

# **Gordon Institute of Business Science**

University of Pretoria

## **Understanding the association between high performance work systems and organisational performance**

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of

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## Abstract

Understanding the relationship between high performance work systems (HPWS) and organisational performance is becoming increasingly important to gain and sustain a competitive advantage. In the current challenging economic climate, organisations are facing major challenges to do more with less. Thus, the investments in resources such as people are increasingly under scrutiny to provide returns on investment. HPWS have been positively associated with organisational performance, but organisations are not reaping the full benefits of HPWS. Both managers as well as HR professionals can gain from a deeper understanding of HPWS and the link to organisational performance.

The research investigated HPWS through the use of semi-structured interviews. The ten respondents were all highly experienced, senior HR professionals who provided valuable insights and opinions into the complex relationship between HPWS and organisational performance.

The valuable insights and experiences, shared by the respondents, allowed for the development of a management model of the organisational factors that influence the effectiveness of HPWS. The results of the research could contribute to managers and HR professionals in contributing to the management of HPWS.

**Keywords:** High performance work systems, organisational performance, human resource management.

## Declaration

I declare that this research project is my own work. It is submitted in partial fulfillment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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Lenwhin Arendse

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Date

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# Chapter 1: Problem Definition

## 1.1 Introduction

In today's constantly changing business environment, organisations face stern challenges to gain and sustain a competitive advantage. This often-elusive competitive advantage can be gained through employing performance-enhancing human resource management (HRM), also known as high performance work systems (HPWS). While the association between HPWS and organisational performance is noted, the impact on profitability is less understood by organisations (Jiang, Lepak, Hu, & Baer, 2012; Messersmith, Patel, Lepak, & Gould-Williams, 2011; Steigenberger, 2013; Tregaskis, Daniels, Glover, Butler, & Meyer, 2013).

Seminal research by Huselid (1995) established the link between HPWS and organisational performance, and while two decades ago, key questions remain unanswered about the relationship between HPWS and performance (Guest, 2011). Studies into HPWS have attempted to answer this question. However, greater understanding is needed to answer some of the most pertinent questions that relate to which components of HPWS can be identified as the greatest levers of organisational performance and how to improve the effectiveness of HPWS.

Although the body of research on HPWS has grown significantly, a number of challenges have stunted the growth of knowledge in this field of study. One such challenge is the diversity in the approaches to study HPWS. The main reason for this is that researchers come from different professional disciplines such as strategy, psychology and HRM, which is evident in the diverse terminology that can be found in the HPWS literature (Posthuma, Campion, Masimova, & Campion, 2013).

The theoretical perspectives employed to investigate HPWS show similar diversity, with several theoretical approaches being used but the three most used ones are Human Capital theory, social exchange theory and the abilities, motivation, opportunities (AMO) model. However, the general consensus amongst researchers is that HPWS affect organisational performance through different mediators via causal links that ultimately have a positive effect on organisational performance (Boxall, Ang, & Bartram, 2011).

## 1.2 Research Scope

The purpose of the research is to improve the understanding of HPWS and the relationship with organisational performance. The research study will apply a granular approach by investigating the components of HPWS and how the organizational context influences the effectiveness of HPWS.

## 1.3 Research Motivation

There is a conceptual understanding of the need for HPWS and how these translate into organisational performance (Takeuchi, Lepak, Wang, & Takeuchi, 2007). Furthermore, several international studies have indicated a positive association between HPWS and organisational performance (Crook, Todd, Combs, Woehr, & Ketchen Jr, 2011; Takeuchi et al., 2007). However, further research into the components of HPWS that are most strongly associated with organisational performance is needed, since these individual components have differential effects (Jiang et al., 2012).

There is a lack of tangible evidence to show the performance outcomes of investments in HRM systems (Kehoe & Wright, 2013). HPWS are, for the most part, still viewed as organisational support systems and not drivers of profitability. This is evident in the late adoption of HPWS into established organisations.

The organisational context in which HPWS are implemented are diverse and may have an influence on the effectiveness of HPWS. Research has shown that the level of consistency plays a role in the effectiveness of HPWS.

The business case for this research seems self-explanatory. It stems from the practical need of business to maximise all returns on investment in order to increase profitability. Since business is already investing in HPWS it is imperative for business to understand the HR levers most likely to provide high returns on investment in terms of organisational performance. This rationale becomes even more powerful when you consider that individual employees have control over two important intermediate drivers of profitability, employee turnover and productivity. Furthermore, if the cost of investment in HPWS is lower than the returns and these HR systems have a positive impact on employee turnover and productivity, financial performance should increase (Huselid, 1995).

The researcher hopes to contribute to the literature on the link between HPWS and organisational performance, while deriving a practical framework that can be used by

management and HR professionals to improve organisational performance by improving the effectiveness of HPWS.

## 1.4 Research Problem

Research studies found a positive relationship between HPWS and organisational performance. There has been a vast amount of research on the relationship of HPWS and organisational performance. However, there is still a need for greater understanding into the individual components that form a HPWS. Also, the factors that influence HPWS have not been sufficiently explored.

The following research questions will be explored during this research study:

### **Research Question 1:**

What is the prevalence of high performance work practices (HPWPs) in organisations?

### **Research Question 2:**

Which HPWPs are perceived to contribute most to organisational performance?

### **Research Question 3:**

Which HPWPs are perceived to contribute less to organisational performance?

### **Research Question 4:**

Which organisational factors mediate the effectiveness of HPWS?

### **Research Question 5:**

What is the level of support and buy-in for HPWS from management?

### **Research Question 6:**

How consistently are HPWS implemented?

## Chapter 2: Literature Review

### 2.1 Introduction

In this chapter the existing literature was used to inform the discussion on the association between HPWS and organisational performance. The first challenge in understanding and making sense of HPWS is the divergent terminology used by researchers such as high performance work practices (HPWP's), human resource management (HRM), high involvement work systems and high commitment work systems. This creates challenges in drawing connections between studies and has stifled the growth in this field of study (Posthuma et al., 2013).

Therefore, for the purposes of this research study, high performance work systems (HPWS) will be used as a synonym for the above terminologies. The individual HR practices will be referred to as a high performing work practice (HPWP) or high performance work practices (HPWPs).

The review starts with the foundational theories of competitive advantage followed by an exploration of the link between HPWS and organisational performance. Thereafter, the lack of consistency in components of HPWS is discussed and the main theoretical perspectives are explained. The chapter concludes with the emerged contextual factors that influence the effectiveness of HPWS and a summary of the literature review.

The following key themes emerged and are discussed in this chapter:

- Theories on competitive advantage
- The link between HPWS and organisational performance
- Components of HPWS
- Theoretical perspectives and mediating models
- Organisational factors that influence the effectiveness of HPWS

### 2.2 Theories on competitive advantage

The resource-based view (RBV) has become the dominant theory in the HPWS literature. It has its origins in organisational strategy that defined resources as tangible or intangible assets that were not permanently tied to the firm (Wernerfelt, 1984). Barney (1991)

investigated the RBV as a source of sustained competitive advantage. He argued that the heterogeneous nature of a firm's resources was a source of competitive advantage. Thus, the firm-specific nature of resources was emphasised. These resources were categorised into human capital, physical capital and organisational capital. Barney (1991) argued that these three forms of capital could lead to sustained competitive advantage if they were valuable, rare, and imperfectly imitable and had no equivalent substitutes.

In recent years the knowledge-based view (KBV) of the firm has gained much attention. The KBV has its roots in the RBV of the firm and can be viewed as an extension of the RBV (Grant, 1996). The KBV is based on the premise that knowledge is an organisation's most valuable strategic asset. The integration of knowledge within the organisation is seen as the primary role of the organisation and the coordination of this integration of knowledge is the primary role of management (Grant, 1996). Research based on the KBV has found that the required knowledge management practices of acquisition, retention and management of knowledge are positively affected by Human resource management (HRM) practices (Jimenez-Jimenez & Sanz-Valle, 2012). Thus, HPWS have been found to increase knowledge as a strategic asset, which contributed to organisational performance.

## **2.3 The link between HPWS and organisational performance**

### **2.3.1 High performance work systems (HPWS)**

High performance work systems (HPWS) can be defined as "a group of separate, but interconnected human resource (HR) practices designed to enhance employees' skills and effort" (Takeuchi et al., 2007, p. 1069). The enhancement of employees' skills, commitment and productivity lead to positive outcomes and competitive advantage for organisations (M. Zhang, Di Fan, & Zhu, 2014).

### **2.3.2 The meaning of organisational performance**

There are different types of positive outcomes derived from HPWS, defined by Dyer & Reeves (1995) as:

- Human resource (HR) outcomes also referred to as employee outcomes, such as employee turnover and individual or group performance.
- Organisational outcomes also referred to as operational outcomes, such as productivity, quality and service.
- Financial outcomes such as return on invested capital and return on assets.

- Stock market value for publicly held firm outcomes such as share value and shareholder return.

HPWS are likely to more directly affect HR outcomes or employee outcomes and its effects become less direct as you move down the above list of outcomes, with the least direct effect on stock market value (Dyer & Reeves, 1995; Jiang et al., 2012).

In this research study “organisational performance” refers to all four types of outcomes at the organisational level.

### 2.3.3 Mediating factors in the relationship between HPWS and organisational performance

Before discussing what mediates the HPWS- performance link, it is worth noting that research studies have found this link across different industries and firm size. Studies have found empirical evidence for the positive relationship between HPWS and organisational performance across all industries, including retail, health care, professional services and manufacturing (Chow, 2012; Fan et al., 2014; McClean & Collins, 2011; Shaw, Park, & Kim, 2013). Similar positive findings were found irrespective, of firm size (Kroon, Van De Voorde, & Timmers, 2013).

Empirical results have indicated that HPWS are effective in contributing to organisational performance, through mediating mechanisms that, in turn, have a positive impact on organisational performance (Boxall, 2012; Crook et al., 2011; Huselid, 1995; Takeuchi et al., 2007). HPWS do not directly affect organisational performance, but increase organisational performance through sequential links. HPWS positively affect employees (skills, behaviour, motivation) and brings about positive employee outcomes (low turnover, individual performance), which brings about higher levels of productivity (service, quality), which in turn brings about better financial outcomes.

This complex HPWS-performance links have been referred to as the “black box” of HPWS (Boxall, 2012). This term highlights the need to gain a better understanding of these links. Although there is a need for greater understanding of how and why HPWS affect organisational performance, the positive relationship has been proven.

The implementation of HPWS results in lower voluntary turnover and increased productivity, which contribute to financial performance. The seminal study by Huselid (1995) found evidence for this assertion. Huselid (1995) argued that the effect on employee turnover and productivity was significant, since it was an indication of the discretionary effort gained from employees. This discretionary effort was gained through the improvement of skills and motivation and the

organisational structures that promoted improved work performance. Furthermore, an improvement in financial performance could be achieved when the investment in HPWS were less than the benefits gained through lower employee turnover and higher productivity. Other studies have supported Huselid's findings and also highlighted the cost of voluntary employee turnover (Batt & Colvin, 2011; García-Chas, Neira-Fontela, & Castro-Casal, 2014).

### 2.3.4 Alternative views on HPWS

Although the benefits of HPWS have been established, extant research has cautioned against too narrow a focus on organisational and financial outcomes in the implementation of HPWS. The research on HPWS has primarily focused on the benefits gained by organisations and the impact of HPWS on employees have been marginalised (Fan et al., 2014). There has been increasing emphasis put on the need for more research into the so-called "darker side" of HPWS. This view argues that HPWS have negative effects on individual employees because of the higher demands placed on individuals by these performance – enhancing practices.

These concerns have been addressed by research that indicated that these unintended negative effects could be mitigated. Gulzar, Moon, Attiq, & Azam (2014) found that employees reacted positively or negatively to HPWS implementation, depending on the perceived fairness of the HPWS. Thus, the perception of equality in the employment is important in terms of how employees are rewarded for the higher demands due to HPWS. This perception of equality as a mitigating factor on the negative impact on employees, was also found by Fan et al (2014), who studied two psychological outcomes of HPWS on employees. The study also highlighted the relevancy of social exchange theory due to the emergence of reciprocity based on how the employees perceived the intent and outcome of the HPWS.

Jensen, Patel, & Messersmith, (2013) also examined this potential dark side of HPWS in a study based on data collected from 1592 Welsh government employees. They found that high levels of job control could temper the potential for negative psychological effects caused by perceptions of performance demands of HPWS.

