

# Importance of use of High-performance work system and effectiveness of employee's role on organizational performance: A Review

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## Abstract

*High Performance Work System is an important part of every organization. It not only manages the system practices for employees but is also dedicated towards employee effectiveness. There are some factors which might be effective towards organizational performance. For example, employee's performance is the most important part of an organization's success, relationship between employee and supervisor, sales growth, voluntary turnover, knowledge sharing behavior, employee attitude, and effect on top performers. This literature review reveals that all the factors mentioned above are helpful in contributing towards making organizational performance better except voluntary turnover.*

**Keywords:** High performance work system; voluntary turnover; employee attitude; top performers.

## Introduction

High performance work system (HPWS) is a group of separate human resources, which are interconnected with each other. Some examples of HPWS include training, compensation, communication, job security, flextime, employment tests, etc. These practices are employed for employee's efficacy. Because of dedicated and happy employees, an organization could lead at the top in the market and enjoy low turnover, being counted in the topmost organization list and much more. For an organization to achieve this success, strong HPWS is required. This literature review is focused on several components that link HPWS and organizational performance. A study by Jake Messersmith reveals that HPWS shows contribution towards employee's performance (Messersmith, J.G., Patel, P.C., & Lepak, D.P., 2011). This study is helpful to present the relationship between Human resource practices and organizational performance. Another study by Evans (2005) extends the relationship between HPWS and organizational performance on finding its effects on mediating behavior of internal social structure. Relation with the internal social structure is a key point because employees having social relationships could benefit the whole organization. Findings agreed with the reported incentive of better understanding the impact of HPWS on organizations (Evans, W. R., and Davis, W. D., 2005). Extensive use of HPWS in any organization can lead to higher levels of sales growth. However, turnover number is not significant to mediate the relationship between HPWS and sales

growth (Messersmith, J. G., & Guthrie, J. P., 2010). Moreover, a research by Kiwook and group mentions that high-commitment human resource practices may influence the organizational effectiveness positively because of committed high performers than low performers (Kiwook Kwon · Johngseok Bae · John J. Lawler, 2010). Knowledge sharing is also an important aspect towards the contribution to organizational performance. A research shows that HR practices and trust in a supervisor gives rise to the knowledge sharing behavior in an organization (Yong Woon Kim<sup>1</sup> and Jaekwon Ko, 2014). Additionally, HPWS score is found to be positively and significantly associated with behavioral commitment which leads good relationship between supervisors and employees and makes organizational performance better. (Keith Macky and Peter Boxall, 2007). The goal of this literature review is to discuss all the factors mentioned above and compare these factors to find which are more effective than others.

## **Literature Review:**

### **Defining the problem:**

There are many studies in literature which tend to explain the factors contributing to organizational success but there is a gap which needs to be filled to better understand the process by which HPWS leads to the desired results for an organization.(Evans, W. R., and Davis, W. D, 2005). In addition, the effects of HR practices on employee's performance is also an important parameter which needs consideration. The problem is that researchers have evidence that HPWS works but does not have enough information on how it straightens out (Messersmith, J.G., Patel, P.C., & Lepak, D.P., 2011). The problem will be discussed by addressing factors such as knowledge sharing behaviour, effect on top performers, effect on employee's attitude, voluntary turnover, and sales growth and innovation.

### **Addressing the problem:**

#### **Effect of HPWS on organizational performance**

An article by Evans and Davis (2005) mentions that HPWS strongly influence the internal social structure. To test the hypothesis, Evans and group have proposed a framework which explains that HPWS is not directly related to organization performance, but internal social structure does come in the middle of the process. This proposed mechanism does make *sense* because organizational performance cannot be made better just by employing HPWS practices such as training, staffing, decentralization, compensation, and communication, but it also needs internal social structure. For example, bridging weak ties, shared mental models, and role making are some of the important parts of internal social structure. This model is a clear picture of how a HPWS system needs to be.

An article by Messersmith and Lepak (2011) also tested the role of individual level factors such as job satisfaction, organizational commitment, and psychological commitment on organizational performance. Results showed a positive influence of HPWS on organizational performance. If we compare this study with the Evans (2005) study, the difference is that the study by Messersmith does not focus on internal social structure in their model at all but both the studies agreed that the social exchange theory provides a framework which helps to understand the relationship quality of HPWS and organizational performance.

