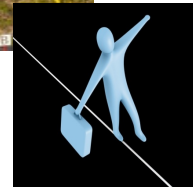


High performance work systems: The challenge for HR Business partners



Jaap Paauwe
TSB/Tilburg University
Central Bank Curacao HR Seminar, August 23rd 2016

CB Curacao-TiU 2016/Paauwe



What are we going to do for you

- The relationship between HRM and firm performance: HRM makes a difference!
- High performance work systems: how can we align strategy, HRM and attitude / behavior of employees?
- Present and future competencies for the HR Business Partner → latest insights and trends

CB Curacao-TiU 2016/Paauwe

Booming business!

- Harvard/LBS bestsellers: Putting people at the heart of Corporate purpose
- Pfeffer: Competitive advantage through people, the human equation
- Ulrich: Human resource champions
- Ulrich/Brockbank: The HR Value proposition
- Paauwe: HRM and Performance: Achieving long term viability
- Mastery at the intersection of people and business

CB Curacao-TiU 2016/Paauwe

Employment relationship as an exchange relationship: In search for balance

Contributions vs Gains



CB Curacao-TiU 2016/Paauwe

Performance--Key issue/Challenge

CB Curacao-TiU 2016/Paauwe



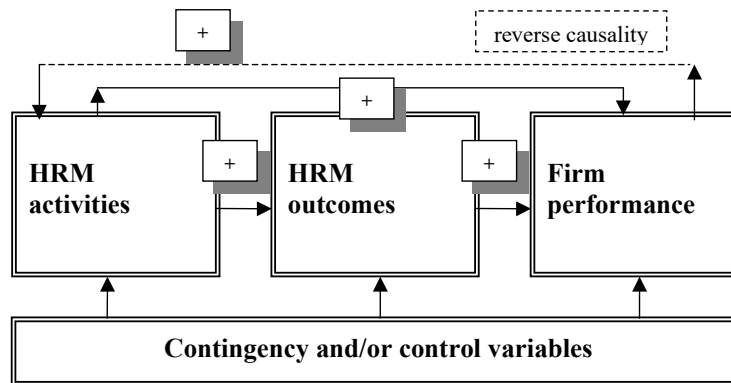
How to define performance?

- Financial (e.g. profit, sales, market share, Tobin's q,)
- Organizational (e.g. output measures such as productivity, quality, efficiency)
- HRM (e.g. employee attitudes and behaviours, such as satisfaction, commitment, intention to quit).
-??
-??
- NB distinguish proximal from distal! Meaning??

CB Curacao-TiU 2016/Paauwe

HRM: Does it make a difference?

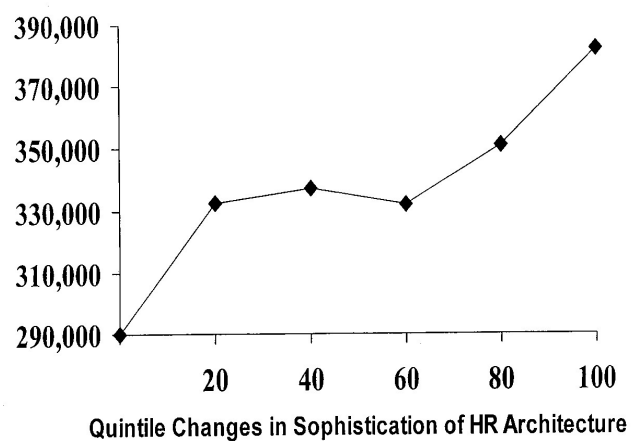
Figure 1 HRM activities in relation to HRM outcomes and firm performance



Source: Paauwe and Richardson (1997)

CB Curacao-TiU 2016/Paauwe

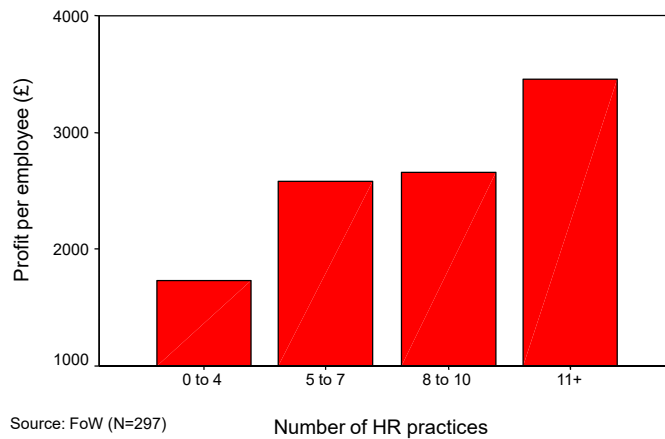
Figure 1- Does "Fit" Make a Difference?
\$ Change in Market Value per Employee