Another critique of the HPWS literature is the lack of regard for the impact of market competition on HPWS adoption and implementation (Kaufman, 2015). Kaufman proposed an alternative view to the traditional HPWS argument that more competition should lead to more HPWS that ultimately improves firm performance. An alternative economics model was used to demonstrate the opposite of the traditional argument and posited that more competition leads to less HPWS. The initial benefits and competitive advantage from HPWS implementation were reduced due to competing firms adopting similar HPWS and thus further

investment in HPWS led to diminishing returns. This was acknowledged by Huselid (1995), who argued that the short and medium term economic benefits were still compelling.

Kaufman (2015) also suggested that the increase in HPWS was as a result of firm growth through strategies of product innovation and other sources of competitive advantage. This, in turn, necessitated the need for additional HPWS to support the organisational growth. The study argued that causal effects of HPWS are upwardly biased and proposed that HPWS are associated with increased organisational performance rather than in a causal relationship with organisational performance.

The question posed by Kaufman, is referred to as reverse causation. This relates to whether HPWS resulted in better financial performance or whether the financial performance of organisations resulted in the ability to invest in HPWS. This has been a constant challenge for HPWS studies due to the predominantly cross sectional design of the studies. However, Tregaskis et al. (2013) addressed this challenge by using a quasi experimental design and longitudinal data. The results still showed a positive relationship between HPWS implementation and organisational performance.

The study by (Kaufman, 2015), made a compelling argument for the cost effective and selective implementation of HPWS components. All HPWPs may not be appropriate for all organisations due to the difference in size, complexity, and capacity for financial investment in these practices (Kroon et al., 2013). It also raised a provocative question as to whether or not organisations can over-invest in HPWS to the detriment of organisational performance. Also, of interest was the emphasis on the cost-benefit analysis of HPWS implementation, which is often disregarded by HR professionals, who focus solely on the potential benefits of HR systems (Kaufman, 2015).

## 2.4 Components of HPWS

The question of which individual HPWPs can collectively be called a HPWS becomes is highly relevant, since this has been a major debate in the HPWS literature and subsequently there have been calls for consensus (Boxall, 2012). The following shows evidence of the inconsistency.

The following components have been proposed: Flexible job assignments, rigorous and extensive recruitment practices, extensive training and development and developmental, merit-based performance appraisals, competitive compensation and extensive benefits,

information sharing and labour-management participation (Huselid, 1995; Messersmith et al., 2011).

This list of HPWS components does not exclusively define the components of HPWS, since the literature showed a number of different bundles of components:

- Ivars & Martínez (2015) limited their study into the effect of HPWS on small and mediums sized enterprises, to recruitment and hiring, compensation and stability.
- B. Zhang & Morris, (2014) used eighteen HPWS elements in their study to test the mediating role of employee outcomes of HPWS and organisational performance.
- Van De Voorde & Beijer (2015) used five HR functional areas in their study into the role of employee HR attributions in the relationship between HPWS and employee outcomes namely, selectivity in hiring, employee development and career opportunities, rewards, performance evaluation and participation and communication.

Thus, the literature does not clearly define a list of components that make up HPWS. Researchers include individual HR practices most suitable to their research. Unfortunately, this has contributed to the challenge of integrating the results of different research studies into a comprehensive understanding of the effects of HPWS on organisational outcomes.

#### 2.4.1 Towards a classification of HPWPs

One of the challenges to a greater understanding and adoption of HPWS is the lack of structure and classification of individual HPWPs (Posthuma et al., 2013). They argued that more structure was required improve the awareness of all availability HPWPs and that the increased awareness would lead to a higher adoption rate. They conducted an extensive study of peer-reviewed HPWS studies, spanning the preceding twenty years. The purpose of this study was to provide a classification of HPWPs and improve the understanding of how individual HPWPs combine to increase organisational performance. This study resulted in nine broad categories of HPWPs. The nine categories of HPWPs proposed by Posthuma et al. (2013), are now listed and discussed, along with relevant studies that showed their different contributions to organisational performance.

##### 1. Compensation and benefits

Compensation and benefits include HR practices that deal with direct and indirect payment and incentives. These payments and incentive direct employees' energy and productive behaviour.

Merit-based financial rewards have been shown to be positively associated with sales growth. Also, performance-based compensation based on individual, team and firm performance have shown a high association with sales growth (Messersmith & Guthrie, 2010). However, Batt & Colvin (2011) argued for caution when using short term incentives to drive performance, due to the positive relationship with increased employee turnover as a result of the pressure to achieve short-term performance targets.

## **2. Job and work design**

This category deals with specific elements of jobs, the relationship between jobs and organisational structure. It relates to motivation and satisfaction by influencing the ability of employees to use their skills on the job.

Jensen et al. (2013), found that job design and internal systems that supported employee discretion resulted in a sense of autonomy and control. The heightened sense of autonomy and control reduced the levels of stress and that resulted from the implementation of HPWS. It mitigated the so-called dark side of HPWS, as discussed in section 2.3.4.

## **3. Training and development**

This category deals with HR practices that provide employees with current and future skills. Training and development is commonly seen as an organisational expenditure and often reduced as a result of budgetary constraints (Sheehan, 2012). However, this can reduce a firm's competitive advantage, since studies have found a positive relationship between training and development and firm performance as well as a negative relationship with employees' intention to leave (Sheehan, 2012; Shuck, Twyford, Reio, & Shuck, 2014). The relationship between training and firm performance mediated a high rate of transfer of training. Transfer of training could be defined as the application, generalisation and maintenance of learning, trained skills and behaviours from the training environment to the working environment (Ford, 1988). The results also showed that on-the-job training was most closely related to the transfer of training. Thus, meaningful organisational outcomes can be achieved through the effective implementation and strategic investment in training and the transfer of training (Saks & Burke-Smalley, 2014).

## **4. Recruiting and selection**

The recruiting and selection category deals with HR practices that locate, recruit and select the appropriate job applicants. Innovative recruiting practices and specific selection criteria based on organisational strategy are included.

It has been shown that the strategic integration of recruitment and selection policy and practices are positively related to market share, sales growth, profit growth, employee productivity and employee satisfaction (Chanda, Bansal, & Chanda, 2010). Furthermore, this

study found that the strategic integration of recruitment and selection was positively associated with a reduction in employee turnover. Thus, supporting the theoretical framework of Jiang et al (2012) that lower employee turnover and higher productivity are positively associated with HPWS. This study also highlighted the need for recruitment and selection to form part of business strategy formulation as well as strategy implementation.

## **5. Employee relations**

These practices deal with the governance of the relationship between employer and employee. These practices relate to the organisational climate and culture.

The organisational climate refers to the basic assumptions of the world and the values that guide life in organisations (Schneider, Ehrhart, & Macey, 2013). Organisational climate has been found to be a mediating factor in the HR – organisational performance link (Chow, 2012; Van De Voorde, Van Veldhoven, & Paauwe, 2010).

## **6. Communication**

The communication category deals with the channels and methods used to exchange information between employers and employees. Providing employees with strategic business information through formal information sharing systems are included.

A study by Beh & Loo (2013) found that internal communication as part of a set of best HR practices, was positively related to firm performance.

## **7. Performance management and appraisal**

This category includes HR practices that measure and improve individual and team performances. Providing frequent feedback on performance objectives based on organisational goals and strategies are included in this category.

The argument has been made that human resource performance metrics should also include the needs and desires of employees (Marin Kawamura, Eisler, Boyd, & Gessner, 2013). Thus, cautioning against the sole focus being on organisational goals.

## **8. Promotions**

Opportunities and methods that allow employees to move into higher positions within the organisation are included in this category. Promotions to reward good performance, career paths and job ladders are included.

Gong, Chang, & Cheung (2010) found that promotions based on performance appraisals were perceived by employees as fair treatment and elicited commitment to the organisation.

## 9. Turnover, retention and exit management

This category includes HR practices designed to identify and address reasons for voluntary employee turnover. Examples of these practices are conducting exit interviews and employee retention strategies.

The literature showed that investment in long-term retention strategies reduced the level of employee turnover, which in turn contributed to organisational performance (Batt & Colvin, 2011).

In summary, each of the nine categories represents HPWPs that have been positively associated with organisational performance. This reiterates how different components of HPWS affect organisational performance in different ways (Boxall, 2012; Chow, 2012; Jiang et al., 2012).

## 2.5 Theoretical perspectives and mediating models

Research studies on the relationship between HPWS and organisational performance have been undertaken based on different theoretical perspectives. The most common of these are human capital theory, abilities, motivation, opportunity enhancing (AMO) framework and social exchange theory. These are briefly defined and discussed:

### 2.5.1 Human capital theory

Human capital theory is closely associated with the resource-based view (RBV) of the firm, since the RBV argued that human capital is a source of competitive advantage (Barney, 1991). Human capital theorists view human capital as the key driver of organisational performance and have defined human capital as employees' knowledge, skills, abilities and other characteristics (KSAO's) that are made available for use by the organisation (Ployhart, Nyberg, Reilly, & Maltarich, 2014).

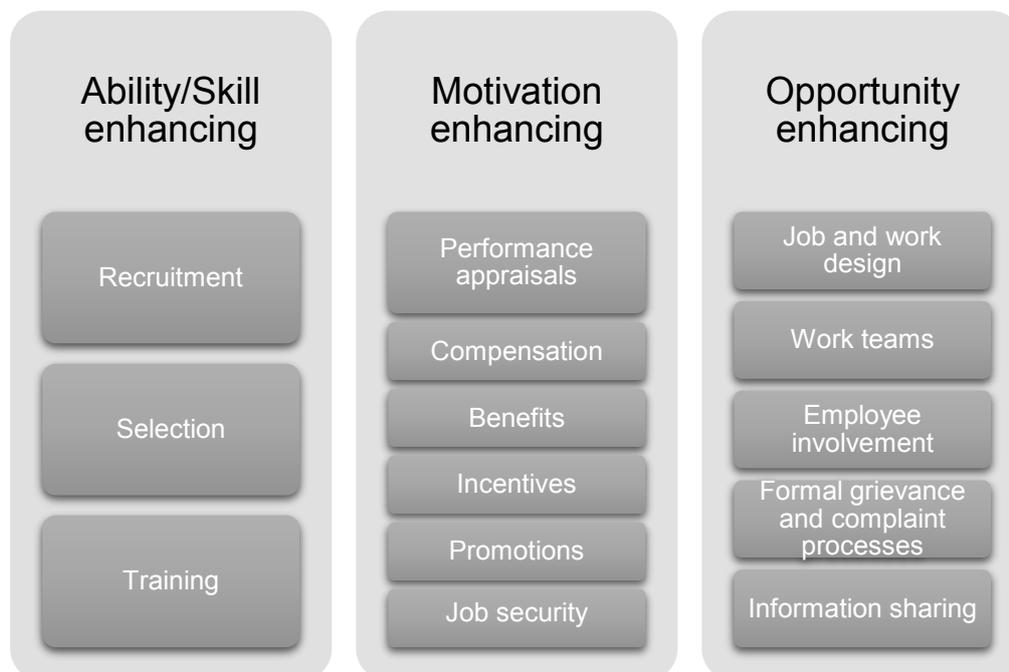
Consistent with the resource-based view, HC theorists argue that a mechanism that increases an organisation's human capital should increase its competitive advantage and resultant profitability. Human capital theory posits that employees with high levels of human capital is less likely to leave organisations and more able to increase their knowledge at work, which further increases the organisation's human capital (Jiang et al., 2012; Ployhart & Moliterno, 2011).

## 2.5.2 Abilities, motivation, opportunities (AMO) model

There is a widely accepted view that different components of HPWS affect three drivers of employee performance, namely abilities, motivation and opportunities which in turn contribute to the performance of the organisation (Lepak, Liao, Chung, & Harden, 2006; Tregaskis et al., 2013; Zhang & Morris, 2014). These drivers are also referred to as the AMO framework (Appelbaum, Bailey, Berg, & Kalleberg, 2000). Given that the AMO framework is a driver of employee performance, it stands to reason that HR systems should be decomposed into skills enhancing, motivation enhancing and opportunity enhancing to maximise employee performance (Lepak et al., 2006).

Lepak et al. (2006) proposed that the AMO framework could be decomposed into the individual HR systems that have the greatest impact on ability, motivation and opportunity enhancement, respectively. Jiang et al. (2012) decomposed the individual HPWPs to conduct a meta-analysis of the relationship between the three categories of HPWS and performance at the organisational level. The individual HPWPs per HPWS category are portrayed in Figure 1.

