quality of introduction/orientation programs

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Table 9.3 Measures of Success for an HRM Audit 3 of 3

Business Indicators	Customer Satisfaction Measures
Employee appraisal and development • Distribution of performance appraisal ratings • Appropriate psychometric properties of appraisal forms	• Assistance in identifying management potential • Organizational development activities provided by HRM department
Overall effectiveness • Ratio of personnel staff to employee population • Turnover rate • Absenteeism rate • Ratio of per capita revenues to per capita cost • Net income per employee	• Accuracy and clarity of information provided to managers and employees • Competence and expertise of staff • Working relationship between organizations and HRM department

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Analyzing the Effect of HRM Programs

- *HR analytics*

  - Measures HRM efficiency and effectiveness and a program's success

- Economic approach

  - Measures the dollar value of the program's costs and benefits

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The HR director of a medium-sized corporation spends 90% of his time meeting and working with fellow HR staff. He is primarily concerned with ensuring the company meets all legal requirements with regard to HR activities. This **HR** director:

a) Is a major contributor to a high-performance organization

b) Has a strategic focus

c) Is concerned with customer satisfaction

d) Has limited the utility and value he could bring to the organization

Answer: d

- A high-performance work system is the right combination of people, technology, and organizational structure that makes full use of the organization's resources and opportunities in achieving its goals.

- A high-performance work system achieves the organization's goals, typically including growth, productivity and high profits.

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- By taking a customer-oriented approach, HRM can improve quality by defining internal customers who use its services and determining whether it is meeting those customers' needs.

- Auditing HRM and measuring HRM effectiveness to analyze specific programs or activities can determine if a program met its objectives and whether it delivered value in an economic sense.

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The work system begins with an organization's goals. This leads to five elements that connect to each other: organizational structure, task design, people (selection, training, and development), reward systems, and information systems. These in turn lead to performance.

Appendix 2 Figure 9.2 Outcomes of a High- Performance Work System

- Interesting jobs lead to satisfied workers, which leads to low absenteeism, which leads to lower costs and higher profits.

- Interesting jobs lead to satisfied workers, which can lead to low turnover, which leads to lower costs and higher profits.

- Interesting jobs lead to satisfied workers, which can also lead to satisfied customers, which in turn leads to higher sales and to higher profits.

- Knowledge sharing leads to innovation, which leads to high quality, which leads to satisfied customers, which leads to higher sales and higher profits.

- Knowledge sharing leads to innovation, which can also lead to satisfied customers, which leads to higher sales and higher profits.

- Knowledge sharing can also lead to greater productivity, which can lead to higher profits.

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Individuals' skills and abilities, and their behaviors, lead to objective results. These can all be influenced by an organization's goals, as well as the situation (organizational culture, economy, etc.).

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