Source: Huselid, 1995

CB Curacao-TiU 2016/Paauwe

HR and profit per employee



Source: Guest
et al (2003)

CB Curacao-TiU 2016/Paauwe

Pitfalls



- Association is not causality
- Third factor being key→??
- HRM is not the silver bullet
- It is all about embeddedness
- In what??

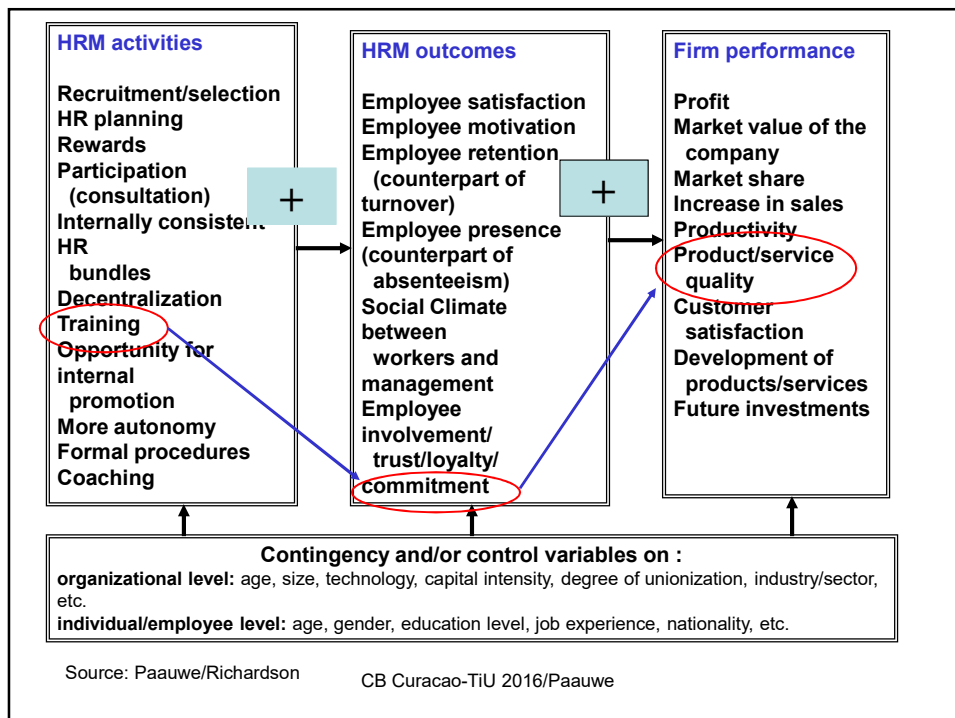
CB Curacao-TiU 2016/Paauwe

Leaders and Laggards

- Where do you position your company?



CB Curacao-TiU 2016/Paauwe



Three meta studies



- **Combs et al. (2006)**, increase of one standard deviation in the use of high performance work practices (HPWP) →
 - is associated with a 4.6% increase in return on assets (ROA), and with a 4.4 percentage point decrease in turnover. Hence.....
- “...HPWPs’ impact on organizational performance is not only statistically significant, but managerially relevant (Combs et al, 2006: 518)
- **Subramony, 2009** → different bundles → bundles more effective than individual HR practices
- **Jiang et al, 2011** → looking for mediating mechanisms/pathways

CB Curacao-TiU 2016/Paauwe

Skill enhancing bundles



- Job descriptions/requirements generated through job analysis
- Job-based skill training
- Recruiting to ensure availability of large applicant pools
- Structured and validated tools/procedures for personnel selection
- Source: Subramony, 2009, Human Resource Management

CB Curacao-TiU 2016/Paauwe

Motivation enhancing bundles



- Formal performance appraisal process
- Incentive plans (bonuses, profit-sharing, gain-sharing plans)
- Linking pay to performance
- Opportunities for internal career mobility and promotions
- Health care and other employee benefits