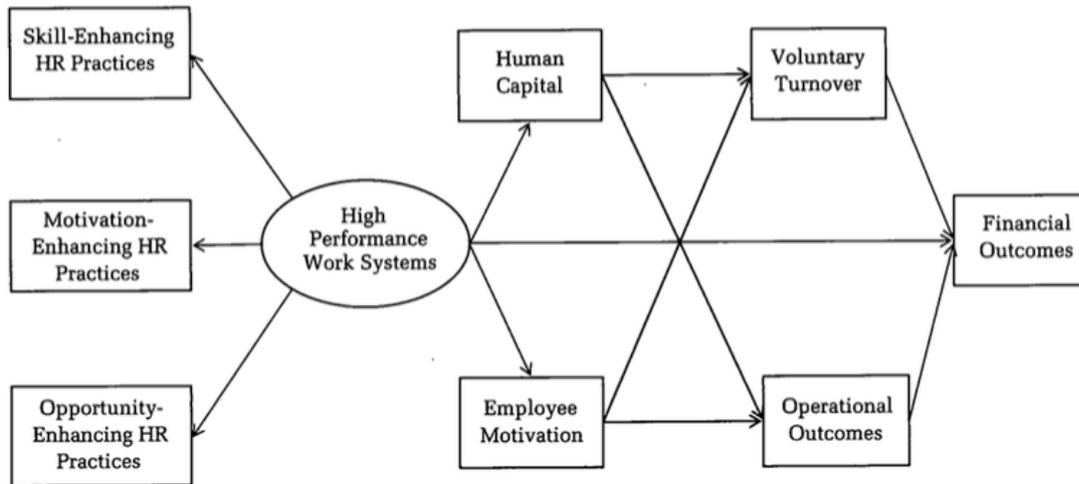
FIGURE 1: AMO FRAMEWORK



SOURCE: (JIANG ET AL., 2012)

The meta-analysis included 116 research studies which included a total of 31 436 organisations. Figure 2 depicts the theoretical model, which was supported by the findings of the study. A discussion of the findings follows.

FIGURE 2: THEORETICAL MODEL ON THE EFFECTS OF HPWS ON ORGANISATIONAL PERFORMANCE



SOURCE: (JIANG ET AL., 2012)

The study made several important contributions to the HPWS literature. Firstly, that the three HPWS categories influenced human capital (HC) and employee motivation in different ways, thus confirming the differential effects of individual HPWPs.

Secondly, HC and employee motivation were related to voluntary turnover and operational outcomes and further related to financial outcomes. This indicated a closer relationship between financial outcomes and voluntary turnover and productivity, as suggested by other research studies (Huselid, 1995).

Thirdly, the findings indicated a direct relationship between financial outcomes and the skills-enhancing and motivation-enhancing categories. This could not be explained by the study's mediating processes and indicated other relationships that mediated the HPWS-performance link. Jiang et al. (2012) proposed that these other relationships might be management practices or organisational factors such as leadership and culture.

In summary, this study found that HPWS were positively associated with financial performance. These financial outcomes could be achieved through encouraging desired employee behaviours and building HC.

### 2.5.3 Social exchange theory

Social exchanges are “voluntary actions” by organisations, which are expected to result in reciprocated behaviour by employees (Blau, 1964). The social exchange perspective theorists argued that if employees perceive that their organisation is providing for them through HPWS, they reciprocate by being more committed and increasing their discretionary effort (Gong et al., 2010). This, in turn has a positive effect on employee turnover and productivity, which increase overall organisational performance.

Takeuchi et al. (2007) found empirical evidence that the presence of HPWS were positively associated with employees’ feelings of commitment and discretionary effort exerted by employees. This was attributed to the theory of social exchange. When employees perceived HPWS as organisational commitment to improve benefits gained from their employment, it resulted in higher productivity through discretionary effort by employees, which resulted in improved organisational performance (Kehoe & Wright, 2013; Tregaskis et al., 2013). Thus, the literature supported the relevance of social exchange theory.

## 2.6 Organisational factors that affect HPWS

Several studies have found that the mere presence of HPWS is not sufficient to translate into organisational performance. The context and how these HPWS are implemented should also be considered (Guest, 2011; Stanton, Young, Bertram, & Leggat, 2010, Chow, 2012). This implies a need for a shift in focus of analysis to organisational factors, since these factors influence the effectiveness of HPWS and the relationship with organisational performance. Furthermore, the focus should be beyond HPWS design, to the consistency and effectiveness of the employment of HPWS (Kehoe & Wright, 2013).

A review of the HPWS literature found a number of organisational factors that have a mediating impact on the relationship between HPWS and organisational performance. These factors are listed in the next section, and have been categorised into organisational and operational level factors.

### 2.6.1 Organisational level factors

#### **Organisational culture**

Organisational culture has been described as a shared system of values and beliefs within an organisation that creates consistency across departments and employees (Sadri, 2014). Ulrich (1984) argued that HR professionals could increase their usefulness to organisations by better

understanding the organisational culture.

Organisational culture has been found to have a positive relationship with organisational performance (Hartog & Verburg, 2004). This finding was supported by (Chow, 2012), who found that organisational culture was a relevant factor that explained why HR systems increased organisational performance. HPWS enhance organisational performance by fostering organisational culture. This study found that three types of culture mediated organisational performance namely, competitive, bureaucratic and supportive. (Chow, 2012) recommended that HR professionals should create organisational cultures that enhance organisational performance. However, consistency in organisational culture can be challenging within large organisations. Subcultures develop within business units or divisions, which negatively affect the consistent implementation of HPWS (Woodrow & Guest, 2014).

### **Leadership**

The influence of leadership on the adoption and consistent implementation of HPWS have been emphasised in the HPWS literature (Chadwick, Super, & Kwon, 2015; Pereira & Gomes, 2012). The divisional and organisational leadership play a key role in shaping organisational culture and could influence a culture of consistency, which would increase the effectiveness of HPWS and result in a positive affect on organisational performance (Woodrow & Guest, 2014).

Chadwick et al. (2015) argued that the emphasis placed on HPWS by the Chief Executive Officer (CEO) had a major influence on the perceived strategic value of these systems. However, they cautioned that the CEO emphasis merely indicated the strategic intent and that HPWS are operationalised through the orchestration of organisational resources namely, middle and lower management.

### **Employee engagement**

The concept of personal engagement has been defined as "...the simultaneous employment and expression of a person's "preferred self" in task behaviours that promote connections to work and to others, personal presence (physical, cognitive, and emotional), and active, full role performances" (Kahn, 1990, p. 700). Kahn's seminal study gave rise to a body of research on the mediating effect of HPWS on employee engagement and organisational performance.

All the existing research has indicated that employee engagement is crucial to organisations in several ways. Employee engagement has been positively associated with discretionary effort, affective commitment, and customer service (Wollard & Shuck, 2011). Alfes, Truss, Soane, Rees, & Gatenby (2013) found that the combination of employees' positive

experiences with human resource management (HRM) practices and perceptions of line manager behaviour were associated with engaged and high-performing employees.

Rana (2015) supported this finding and posited that there are clear connections between the use of HPWS and the development of employee engagement. HPWS that benefit employees through an increase in power, information, knowledge and reward, develop high levels of employee engagement (Rana, 2015).

### **Employee value proposition**

The competition to attract and retain talent to increase organisational performance is becoming increasingly challenging and complex. The need for organisations to differentiate themselves from the competition is therefore becoming more crucial and one way to achieve this is through the development of an employee value proposition (EVP). The portfolio of tangible and intangible rewards that organisations offer to employees and potential employees is considered the organisation's EVP (Shepherd, 2014).

The EVP delivers the employer brand promise and confirms the expected rewards of employment with the organisation (App, Merk, & Büttgen, 2012). The argument has been made that the employer brand is an effective tool to retain and attract talent and that HPWS should be employed to competitively position the organisation in the labour market (App et al., 2012; Botha, Bussin, & De Swardt, 2011).

## **2.6.2 Operational level factors**

### **Line management**

There is a growing trend to devolve or delegate the implementation of HR practices to line management (Ryu & Kim, 2013). Ryu & Kim (2013) found that the use of HPWS has a positive and significant correlation with HR effectiveness. In their study HR effectiveness was measured based on the level of improvement during the preceding year in five areas: employees' overall skill, labour productivity, employee motivation, reduction of voluntary turnover and attracting top talent. However, the association between line management's involvement in HPWS and HR effectiveness was found to be weak. The results indicated that the effective sharing of HR knowledge to line management positively moderated this association. Thus, the importance of supporting line management and providing them with HR knowledge is important in achieving the benefits of devolving HR practices. The argument has been made that HRM and line management should be in a symbiotic relationship to improve the effectiveness of HPWS (Alfes et al., 2013).

### **Consistency in implementation**

Good HR policies and practices can still get bad results that could be due to a lack of consistency in implementation (Woodrow & Guest, 2014). The lack of consistent implementation has been shown to negatively affect the effectiveness of HPWS and could impact on the contribution to organisational performance. Here, a distinction should be made between top and middle operational management, since middle management is crucial in implementing organisational strategy (Chadwick, Super, & Kwon, 2015). The challenge to consistent implementation is the commitment and time needed as well as the operational pressures placed on middle management. However, the consistency in implementing HR practices can be greatly improved by the appropriate strategic emphasis placed on them by top management, which facilitates the consistent operationalisation of these policies and practices. Thus, top management has a crucial influence on the extent of consistent implementation of HPWS by placing strategic emphasis on HPWS, but the positive impact on the organisation is realized through their strategic resources, namely middle and lower management (Chadwick et al., 2015).

### **HR competence**

The role of HR competence is relatively under-researched, but has been found to play a significant role in the relationship between HPWS and organisational performance (Ngo, Jiang, & Loi, 2014). Further contributions were made by H. Ngo et al. (2014) in that they found that HR competency was positively associated with the adoption of HPWS and the external fit of the organisation. This “external fit” refers to the alignment of the HR system to the strategic objectives of the organisation. The external fit fully mediated the relationship between HR competency and organisational performance. Thus, HR competency enhanced organisational performance through the mechanism of external fit.

## **2.7 Conclusion of literature review**

The review of the literature showed that the RBV has been the dominant foundational theory for HPWS research studies. The changing nature of the business environment and the dynamic nature of the labour market with the increased competition for talent, brings the relevance of the RBV into question. The competition for talent and the knowledge within talented individuals suggest that the knowledge-based view (KBV) may be more relevant. Further research into which individual HPWPs are perceived to contribute most to organisational performance will shed light on this question.

The level of consistent implementation of HPWS has been shown to influence the effectiveness

of HPWS. Therefore, an investigation into the consistency of implementation as well as the factors that influence the level of consistency, would add to the understanding of the HPWS and organisational performance relationship.

The literature showed that organisational factors influence the effectiveness of HPWS, which in turn negatively impacts on the ability of HPWS to contribute to organisational performance. Therefore, there is a need to investigate which organisational factors are perceived to influence the effectiveness of HPWS.

## Chapter 3: Research Questions

This chapter draws from the purpose of the research, outlined in the introduction and seeks to gain greater understanding and insight into the related themes that emerged from the literature review in Chapter 2. The main purpose of the research is to gain answers to the research questions that will, in turn, contribute to the academic body of knowledge as well as provide practical insights for business.

The following research questions will be explored during this research study:

**Research Question 1:**

What is the prevalence of high performance work practices (HPWPs) in organisations?

**Research Question 2:**

Which HPWPs are perceived to contribute most to organisational performance?

**Research Question 3:**

Which HPWPs are perceived to contribute less to organisational performance?

**Research Question 4:**

Which organisational factors mediate the effectiveness of HPWS?

**Research Question 5:**

What is the level of support and buy-in for HPWPs from management?

**Research Question 6:**

How consistently are HPWS implemented?

## Chapter 4: Research Methodology

### 4.1 Research design

The purpose of the study was to gain a better understanding of the association between HPWS and organisational performance. This chapter explains and justifies the research methodology employed in this research study to uncover insights and a deeper understanding. As discussed in chapter 2, the link between HPWS and organisational performance had already been made.