Adding more towards the role of HPWS on organizational performance, the research done by Messersmith and Guthrie (2010) mentions that HPWS is positively related with sales growth and innovation but not with the employee voluntary turnover. Sales growth was used as a primary outcome measure in this study because it has been used in studies like HRM literature, and studies of small business and entrepreneurship. 71% respondents chose sales growth among return on assets, achieving IPO status, market share growth, probability of being acquired or merged, and market visibility. Innovation also received good scores. But voluntary turnover did not support the hypothesis. Voluntary turnover was calculated by asking participants to provide the percentage of employees who left volunteering during the year 2005-06. Results showed that voluntary turnover was not significant Messersmith and Guthrie (2010), which means that voluntary turnover does not mediate the relationship between HPWS and sales growth. From this study, it looks like since turnover does not mediate the HPWS and sales growth relation, organization must provide may be compensation or reward to keep employees bound with the organization. It does seem right that voluntary turnover does not mediate the relationship between HPWS and sales growth because if employees willingly keep quitting their jobs, organization will need to do new hires immediately and start training new people. which would provide a good gap of having inexperienced employees in the organization. This could lead to less sales growth. Hence, voluntary turnover is not a good thing to happen in an organization and does affect and interfere in the organizational progress.

### **Relationship between HPWS with employee attitudes, knowledge sharing behavior, and top performers.**

To improve the understanding of arbitrating variables, HPWS and employee attitudes was studied by Macky and Boxall (2007). Some attitudinal variables of job satisfaction, trust in management, and organizational commitment were focused in the research. The Study found a weak relation between the size of organization and employee trust in organization. Results say that employees of larger organizations tend to show less trust towards their supervisor. Moreover, job satisfaction, trust in management and organizational commitment were found dependent on employee's exposure to HPWS. It does not make sense that employees in larger organization have less trust in supervisor because employee and supervisor relationship should be the same regardless of having large or small organization. But the situation might be different that in larger firms, supervisors have more workload and employees than smaller firms but still an employee and supervisor should have trust in each other not just in supervisor. On the other hand, dependence of job satisfaction, trust in management and organizational commitment on employee's exposure is a valid point because when an employee sees that an organization is very much organized, they feel connected and confident with the system because they are aware of how things work and feel relaxed about their working environment. This kind of employees have capabilities of blooming an organization to grow and produce high performances.

Moreover, trust in supervisor was also studied by Kim and Ko (2014) to investigate the relationship between HR practices and knowledge sharing behavior. This study indicates that HR practices and trust in supervisor play a vital role in promoting knowledge sharing behavior. Trust in supervisor is important and promotes knowledge sharing behavior because employees want to willingly participate in cooperative

behaviors and sharing knowledge with others to make system run smooth and make organizational performance better. This research is consistent with the research done by Macky and Boxall (2007). These two studies complement each other in a positive way and conclusion comes out from these two studies is that employees' attitude should be positive and have truthful towards supervisor to make organizational performance better. A very interesting study done by Kwon, Bae, and Lawler (2010) mentions that High commitment human resource practices (HCHRP) are significant in keeping both the low and top performers because of their positive impact on organizational performance. This study reveals that (HCHRP) have a strong impact on top performers, which seems correct because top performers need good commitment human resource practices because they want to see their organization on top. But it does not mean that low performers do not want to see their organization on top too, but top performers could probably see the vision clearly because they may be better than low performers. This study also supports that if HCHRP have strong impact on the top performers, it could also increase interest in low performers and as a result increase the organizational performance. All three studies the employees' attitude, knowledge sharing behavior, and HCHRP's effect on top performers positively support towards the question of this literature review.

## **Conclusion:**

In conclusion, several factors contribute towards positive relationship between HPWS and organizational performance. HPWS does not have straight effect on organizational performance but internal social structure does come along in the process. Also, social exchange theories are helpful to understand the relation between HPWS and organizational performance. Sales growth, innovation also showed positive effect on organizational performance, but voluntary turnover was not proved positive for organizational performance. Moreover, relationship between HPWS and employee's attitude showed promising results. Trust in supervisor also considered important to contribute positively towards organizational performance. Finally, HCHRP's effect on top performers is also very significant to increase organizational performance. The following literature review confirms that the factors mentioned above are significantly participating in making organizational performance better if applied and used effectively in an organization and concludes that HPWS practices and employees' performance contribute strongly towards organizational performance.

## **Preparing for Tomorrow, Today**

The future direction is exploring the factors that may influence the discretionary behaviors exhibited by employees and employee performance to advance the model. Also, different effects of pay for individual-based versus team- or organization-based performance needs to be researched more. Finally, to investigate the broader system of HR practices.

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