CB Curacao-TiU 2016/Paauwe

Empowerment Enhancing Bundles



- Employee involvement in influencing work process/outcomes
- Formal grievance procedure and complaint resolution systems (NB typical USA/UK)
- Job enrichment (skill flexibility, job variety, responsibility)
- Self-managed or autonomous work groups
- Employee participation in decision making
- Systems to encourage feedback from employees

CB Curacao-TiU 2016/Paauwe

The essence of HRM

Social,
Cultural,
Legal

$$P = F(A, M, O)$$

A = abilities, knowledge, skills, competencies

M = motivation, drivers

O = opportunity, enabling work environment

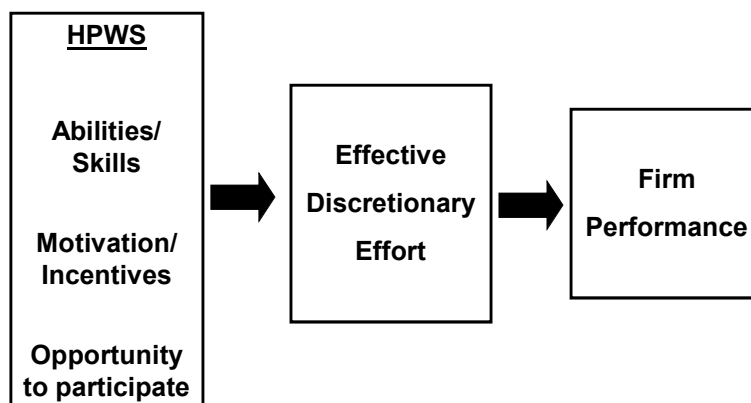
Product/Service
Market
Technology

Source: Appelbaum et al, 2000

So, people should be competent,
should be motivated and... people must be enabled!

CB Curacao-TiU 2016/Paauwe

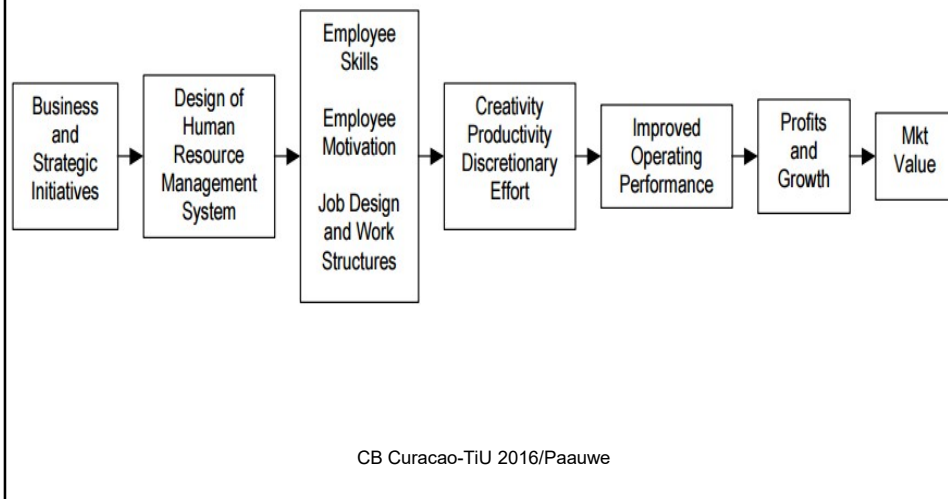
AMO-model: Ability-Motivation-Opportunity