Saunders & Lewis (2012) identified three types of research studies, namely explanatory, descriptive and exploratory. They made the following distinctions between the three types of studies:

- Explanatory research studies look for explanations for particular occurrences and causal relationships.
- Descriptive research studies describe phenomena without analysis and explanation of why the phenomena occur.
- Exploratory research studies are appropriate for discovering general information on a topic that is not clearly understood by the researcher and may provide tentative answers.

Myers (2013) posited that the benefits of qualitative research are that it allows for understanding and insight into the context of decisions made and actions taken. This research study used a qualitative design methodology. The reason for the qualitative method was the need for greater understanding into the complex relationship between HPWS and organisational performance. Furthermore, the context of the implementation and outcomes of HPWS were deemed important to gain greater insight into the impact on organisational performance. Thus, a qualitative design was appropriate.

The usual ways of conducting exploratory research is through academic literature review and conducting interviews (Saunders & Lewis, 2012). Saunders & Lewis (2012) further postulated that semi-structured interviews allow for flexibility due to the responses from participants, by removing, adding or changing the order of questions, based on the relevance of the questions.

Semi-structured interviews were used for this research study, which allowed for the exploration of new themes that emerged from the respondents' answers. The respondents were from diverse industries and the semi-structured interviews allowed for minor changes to questions that made them more relevant to the specific respondents.

## 4.2 Population

The population is defined as the complete set of group members (Saunders & Lewis, 2012). The exploratory nature of the study meant that the population was unknown. The respondents in this research study are defined as senior human resource (HR) professionals. They have vast experience in all human resource (HR) matters and a thorough understanding of the potential contributions of HPWS as well as the challenges within the HR environment. The majority of respondents were responsible for the management of human resources in large organisations. They were able to contribute to the study from both a human resource perspective as well as a strategic management perspective, due to the seniority of their present and past positions. The respondents were selected from a diverse range of industries, which added to the scope of knowledge and insights. The respondents represented the following industries:

- Information technology
- Industrial
- Finance
- Mining
- Resources
- Media
- Insurance
- Banking

## 4.3 Sample

A sample is a subset from the whole population (Zikmund, Babin, Carr, & Griffin, 2012). The sample for the research study was senior HR professionals who had extensive HR experience, as well as experience at a strategic level who would be able to contribute to the complexity of the HPWS-performance relationship. A non-probability, purposive sampling technique was used, since the selection of sample members was based on the researcher's judgment and some of the population had a chance of selection and others not (Saunders & Lewis, 2012). A sample size of ten senior HR professionals was chosen from diverse industries. This sample size was deemed sufficient to gain the insights required to meet the objectives of the research and avoid data saturation. Data saturation is said to occur when no new insights can be gained from more data collection (Saunders & Lewis, 2012).

The diverse nature of the sample allowed for insights into different industries, which significantly contributed to the research. A detailed description of the sample follows:

**TABLE 1: THE SAMPLE DESCRIPTION**

<b>Participant's names</b>	<b>Designation</b>	<b>Organisation</b>	<b>Industry</b>
Pumeza Bam	Group HR Director	EOH	Information technology
Fergus Marupen	Global Head of HR	Sappi	Industrial
Linda McMullin	Head of Human Resources for Wealth and Investment management	ABSA	Finance
Retha Piater	Executive Head of Human Resources	Exxaro	Mining
Jacques Gouws	Vice-President for Human Resources	Sasol	Resources
Virginia Tyobeka	Executive Head of Human Resources	Khumba	Mining
Leone Fouche	Human Resources Manager	Media24	Media
Penny Tlhabi	Head of People	Discovery	Insurance
Nicky Hurlimann	Head of Center of Expertise	First National Bank	Banking
Melissa Swanepoel	Human Resources Manager	Brait	Finance

## 4.4 Unit of analysis

The unit of analysis of this research study was the views and opinions of senior HR professionals on the association between HPWS and organisational performance.

## 4.5 Data collection

The data for the research study was collected using face-to-face interviews. The researcher gained access to the respondents through the use of professional networks. All ten interviews were scheduled in advance and lasted an average of forty-five minutes. All interviews were held at the respondents' company premises within a suitably professional environment. The environments for all interviews were conducive to both the respondents' and researcher's focused attention and discussion.

At the start of the interviews all respondents agreed to sign the letter of consent (Appendix 1). Thereafter, the respondents were led through the interview guide (Appendix 2). The semi-structured interview format allowed for deeply involved discussions and the respondents were comfortable in sharing experiences. All ten respondents were comfortable in answering all research questions and permitted the recording of the interviews. An independent scribe transcribed all ten recorded interviews.

## 4.6 Data analysis

The interview transcripts were analysed and divided into different themes. It was noted that the challenge in qualitative research is the risk of personal bias that may influence the interpretation of data and the final narrative on the findings (Marshall & Rossman, 2006). Content analysis was used to analyse the text data.

### 4.6.1 Content analysis

Content analysis is widely used in qualitative data to analyse text data (Hsieh & Shannon, 2005). The text data was coded prior to content analysis, as recommended by Myers (2013). The codes were captured on a spreadsheet in Excel and frequency analysis was applied to establish the occurrence of themes.

## 4.7 Limitations

All research projects have limitations due to the conceptual framework and the research design (Marshall & Rossman, 2006). The following potential limitations of the research study were identified as:

- The findings of qualitative research are not generalisable.
- Senior HR professionals were interviewed due to their experience and knowledge. However, the fact that they were responsible for the HPWS in their organisations may have led to response bias.
- The senior HR professionals might have been too far removed from the practical impact of HPWS at the operational level.

## Chapter 5: Results

The research findings presented in this chapter align with the research questions in Chapter 3. The semi-structured interviews allowed for the exploration of answers and deeper insights into the research questions. The observations that pertain to each research question are discussed and pertinent quotations are provided to support each theme.

Ten face-to-face interviews were held over a period of eight weeks. These interviews were conducted with senior human resource (HR) professionals from a range of industries such as banking, mining, ICT, manufacturing and insurance. The positions held and years of experience of the respondents, allowed for valuable insights into the research questions.

All the respondents permitted the recording of the interviews and were comfortable with answering the questions. A signed informed consent letter was also provided. Thereafter, an independent scribe transcribed the interviews. The scribe verified that the notes were factually correct transcriptions of the recorded interviews. The transcribed interviews were analysed using content analysis and the key factors were grouped using Excel.

### 5.1 Research question 1

#### **What is the prevalence of high performance work practices (HPWPs) in organisations?**

This research question was tested using the skills, motivation and opportunity enhancing framework, also called the AMO framework, as applied by Jiang et al. (2012). This study performed a meta-analysis and used this framework to categorise individual high performance work practices (HPWPs) into skills, motivation, and opportunity enhancing. The purpose of the study was to investigate the relationship between these three categories of HPWPs and organisational performance.

The three categories are outlined as follows:

#### **Skills - enhancing HPWP**

- Recruitment
- Selection
- Training

#### **Motivation - enhancing HPWP**

- Performance appraisals

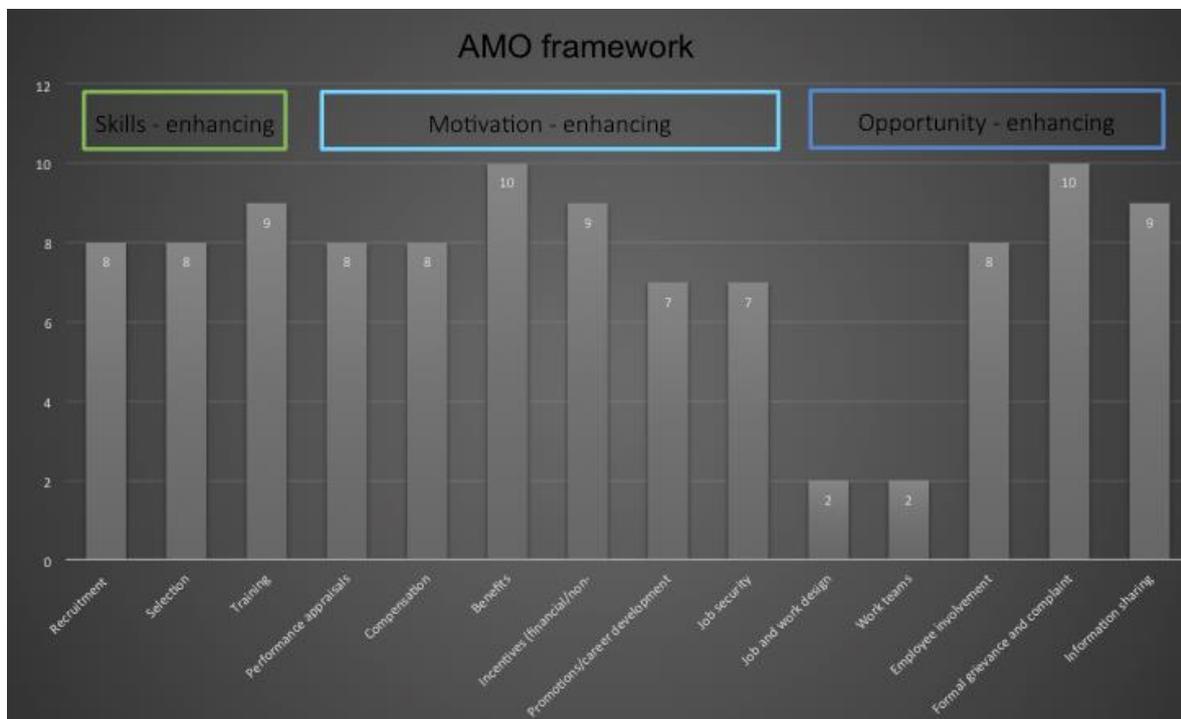
- Compensation
- Benefits
- Incentives (financial and non-financial)
- Promotions / career development
- Job security

### Opportunity - enhancing HPWP

- Job and work design
- Work teams
- Employee involvement
- Formal grievance and complaint processes
- Information sharing

The respondents were asked to describe and explain each of the different HR practices currently implemented by their organisations. Content analysis was used to analyse the descriptions from the respondents and these were assessed against the above framework of 14 HPWPs taken from Jiang et al. (2012), to identify the presence of HPWPs. The results are displayed in Figure 1:

FIGURE 3: THE PREVALENCE OF HPWP'S PER AMO FRAMEWORK IN RESPONDENTS' ORGANISATIONS



### Skills-enhancing category

A prevalence of all three skills enhancing practices was found in eight respondents but nine of the ten respondents employ extensive training and development practices.

### Motivation-enhancing category

The most prevalent HPWP found in this category was benefits with all ten respondents reporting to have implemented this practice. The lowest prevalent HPWPs were promotions / career development and job security. In eight of the ten respondents performance appraisals and compensation were prevalent and nine of the ten respondents showed a prevalence of incentives.

### Opportunity-enhancing category

Formal grievance and complaints processes were the most prevalent and present in all ten respondents' organisations. The lowest prevalence was found for job and work design and work teams. Eight of the ten respondents showed prevalence for employee involvement and nine out of then had a prevalence of information sharing.

FIGURE 4: PREVALENCE OF HPWPS PER RESPONDENT

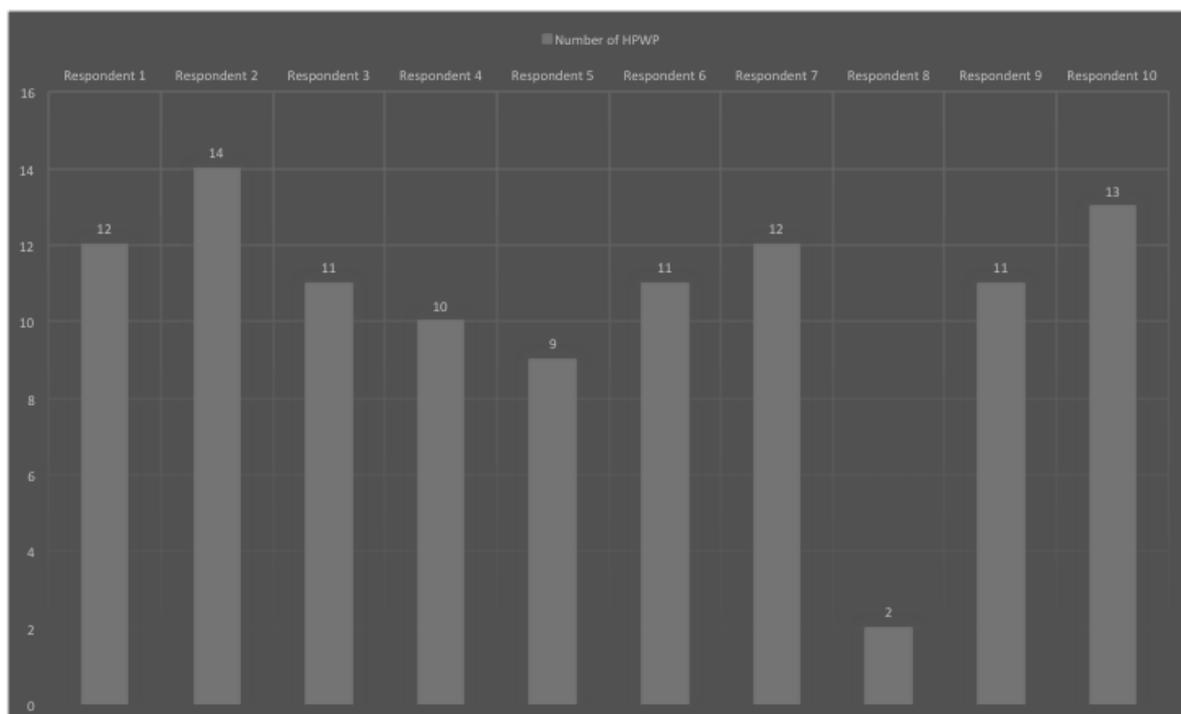


Figure 4, depicts the HPWPs, which were identified in each respondent's organisation. The general trend was high prevalence. This also indicated that all ten respondents had very similar

HPWPs, excluding one respondent. The notable difference was with respondent 8, where only two HPWPs were found. Respondent 8 was also by far the smallest organisation, relative to the other respondents. The second lowest prevalence was found with respondent 5, where nine of the HPWPs were identified.

## 5.2 Research Question 2

### Which HPWPs are perceived to contribute most to organisational performance?

The respondents, based on their experience and specific organisational context, identified several different HR practices. Content analysis was used to identify the individual HR practices. These HR practices were ranked according to the frequency with which the respondents identified them. The ranking is deemed to be an indication of the significance of the HR practice in contributing to organisational performance. The ranking is reflected in Table 2.

TABLE 2: HIGHEST CONTRIBUTING FACTORS TO ORGANISATIONAL PERFORMANCE

Rank	Which HPWPs are perceived to contribute most to organisational performance?	Number of respondents
1	Attracting and retaining talent through an employee value proposition	4
2	Recruitment and selection	3
3	Training and development	3
4	Performance management	3

### Attracting and retaining talent through an employee value proposition

Four of the 10 respondents identified their employee value proposition (EVP) as an important contributor to organisational performance. Some respondents highlighted the importance of a strong and attractive company brand to enhance the EVP. Social media was mentioned as extremely useful in marketing the employee value proposition (EVP) as well as advertising positions. Some of the respondents' views were:

- *“Our attractiveness in terms of the value proposition that we are able to articulate for people around speed of change, the constant movement in the organisation, the high performance type of expectation I think contributes very highly to high performance.”*
- *“And we have had quite a big success in the US, attracting US employees to a South African organisation. So I think that is also together with the culture and the value*

*proposition, I think those are two leaders from an attraction as well as a retention perspective.”*

### **Recruitment and selection**

The respondents identified recruitment and selection as a HR practice that significantly contributes to organisational performance. Some respondents highlighted the importance of recruiting employees who fit the culture. This links to the result in research question 4 where culture was identified as the most significant influencing factor on the effectiveness of HPWS.

- *“Training and development and how we recruit. Those two things are absolutely (critical).”*
- *“It’s getting the best people so for me that is why I say recruitment is the most important for me. Making sure we have the right people and the right culture fit from all of the smartest and the brightest.”*

### **Training and development**

Three respondents emphasised the importance of training and development in positively contributing to organisational performance. For some respondents the investment in training and development extends to bursaries and partnerships with educational institutions to offer industry specific courses, which address the need for technical skills. A number of respondents highlighted the focus their organisations placed on management and leadership development programs. Some respondents’ views were as follows:

- *“Yes, training and development you definitely want that and the way that you go about developing people because ultimately if you put it like that from a, I just look at where do I spend most of money it is in that particular space, you know because it is about, apart from improving the skills, but it is also making the provision for the future etcetera.”*
- *“We are actually sponsoring people that is at university to drive some of the stuff from the part of people management point of view so that is people that are at university at KZN that we pay that helps to make sure that from a curriculum point of view it stays relevant etcetera.”*

### **Performance management**

Performance management emerged as one of the top ranked HR practices, identified by three respondents. The majority of respondents confirmed their performance appraisals are online systems and performance reviews are based on key performance indicators as well as behavioural indicators, aligned to the company’s culture and values. The respondents also emphasised the need for performance reviews to recognise individual performance. Some of the respondents’ views were noted as:

- *“So, for example, we have realigned our performance management processes. The SDI and also in terms of empowered accountability, we have focused much more on the individual contributions. In the past our short-term incentives was a group factor, a business unit factor. This year we have also introduced an individual performance factor. So although the team is important we have actually gone the way of saying, but we also need to recognise individual contributions. And that has been a major shift in our organisation”*
- *“The foundation of (the performance management system) is our organisation philosophy and what we call our work life constitution. So it is the values by which we live. That is the foundation.”*

### 5.3 Research Question 3

#### **Which HPWPs are perceived to contribute less to organisational performance?**

Initially, most respondents had difficulty in answering this question, since they thought all the HR practices played a role in contributing to the organisational performance. Further probing by the researcher allowed for a different perspective on the research question.

It should be noted that the ranking is not a reflection of the perceived contribution to organisational performance. The responses reflected the HR practices identified by the respondents as those that needed improvement as a result of inconsistent implementation or not entirely meeting the needs of the organisation. The different HR practices were identified and ranked based on the frequency of responses. The ranking is reflected in Table 3.

TABLE 3: LEAST CONTRIBUTING FACTORS TO ORGANISATIONAL PERFORMANCE

<b>Rank</b>	<b>Which HPWPs are perceived to contribute less to organisational performance?</b>	<b>Number of respondents</b>
1	Performance management	4
2	Reward and recognition	3
3	Performance based pay	3
4	Skills training	2

## Performance management

As with all responses to Research Question 3, the responses are indications of the need for improvement of performance management.

Four respondents indicated that performance management had contributed less significantly to organisational performance. However, this is not an indication of the value of an effective performance management process that is implemented consistently. The fact that the respondents identified the need to improve performance management is in itself a strong indicator of the perceived value of performance management. A number of respondents indicated that the management teams were not comfortable in providing constructive feedback to employees, which is a major challenge for the consistent and effective implementation of performance management. One respondent indicated that there is no recognition for the value of performance appraisals and it is merely an administration exercise. Furthermore, a respondent thought managers avoid the conflict of managing poor performance by employing other HR practices such as training and development. Some of the respondents' views were:

- *“It is just, I think if you talk about performance management specifically, my view is that people don't want to give bad news. And they go through the process for the sake of HR because of that. The moment when they start doing it properly, and you can see it with the guys that are really doing it properly; they go through the process to make sure that they achieve certain objectives. And there you get improvement and there is action and that is always, you can go and look at your high-performing sections, good performance management in place.”*
- *“I think maybe our philosophy around performance management is unclear and we need to just, I mean, we like the idea of conversations because they are less threatening but we think we need to maybe give our leaders, give them the capability to have difficult conversations so we think this is not a culture that (is hesitant) to have difficult conversations.”*
- *“Well, you get your performance appraisal review done, dusted, filed. None of the directors look at that.”*
- *“So you see that they tend to send people on training instead of managing the conflict of performance.”*

## Reward and recognition

Three respondents identified reward and recognition as the HR practice in most need of improvement, since they recognise the value in reward and recognition practices in competing for talent. Some respondents indicated that their organisations had prestigious annual recognition and reward practices in place, but the more informal and regular reward and

recognition practices can be improved. This assessment is based on feedback from employees. One respondent also highlighted the benefit of management gaining credibility through reinforcing the required behaviours through informal rewards. Some of the respondents' comments were:

- *"... it is often forgotten, but being able to reward and reinforce and, like I said earlier on, validate. I find if you don't do that you lose credibility as a manager..."*
- *"... there has been feedback from employees that day to day or month to month thank you and recognition can improve. I am just giving you that as an example. So probably the recognition there could be some improvement because we tend to be on the group big ones and then on a daily basis people do the best. So that recognition can be better."*
- *"I think it plays a critical role so remuneration and incentivising people is your ticket to the game so you need to get it right as a company to be able to compete in the talent market."*

### **Performance-based pay**

Three of the 10 respondents identified the need to improve the relationship between performance or productivity and pay. One respondent highlighted the challenge of meeting industry regulations in terms of wage and salary increases, without the increase in productivity required for the sustainability of the business. The same respondent also highlighted the bargaining power of trade unions that negotiate unsustainable salary and wage increases, failing to promote commensurate increases in productivity. Another respondent indicated there is no link between performance review outcomes and annual salary reviews in the organisation. This has led to the perception that this organisation is too soft on its people. However, this is being reviewed by the company and should change in future. The salient responses were:

- *"...productivity declined by 50 percent since the '70's in South Africa. And that is a reality, in the mining industry. However, remuneration a hundred times increased. The ratio, rand per output. And that has a huge impact on the viability of a lot mining companies in South Africa. So the pressure, double digit increases, CPI plus 5, CPI the whole Union drive, is all – everything is just contributing to your labour bill."*
- *"...there are increase percentages are actually, maybe going to the future we'll use those but like I say, usually people get the average in terms of (increases), except if, I mean, there's recognition, something you negotiate with the boss..."*

### **Skills training**

Two respondents highlighted the need for improvement in their skills training. One respondent commented on the lack of technical skills in South Africa and how this is negatively affecting

the organisation. The exodus of technical skills to other countries further exacerbates this, according to this respondent. Another respondent intimated that their organisation simply tries to comply with the Skills and Development Act, but the training plan is simply a document and is not implemented with any strategic intent. The respondents' comments were:

- *“So there is also, I think, and I haven’t seen the latest stats, but there is a shortage of these hard core technical skills.”*
- *“South Africans, especially the experienced ones, are still quite popular or, I mean sometimes literally these companies come and put up some tents and recruit the guys. Now some of them come back because of culture and that sort of stuff.”*
- *“I basically just wing it when I do the training plan for next year. I just compare it to what we did before and try and match it to what we are planning to do for the next year.”*

## 5.4 Research Question 4

### **Which organisational factors mediate the contribution of HPWS to organisational performance?**

The context and implementation of HPWP must be considered in determining the effects on organisational performance (Guest, 2011). The respondents had differing views on the most influential organisational factors that contribute to the effectiveness of HR practices.

Content analysis was employed to uncover the influential factors that influence the contribution of HR practices to organisational performance. These factors were ranked according to the frequency with which the respondents identified them. The ranking is deemed to be an indication of the factor's level of influence on the contribution of HR practices. Table 4 reflects the highest ranked factors that influence the contribution of HR practices to organisational performance.

**TABLE 4: MEDIATING ORGANISATIONAL FACTORS BETWEEN HR PRACTICES AND ORGANISATIONAL PERFORMANCE**

<b>Rank</b>	<b>Which organisational factors mediate the contribution of HPWS to organisational performance?</b>	<b>Number of respondents</b>
1	Culture	9
2	Leadership	7

3	Employee engagement	5
4	Connecting with employees	3

### Company culture

Nine of the 10 respondents felt that the culture of the organisation had the biggest influence on the contribution HR practices made to organisational performance. The respondents thought that the culture of a company could be a source of differentiation and that the HR strategy and business strategy should be aligned in support of the organisational culture. Some respondents were of the opinion that the organisational culture fit had a direct influence on employee turnover, which is viewed as a major factor in driving organisational performance. Some of the views expressed were:

- *“At the end of the day I believe people leave cultures.”*
- *“So almost, if you would, the onion around all of this, from a business perspective, is what we frame as a high performance culture.”*
- *“...I really think we have a culture and a climate where people like to work in. And that in itself contributes to actually at the end the performance of the organisation.”*

### Leadership

Leadership was the second highest ranked factor, identified by seven of the 10 respondents. The respondents thought that HR can build strong performance cultures and that good leadership was an important component. Some respondents expressed the need for clarity from leadership in terms of the organisational strategy. This provides an enabling environment for human resources (HR) to support the leaders (CEO's) and organisational strategy. Some of the respondents' views were:

- *“I guess the important part is the clarity that needs to be provided in terms of what it is that we want to achieve, so clarity from a leadership point of view.”*
- *“...if you build your high performance culture, one important element is basically a leadership component.”*
- *“...you can actually pick up in certain areas where their own financial success has come from the ability of the managers, their leaders, their team leaders, to be able to manage their people properly.”*

### Employee engagement

Five of the ten respondents identified employee engagement as a major factor. The importance of employee engagement is reflected in the high number of respondents who have implemented employee surveys to gauge the level of employee engagement. The respondents

were of the opinion that employee engagement should be consistently assessed and declining levels of engagement should be addressed immediately. The respondents expressed their views in the following ways:

- *“...one of our high performing culture elements is, employee engagement and enablement.”*
- *“... even though we are retrenching, but we are still asking them about all aspects of our policies and then aspects around engagement and what company they think we are.”*
- *“...from a people point of view there is engagement levels, there are certain environmental stuff, air emissions, water quality issues, there is certain from a procurement point of view. So we have got that whole sustainability component of different targets that we set for different regions.”*

### **Connecting with employees**

The ability to connect with your employees was ranked fourth, as identified by three of the 10 respondents. Connecting with employees was identified as an important factor in establishing productive relationships, which in turn creates an environment for employees' affective commitment to the organisation. Some of the respondents' opinions were:

- *“I mean it is interesting because our performance management process is called Connect and the principles behind Connect is me connecting with you as a person working for me and me being clear with you around terms of these are the expectations, this is what success looks like.”*
- *“But communication is just not that, it is more actually about how leaders engage (connect) with the business in terms of messages that get (sent),”*

## **5.5 Research Question 5**

### **What is the level of support and buy-in for HPWS from management?**

The respondents had similar thoughts on this research question, informed by their experience. All ten respondents were of the opinion that there is a significant difference in buy-in and support based on management level. Nine of the ten respondents thought they had buy-in and support from senior management, but experience resistance from middle and lower management. One respondent has no middle management structure and therefore could not comment on buy-in and support from middle and lower management. This respondent confirmed support and buy-in from senior management. The results are detailed in Table 5:

TABLE 5: SUPPORT AND BUY-IN FOR HPWS FROM MANAGEMENT

Rank	What is the level of support and buy-in for HPWS from management?	Number of respondents
1	Executive and senior management support the implementation of HPWS	10
2	Middle and lower management resist and challenge the implementation of HPWS	9

### **Executive and senior management support the implementation of HPWS**

All ten respondents thought that they had the consistent support and buy-in from executive and senior management. They contributed this to being consistent in their approach, having credibility, adding perceived value, and being seen as true business partners

The respondents shared the general view that executive and senior management challenged the implementation of HPWS in a constructive manner and there was a high level of engagement on HR matters. Some of the respondents expressed their views in the following ways:

- *“...it comes back to the leaders in the organisation, how they see the importance and the value that has been created by what HR support, what HR give to them.”*
- *“I think if you look at senior management and the executive team I think there is a lot of regard for the HR processes. I think they all know that we have excellent processes. And I think there is buy in for the majority. It is actually I think what is great is they will challenge it. And I think that is maybe sometimes where HR makes a mistake if they don't allow that because it gives you new perspective.”*

### **Middle and lower management resist and challenge the implementation of HPWS**

Nine of the ten respondents experienced resistance from middle and lower management levels with the buy-in and implementation of HPWS. One respondent has no middle management structure and could therefore not answer this question. Some respondents felt that the resistance was as a result of the middle and lower levels of management did not always understand the need for the HPWS or the rationale behind them. A number of respondents also thought that the operational pressures were the reason for the resistance. Some of the respondents' views are were:

- *“...because the more senior managers are closer to the decision making around this so they understand the rationale versus the more junior managers who just literally see, I have now got to do this as well.”*
- *“I think that the management of the organisation has resisted really strongly, needing to take over that HR functionality because frankly they think that it stops them from being able to get on with their business. So the mind shift has not taken place that says, actually my job as a manager is I am managing a process, I am managing systems and I am managing people. And if I am outsourcing my people management to HR I am actually only concentrating on two pillars of my management responsibility.”*

## 5.6 Research Question 6

### How consistently are HPWS implemented?

The respondents had differing opinions on this research question. The majority of the respondents admitted that there was not sufficient consistency. Most respondents were of the opinion that the consistency of implementation related to the level of buy-in from middle and lower management and that this was a challenge that needed to be addressed through constant training to improve their HR knowledge. The results are reflected in Table 6:

TABLE 6: CONSISTENT IMPLEMENTATION OF HPWS

Rank	How consistently are HPWS implemented?	Number of respondents
1	The consistency of implementation can be improved	7
2	There is consistent implementation	3

### The consistency of implementation can be improved

Seven respondents rather reluctantly admitted that, based on their experience, there was a lack of consistency in the implementation of HPWS in their organisations. The lack of consistency was linked to the resistance of middle and lower management as was found in the results of research question 5. Some respondents thought that increasing the understanding and knowledge of the benefits of HPWS would improve the level of consistent implementation. The level of support for management was also highlighted as a requirement to gain buy-in and support for the consistent implementation of HPWS. One respondent experienced an increase in consistency due to co-creation of policies and HPWS with management at all levels. The idea of fit-for-purpose policies and practices was also raised as important in increasing buy-in and consistency in implementation. Some of the respondents' views were:

- *“And so the aim behind that is to force managers to take accountability for various of the transactional type of activities, previously known HR activities, supported very strongly by an HR call center and an operations arm behind the call center.”*
- *“...it is about the relevance of the policies and it is also around the governance of the policies. And again, and also what we have done is we have also started to co-create our policies and I think that is an important factor. I mean if somebody in Head Office designs something and says, thou shall, and it doesn't make sense here, then it is not going to be used.”*
- *“To say, we might internally within the function think, sherbet, but this is a Rolls Royce but actually the line just needs a fork in it. So we have also I think, there toned down one of those fit-for-purpose solutions. So one of the things, and that is where we warn, it is technology guys, you are making it so difficult for me to do my job. So that is where we started with the whole technology enablement. I don't want all the bells and whistles on the performance appraisal form, I want the one pager with three elements, and that is it. Our performance appraisal is a one pager.”*

### **There is consistent implementation**

Three of the ten respondents felt that there was sufficient consistency in the implementation of HPWS in their organisations. The general consensus was that it takes time to gain a level of consistency in HPWS implementation. The respondents thought that the way in which HR was perceived by the management team played a role in the consistency of implementation. The concept of co-creation was listed as an important factor in achieving consistent implementation. Some of the respondents' views were:

- *“We really worked very hard for the past number of years to become business partners in the true sense of the word and not the admin people. Obviously they challenge stuff but we really align our HR practices with the business model and the business plans.”*
- *“...in HR you have never arrived, you know it is like continuously working and it, demonstrating what it is, where are the changes, what are those bottlenecks that we need to resolve, what newer type of ideas should come in to the business and what we would like to drive. And then show consistency.”*

## **5.7 Conclusion of research findings**

The data collected from the ten respondents has sufficiently answered the six research questions. In addition, valuable insights have been gained concerning the prevalence of HPWPs, the level of implementation of HPWS, the perceived contribution to organisational

performance of specific HPWPs and the organisational factors that influence the effectiveness of HPWS. An in-depth discussion of the results of the research questions follows in Chapter 6.

## Chapter 6: Discussion of results

In this chapter the research results from the semi-structured interviews, data coding and analysis will be discussed and interpreted with reference to Chapter 2. The discussion highlights the key themes and insights that were uncovered in Chapter 5 in relation to each research question in Chapter 3.

### 6.1 Research question 1

#### **What is the prevalence of high performance work practices (HPWP) in organisations?**

##### **Prevalence of HPWPs per AMO category**

The skills-enhancing category showed a high prevalence for all three HPWPs. The findings may be an indication of the focus placed on attracting and developing talent within the respondent's organisations. This was also confirmed by some of the respondents, in response to research question 2 and research question 3.

The motivation-enhancing category showed slightly more variety in the findings. The lowest prevalence was with promotions and job security. A deeper analysis of this finding confirmed that the relevant respondent organisations had or were in the process of restructuring. Thus, the finding would be indicative of the current climate in the organisation with regards to promotions and job security. Organisational climate is said to relate to employee relations practices and an indication of the values ascribed to the organisation (Posthuma et al., 2013; Schneider et al., 2013). Thus, the restructuring processes may have impacted on the respondents' perceptions of these two HPWPs.

The opportunity-enhancing category showed the most variance in prevalence between HPWPs. The noteworthy absences were work teams and job and work design. Nine of the ten respondents came from large corporates where work teams and work design may not fit the strategy of the organisation. This may indicate that the external fit of the HPWS was a considering in the implementation of HPWS. The external fit is said to imply an alignment between the HPWS and the strategic objectives of the organisation (H.-Y. Ngo et al., 2011).

##### **High prevalence of HPWPs**

The responses indicated a high prevalence of HPWPs in nine of the respondent organisations. One of the respondents, respondent 8, confirmed a low presence of HPWPs, specifically two

of the fourteen HPWPs were identified. It is note-worthy that this respondent also had significantly less employees, compared to the other nine respondents making it the only smallest organisation in the sample. This is in line with research studies that found that HPWS are not widely adopted by small organisations (Kroon et al., 2013). The two HPWPs that were identified were extensive benefits and formal grievance and complaint processes. Therefore, one HPWP in motivation-enhancing and one HPWP in opportunity enhancing were identified. This finding partially supports Kroon et al. (2013), who found that ability and motivation enhancing HPWP were less evident in smaller firms. Also, the stringent labour legislation in South Africa may explain the presence of formal grievance and complaints processes by respondent 8, similar to the other nine respondents.

The high prevalence of HPWP in nine of the ten respondent organisations may reflect a perceptual understanding of the importance of HPWS and its effect on organisational performance. Alternatively, it may also reflect an understanding of the importance of having competitive HPWS to compete with other organisations for talent within a very competitive business environment. This alternative view links to the results that highlighted the importance of the employer brand and EVP of organisations.

The respondent organisations operate in diverse industries, but very similar HPWP were identified. The high prevalence of HPWP may also be indicative of the HR competency within the respondent organisations, given the seniority and experience of the respondents, as noted in section 4.2. This supports the findings of H. Ngo et al. (2014), who found a positive relationship between HR competence and the level of adoption of HPWS.

## 6.2 Research Question 2

**Which human resource (HR) practices are perceived to contribute the most to organisational performance?**

### **Attracting and retaining talent through an employee value proposition**

The research supports the literature in that the EVP can be a source of competitive advantage and provide sustained available talent for the organisation (App et al., 2012). A well designed and competitive EVP does not only attract talent, but also acts as a talent retention mechanism by informing current employees of all the benefits and value gained from employment at the organisation (App et al., 2012).

The positive responses from the interviews can be seen as indicative of the importance attributed to a competitive EVP. The respondents also highlighted the importance of a strong

company brand as an important determining factor for the success of the EVP. Wayne & Casper (2012) argued that a strong employer brand derived from employee-centered HR practices and policies is important in recruiting. This seems intuitively rational since people are attracted to brands they perceived to provide value. This is not dissimilar to the marketing concept of customers' perceived value in goods and services from suppliers or service providers. Thus, the potential recruit perceives more value offered by one organisation compared to another and this influences their employment decision.

The top ranking of EVP reflects the importance of attracting and retaining talent in today's highly competitive business environment. The research finding suggests that EVP should be added to the list of HPWPs that make up a HPWS. EVP is related to recruitment and selection, but extends beyond the recruitment function since EVP markets the employer brand (Kunerth & Mosley, 2011). As noted in chapter 2, the components of HPWS are not consistent. The addition of EVP as a component of HPWS would be an important addition to the contributions made to by HR to organisational performance through the attraction and retention of talent.

### **Recruitment and selection**

Recruitment and selection was ranked second in terms of its influence on organisational performance. As shown above, this practice can be distinctly separated from EVP, since EVP markets the employer brand and extends beyond the recruitment function (Kunerth & Mosley, 2011). A number of respondents highlighted the importance of minimising the risk of employing the wrong people through stringent recruitment and selection practices. Thus, the benefit is gained through risk management. The second benefit is that when you employ the right employees, the organisation requires less of the other HPWP to mediate the organisational performance link. Less training and development, performance management and other HPWP are required to gain the contribution to organisational performance from these individuals. Therefore, the assumption can be made that employing the right people reduces the total amount of investment required into HPWS.

However, these benefits can only be achieved if the recruitment and selection practices are integrated with the business strategy and implemented consistently. Chanda et al. (2010) found that the strategic integration of recruitment and selection was positively related to market share, profit growth, employee productivity and employee satisfaction. The respondents' ranking of recruitment and selection indicates alignment with the literature in terms of the perceived importance of recruitment and selection practices.

## **Training and development**

Training and development was ranked third in terms of its perceived influence on organisational performance. This supports Thang, Quang, & Buyens (2010), who found that training has a significant impact on both financial and non-financial organisational performance outcomes.

Management and leadership development was consistently mentioned as a key focus area amongst the respondents. This key theme of management development training programs that emerged from the research supports Sheehan (2012), who found that the expenditure on management development is no longer discretionary but essential to achieve competitive advantage.

## **Performance management**

This response needs clarification. Performance management was ranked high for contributing most as well as least to organisational performance (see next section). This apparent contradiction can be explained by the fact that the respondents were of the opinion that performance management practices are very important to the performance of the organisation, but had to be improved. Thus, the respondents ranked performance management high in response to research question 2 and research question 3. This highlights the conceptual understanding of the importance of performance management but the apparent lack of efficient and effective implementation of this practice.

Colville & Millner (2011) found that the majority of businesses recognise the need for performance management as crucial to organisational performance. This is supported by the respondents' views. However, the lack of consistency in HPWS implementation as noted in section 5.7.1, may point to the lack of embeddedness of the performance management practice, which would be consistent with the findings of Colville & Millner (2011). Thus, the assumption can be made that the practice of performance management was not effectively embedded in the respondents' organisations.

In summary, the respondents ranked attracting talent through a well-developed employee value proposition (EVP) as the HPWP that contributed most to organisational performance followed by recruitment and selection, training and development and performance management. This indicates that the HPWPs that contributed most to organisational performance align with the requirements of knowledge management, as prescribed by the KBV. According to the KBV, an important source of knowledge is that contained within individuals (internal or external talent).

This finding is in line with the KBV literature of Jimenez-Jimenez & Sanz-Valle (2012), who found empirical evidence for the positive relationship between knowledge management and HR management. More specifically, they found that staffing, training, career development and performance appraisal (performance management) were key to enhancing knowledge acquisition. These practices align with the finding of the research study and support the argument that the KBV is more relevant than the RBV.

### 6.3 Research Question 3

#### **Which human resource (HR) practices are perceived to contribute the least to organisational performance?**

As noted previously, the following responses are an indication of the practices that needed most improvement and not an indication of the lack of importance of these practices in contributing to organisational performance.

##### **Performance management**

Four respondents indicated that performance management contributed less significantly to organisational performance. The insights that relate to the practice of performance management have already been noted in section 6.2.

##### **Reward and recognition**

Three respondents indicated that reward and recognition needed improvement. This was highlighted by employee surveys done by the respondent's organisations. Furthermore, it is worth noting that reward and recognition practices were in place, but positioned at a highly formalised level within the organisations. Recognising and rewarding performance or discretionary effort by individuals promotes healthy employee-management relationships, which, in turn, promotes improved performance (Messersmith et al., 2011).

Reward and recognition should be an outcome of good performance at an individual level, which motivates and promotes similar behaviour in others. Thus, the theme of ineffective performance management that emerged from the research, may translate into a perception of poor recognition and reward practices.

### **Performance-based pay**

Gong et al. (2010) found that rewards and compensation that were based on performance elicited commitment from employees. The respondents highlighted three reasons for pay not being in line with performance. These were:

- Performance management systems were not aligned to pay increases and rewards.
- The impact of industry regulations.
- The influence of trade unions.

Industry regulations and the influence of trade unions were not within the control of the affected organisations, but a reality of their business environment. The third reason namely, performance management, pointed to ineffective performance management systems that do not drive performance through performance-based pay. The imbalance between pay and performance had an effect on the employees' commitment which would affect their discretionary effort as well as their commitment to stay with the organisation. This ultimately affected organisational performance.

### **Skills training**

A number of respondents highlighted the challenge of a lack of skills in the South African labour market and view it as one of the biggest challenge faced by their organisations. This is further exacerbated by the so-called brain drain in highly technical and specialised areas. Some respondents raised concerns pertaining to the education system in South Africa and this ultimately affects the amount of highly skilled talent entering the labour market. A number of respondents confirmed that generic and functional training courses such as Microsoft Office programs were available for their employees, but the emphasis was on training and development aligned with the talent management programs.

Organisations are becoming increasingly proactive in addressing the skills gap through bursary schemes and partnering with educational institutions. In this way, organisations ensure the partner institutions provide appropriately skilled talent that can be employed by these organisations.

## 6.4 Research Question 4

### **Which organisational factors mediate the contribution of HR practices to organisational performance?**

#### **Organisational culture**

Nine of the ten respondents were of the opinion that organisational culture was the most influential mediator in the link between HPWS and organisational performance. This finding is in line with Chow (2012), who found that organisational culture acts as a mechanism through which HPWS contribute to organisational performance.

Employees need to understand and be comfortable with the culture of an organisation in order to perform to their potential. Hartnell, Ou, & Kinicki (2011) argued that the executive leadership should consider the match between organisational culture and strategic initiatives, like HPWS to embed a culture that produces competitive advantage. The person-culture fit would also lead to a comfortable working environment for employees and ultimately play an important role in employee retention. This again stresses the importance of hiring the right people and not only matching skills and knowledge but also ensuring a culture fit. This also reiterates the importance of well-developed recruitment and selection practices as discussed in section 6.3.2.

#### **Leadership**

The respondents ranked leadership as the second most important mediating factor in the link between organisational performance and HPWS. This research finding is in line with Woodrow & Guest (2014), who found that organisational leadership and supporting policies are required to create an environment where human resource management can be implemented fully and effectively. The top ranking of organisational culture followed by leadership, supports Pereira & Gomes (2012), who found that organisational culture mediates leadership's impact on performance.

The buy-in and commitment to HPWS are therefore directly influenced by the leaders of the organisation based on their own actions, but also based on how their actions and behaviour are perceived by their followers. The leaders of the organisation play a crucial role in ensuring consistent implementation of HPWS, since they have control over the pressures of lower level management to perform and achieve organisational objectives (Chadwick et al., 2015). The leadership team can assist in HPWS implementation by not putting middle and lower management into a precarious situation where they need to choose between the implementation of HPWS and achieving operational objectives.

## **Employee engagement**

The level of employee engagement was ranked as the third most influential organisational factor that mediates HPWS and organisational performance. The research supported the literature that found that employee engagement was associated with the retention of employees (Colville & Millner, 2011).

A number of respondents indicated that their organisations employ engagement surveys to gauge the level of employee engagement. Since employee engagement consists of two primary performance drivers namely, discretionary effort (productivity) and the intention to leave, the level of employee engagement is understandably an important organisational measure. The feedback from these surveys must be analysed, interpreted and acted upon. Failure to respond would lead to reduced employee participation due to the employees' perceptions of not being heard. Furthermore, the feedback from these engagement surveys may require organisations to make sweeping changes within a relatively short period of time and therefore organisations need to be flexible and agile to accommodate these changes.

## **Connecting with employees**

The respondents identified the ability to connect with employees as another important factor that mediates the HPWS and organisational performance link. The ability to connect with employees speaks to the ability of organisations to build relationships with their employees through an emotional connection. The importance of connecting with employees and creating affective organisational commitment align to the findings of Kehoe & Wright (2013), who found that affective organisational commitment fully mediated the relationship between HR practice perceptions and the intention to leave. The importance of affective organisational commitment, as highlighted by this research, also supports prior research that found that HPWS have an indirect effect on organisational performance through increased affective commitment and discretionary effort of employees (Chang & Chen, 2011; Gavino, Wayne, & Erdogan, 2012).

## 6.5 Research Question 5

### **What is the level of support and buy-in for HPWP's from management?**

#### **Executive and senior management support the implementation of HPWP**

All ten respondents reported that their executive and senior management teams supported the implementation of HPWS. This level of support can be attributed to the level of understanding into the benefits of HPWS by the senior teams. This outcome may also be indicative of the more strategic perspective of the executive and senior management teams, as opposed to the more operational focus of middle and lower management. The executive and senior management teams are more in tune with the strategic initiatives like HPWS and what the organisations hopes to achieve through HPWS. Middle and lower management are concerned with the daily operations of the business.

The perception of human resource management (HRM) competency also plays a role in the level of support gained from executive and senior management. The respondents felt that the following key factors contribute to executive and senior management support for HR initiatives in general:

- HR professionals must be consistent in their approach
- HR professionals must have credibility
- HRM must be perceived to add value through tangible results
- HR professionals must be true business partners

The respondents' views and the above emerging factors are consistent with prior research that found significant positive relationships between HRM competency, the adoption of HPWS as well as organisational performance (Ngo et al., 2014).

#### **Middle and lower management resist and challenge the implementation of HPWS**

Nine of the ten respondents were of the opinion that middle and lower management resisted the implementation of HPWS and this negatively affected the consistent implementation of HPWS. The line managers have an influence on employees' HR perceptions (Dysvik & Kuvaas, 2012). Therefore, the line managers have an important role to play in the effectiveness and implementation of HPWS.

The operational focus of line managers has already been noted as playing a role in their negative approach to HPWS. The respondents highlighted the need to provide continuous training and support to line managers. Empowering line managers with the required knowledge and skills to implement HPWS effectively will increase their level of confidence and

competence to effectively implementing HPWS. The provision of HR knowledge to line management and high consistency of implementation may result in higher commitment to HPWS and increase the affective commitment from employees.

Additional benefits can be derived from this such as improved relationships between employees and line managers and improved credibility of line managers, as perceived by employees. The operational pressures on the line managers have been noted in section 6.5.2. This highlights the need for the fit-for-purpose approach when designing HPWS, as mentioned by some of the respondents.

The research supports the findings of Ryu & Kim (2013), who found that HPWS effectiveness is negatively influenced by involving line management, but that this negative effect can be overcome by providing the line managers with the required knowledge and HR support.

## 6.6 Research Question 6

### **How consistently are HPWS implemented?**

The results were mixed, but the majority of respondents indicated that consistent implementation can be improved.

#### **Respondents who identified that the consistency of implementation can be improved.**

The majority of respondents admitted that the implementation of HPWS was not consistent. The lack of consistency highlights the gap between intended and implemented HPWS. The gap refers to incongruence between HR policies and systems and actual implementation. This gap has been shown to negatively influence employees' perceptions of HPWS and has minimised the positive impact of HPWS on organisational outcomes (Piening, Baluch, & Ridder, 2014). The respondents raised a number of reasons for the lack of consistency, including:

- A lack of support from middle and lower management as discussed in section 6.6.2.
- The size of the organisation, which makes standardising policies and practices challenging.
- The subcultures within divisions, which influences consistent implementation of policies and practices.

The benefits of transferring HR knowledge to line management and sufficient support from the HR department have already been discussed in section 6.6.2. Ultimately, the opinions of the respondents support the literature in confirming that HR practices do not have much value unless they are implemented effectively and consistently (Woodrow & Guest, 2014).

### **Respondents who identified that they have consistent implementation**

Three of the ten respondents were of the opinion that there was consistent implementation of HPWS in their organisations. The three respondents also confirmed that it had taken time to achieve this level of consistency. The respondents stressed the concept of fit-for-purpose HPWS, which they found greatly contributed to adoption and resulted in consistent implementation. This meant reducing the complexity of HR policies and practices to the most efficient and effective fit for the business requirements. Buy-in can be further improved by applying a co-creation approach to HPWS. This approach involves line management in the planning and design phase of HPWS, prior to implementation. From these three respondents' views, it can be deduced that HPWS should be implemented using a change management approach. This is consistent with (Colville & Millner, 2011), who found that a HPWS should be implemented using change management principles.

## Chapter 7: Conclusion

### 7.1 Introduction

This chapter starts with merging the principal findings in chapter 5 and chapter 6 with the existing literature. The contributions to the broader theory are discussed and insights shared into the complex relationship of HPWS and organisational performance.

The second discussion introduces the model that represents the organisational factors that influence the effectiveness of HPWS. The model was developed from the findings in Chapter 5 and Chapter 6.

The third discussion presents recommendations for management. The practical implications for business are discussed and insights shared into improving the effectiveness of HPWS. The last discussion centers on the recommendations for future research that emerged during the research study that would contribute to both academia and business.

The chapter concludes with a brief overview and summary of the research study.

### 7.2 Principal findings

This research study builds on the existing HPWS literature through new insights and themes gained from the research findings, based on the research questions in Chapter 3. While the research findings presented in chapter 5 and chapter 6 are consistent with the existing literature, this study contributes to the HPWS literature by applying a more granular investigation into the individual high performance work practices (HPWPs) that contribute to organisational performance through positive employee outcomes. Furthermore, the study contributes to the understanding of the influence of the organisational context on HPWS.

The first contribution of this study is the identification of the knowledge-based view (KBV) as the more relevant theoretical basis for the link between HPWS and organisational performance. This argument is based on the ranking of the respondents for research question 1, that indicated that the HPWPs that contributed most to organisational performance align with the requirements of knowledge management, as prescribed by the KBV (Jimenez-Jimenez & Sanz-Valle, 2012)

The second contribution of this study is the identification of and relative influence of organisational factors that impact on the effectiveness of HPWS, which in turn impact on organisational performance. The respondents identified organisational culture, leadership, employee engagement and connecting with employees as factors that influence HPWS. The selection, design and implementation of HPWS should be congruent with these organisational factors, which will benefit the organisational outcomes. This finding supports (Jiang et al., 2012), who advised managers to consider how management practices and other factors might effect HPWS. The finding also supports Hartnell, Ou, & Kinicki (2011), who argued that the executive leadership should consider the match between organisational culture and strategic initiatives, like HPWS to embed a culture that produces competitive advantage.

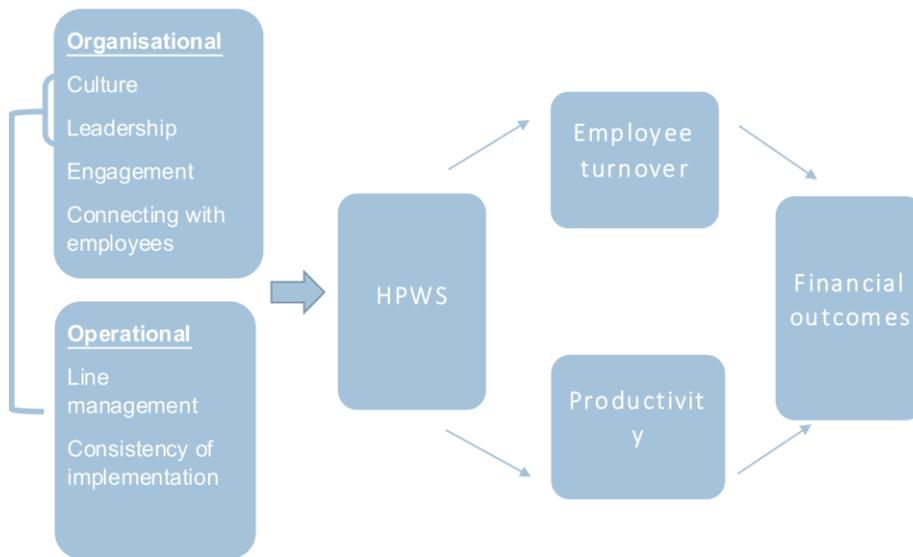
The respondents ranked organisational culture and leadership as the most important factors. This highlights the need for integrating HPWS into the fabric of the organisation instead of merely a HR system. The importance of organisational factors also indicates the need for realistic expectations from HPWS. A HPWS is not the silver bullet for poor performing organisations, but should be viewed as a vital contributor to a high-performing organisation. The third contribution of this study is derived from the identification of the employer value proposition (EVP) as a HPWP, as perceived by the respondents.

A final contribution of this study relates to the research finding that showed a lack of consistent implementation of HPWS, as highlighted by the respondents. This is consistent with other research studies that found a gap between intended and implemented HPWS (Piening et al., 2014). Research studies have shown that organisations and HR professionals must follow an iterative approach in managing HPWS. HPWPs must be regularly assessed against its intended implementations of meeting the requirements of the organisation and business relevance.

### **7.3 The management model for increased effectiveness of HPWS**

Integrating the findings from chapter 6 and the existing literature, led to the development of the management model that graphically depicts the organisational factors that influence HPWS effectiveness. The management model has been adapted from the AMO model of (Jiang et al. (2012). The management model is presented in Figure 3.

FIGURE 3: MANAGEMENT MODEL FOR INCREASED EFFECTIVENESS OF HPWS



### Organisational factors

At an organisational level, senior managers and senior HR professionals should be aware of the factors that influence the effectiveness of HPWS. These factors are relevant to organisations with current HPWS as well as organisations that adopt HPWS.

The four most influential organisational factors that were identified by the research study and supported by the literature were:

- Culture
- Leadership
- Employee engagement
- Connecting with employees

The arrows pointing toward HPWS show the influence of these factors on HPWS. Management should first be aware of these factors and then ensure these factors are considered when implementing or adopting HPWS (Stanton, Young, Bertram, & Leggat, 2010). The organisational culture has the biggest influence on HPWS effectiveness and there should be a match between the pervasive organisational culture and HPWS (Hartnell et al., 2011). However, the model also indicates the influence of the organisational culture on the operational factors of line management and consistency of implementation. This is shown on the model. The second most influential factor, as ranked by the ten respondents, is leadership. This aligned with the literature that found that leadership influenced HPWS (Woodrow & Guest,

2014). As with organisational culture, leadership also has an influence on the operational factors of line management and consistency of implementation (Chadwick et al., 2015).

Employee engagement is the third most influential factor, which indicates that the level of engagement should be consistently assessed and organisations should respond to any challenges that may affect employee engagement (Colville & Millner, 2011).

The fourth highest ranked organisational factor was connecting with employees, which related to affective commitment. Managers must be aware of how important affective commitment is and that HPWS will be futile if there are low levels of commitment from employees (Gavino et al., 2012).

### **Operational factors**

The operational factors that were identified by the respondents and supported by the existing literature were:

- Line management
- Consistency of implementation

Arrows pointing toward HPWS show the influence of these factors. The influence of line managers on the effectiveness of HPWS can be positively influenced through training initiatives to improve their HR knowledge and sufficient HR support (Ryu & Kim, 2013).

The consistency of HPWS implementation can be enhanced by following a change management approach in the implementation of HPWS (Colville & Millner, 2011). The development of the organisation's HPWS should follow a co-creation approach, which will increase buy-in and consistency. Also, the concept of fit-for-purpose should be applied to ensure HPWS are operationally efficient and not unnecessarily time consuming. This would also increase consistency.

In closing, the management model shows that HPWS require supportive organisational and operational factors to be effective.

## **7.4 Implications for management**

The benefits of HPWS can be greatly enhanced by ensuring consistent implementation. The executive and senior management teams may support the implementation of HPWS, but its effectiveness can be greatly undermined due to a lack of consistency in implementation by middle and lower management. Furthermore, the organisational leadership should not only

support HPWS but must have due regard for the operational pressures on their managers that may negatively impact on HPWS implementation.

Middle and lower management need to fully understand the rationale of implementing HPWS and their HR knowledge must be improved to achieve a high level of acceptance and consistent implementation. The trend of devolving HR practices to line management can be positively influenced with sufficient HR support and training to improve their HR knowledge. Organisations need to be aware of the benefits of consistent implementation of HPWS and follow a change management approach in HPWS implementation. Management should involve the different stakeholders and follow a co-creation approach in the design of HPWS and policies. The research showed that this resulted in a higher level of acceptance by all stakeholders. Furthermore, the fit-for-purpose concept should be applied in the design of HPWS and HR policies, which allows for a pragmatic approach to human resource management. This will result in operationally efficient HPWS that will further increase consistency.

HR professionals are advised to constantly assess its contribution to the organisation by constantly scanning the business environment and identifying innovative ways to contribute to the organisation's success. This may include partnering with other organisational resources. The development and marketing of an EVP is an example of a potential partnership between human resources and marketing.

HR professionals should be aware of the influence of the organisational culture and leadership on the implementation and effectiveness of HPWS. HPWS should be strategically implemented and consideration must be given to the organisational culture fit.

## 7.5 Recommendations for future research

The review of the literature and the findings of the research study have highlighted the need for further research to increase the understanding into the complex relationship between HPWS and organisational performance. The recommendations follows:

- The research study involved ten senior HR professionals whose views and opinions informed the research findings. Further research is required to expand on the findings of this research study by including a larger sample of respondents.
- The cost-benefit analysis approach to HPWS implementation is an exciting avenue for future research, because understanding the optimal level of investment would be immensely valuable to both business and academia.

- The research study found four organisational factors that have the most influence on the effectiveness of HPWS. Further research may expand on this finding through quantitative analysis.

## 7.6 Conclusion

The complex relationship between HPWS and organisational performance will continue to be an area of interest due to the constant need of business to seek a competitive advantage.

The research study attempted to improve the understanding of this complex relationship and uncover insights and recommendations to contribute to both business and academia.

The research study has:

- Identified the level of prevalence of HPWS in organisations
- Identified the individual HPWPs that are perceived to contribute most to organisational performance
- Identified the individual HPWPs that are perceived to contribute the least to organisational performance.
- Identified the organisational and operational factors that influence the effectiveness of HPWS.

The results of the research study have contributed to the theoretical understanding of the relationship between HPWS and organisational performance. It also provided management with practical recommendations for the successful implementation of HPWS.

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## 9. Appendices

### 9.1 Appendix 1: Informed Consent Letter

Dear .....

I am conducting research on the association between high performance work systems (HPWS), essentially human resource management practices, and organisational performance. I am trying to find out more about which components of HPWS have stronger positive associations with organisational performance. Our interview is expected to last about an hour, and will help me understand which HR practices, if implemented successfully, show the strongest association with organisational performance.

Your participation is voluntary and you can withdraw at any time without penalty. All data will be kept confidential. If you have any concerns, please contact my supervisor or me. Our details are:

**Researcher name:** Lenwhin Arendse

**Email:** lenwhin@aspirehcm.co.za

**Phone:** 082 522 9709

Signature of participant: \_\_\_\_\_ Date: \_\_\_\_\_

**Research Supervisor:** Manoj Chiba

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Signature of researcher: \_\_\_\_\_ Date: \_\_\_\_\_

## 9.2 Appendix 2: Interview Guide

1. Please confirm your position and responsibilities at .....
2. How long have you been in this position?
3. Can you tell me about your current Human Resource Management (HRM) policies and procedures?
4. In your opinion, which HPWPs have contributed the most to organisational performance?
5. In your opinion, which HPWPs have contributed the least to organisational performance?
6. In your opinion, to what extent are these HRM policies and procedures consistently implemented in your organisation?
7. What is the level of support from management?

### 9.3 Appendix 3: Extract of Data Analysis

AMO framework	Column2	Column3	Column4	Column5	Column6	Column7	Column8	Column9	Column10	Column11
AMO framework	Respondent 1	Respondent 2	Respondent 3	Respondent 4	Respondent 5	Respondent 6	Respondent 7	Respondent 8	Respondent 9	Respondent 10
<b>Skill - enhancing HR practices</b>										
Recruitment		1	1	1	1	0	1	1	0	1
Selection		1	1	1	1	0	1	1	0	1
Training		1	1	1	1	1	1	1	0	1
<b>Motivation - enhancing HR practices</b>										
Performance appraisals		1	1	1	1	1	1	1	0	0
Compensation		1	1	1	1	1	1	1	0	0
Benefits		1	1	1	1	1	1	1	1	1
Incentives (financial/non-financial)		1	1	1	1	1	1	1	0	1
Promotions/career development		1	1	0	0	1	1	1	0	1
Job security		1	1	1	1	0	0	1	0	1
<b>Opportunity - enhancing HR practices</b>										
Job and work design		0	1	0	0	0	0	0	0	0
Work teams		0	1	0	0	0	0	0	0	1
Employee involvement		1	1	1	0	1	1	1	0	1
Formal grievance and complaint processes		1	1	1	1	1	1	1	1	1
Information sharing		1	1	1	1	1	1	1	0	1
		12 <sup>r</sup>	14 <sup>r</sup>	11 <sup>r</sup>	10 <sup>r</sup>	9 <sup>r</sup>	11 <sup>r</sup>	12 <sup>r</sup>	2 <sup>r</sup>	11 <sup>r</sup>