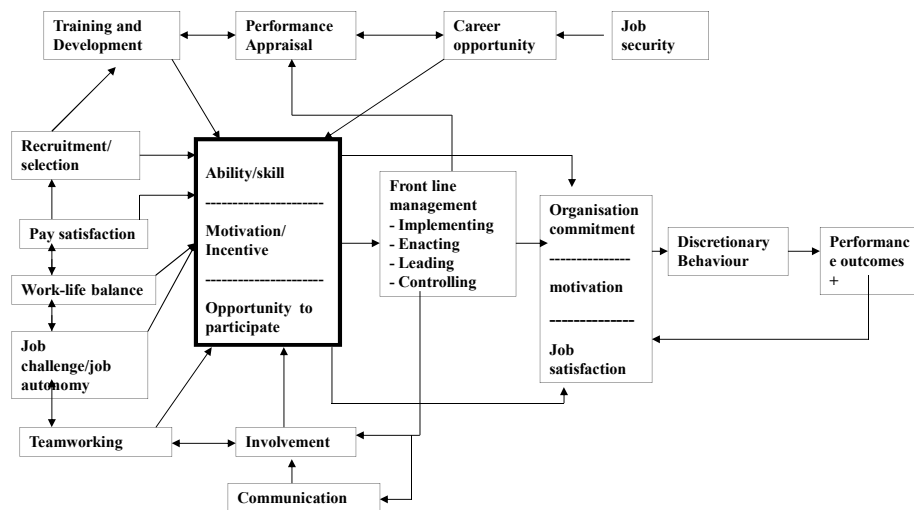
Source: Appelbaum et al. (2000)

CB Curacao-TiU 2016/Paauwe

Figure 5.1 Model of the HR - Firm Performance Relationship from Becker, Huselid, Pickus, & Spratt (1997)



The People and Performance model



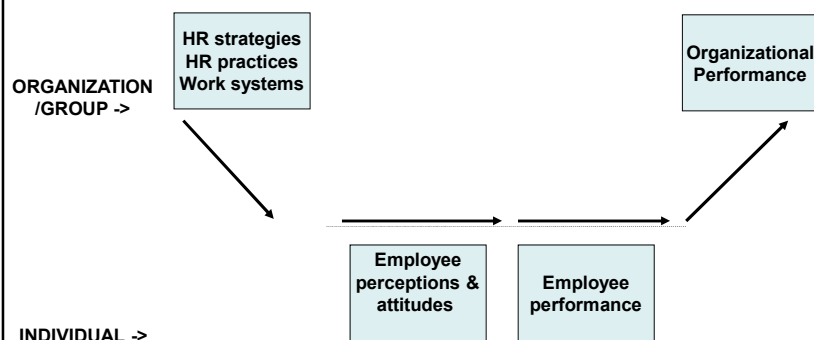
Source: Work and employment research centre, University of Bath

Assignment: explore in small teams-->

- Hindering conditions in your organisation for HR performance (constraints)
- Favouring conditions in your organisation for HR performance (facilitating)
- Specific interventions/HR practices for realizing: $P = F(A, M, O)$
- (workshop this afternoon??)

CB Curacao-TiU 2016/Paauwe

Implicit causal chain in HR studies



Source: Van Veldhoven, 2012, inaugural lecture

CB Curacao-TiU 2016/Paauwe

Effects of HR-practices



Crucial role interplay linemanagement and HR manager



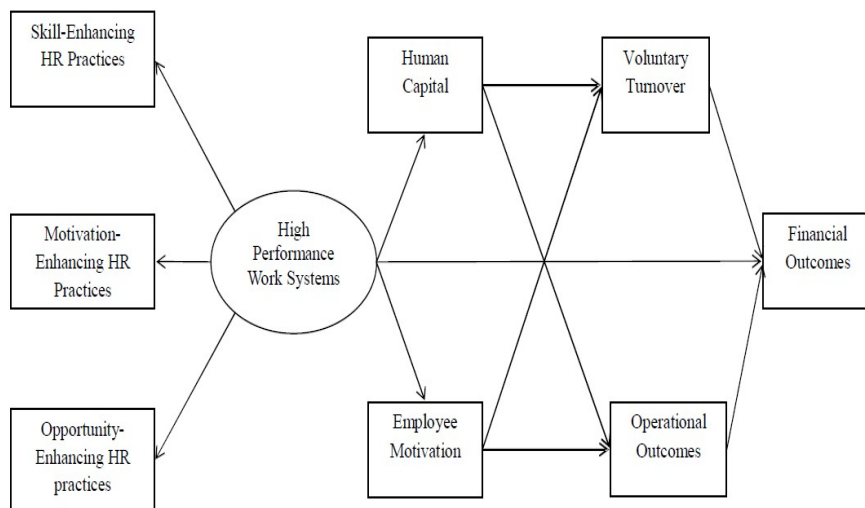
Source: Wright & Nishi, 2008

CB Curacao-TiU 2016/Paauwe

Mediating mechanisms / pathways: theory

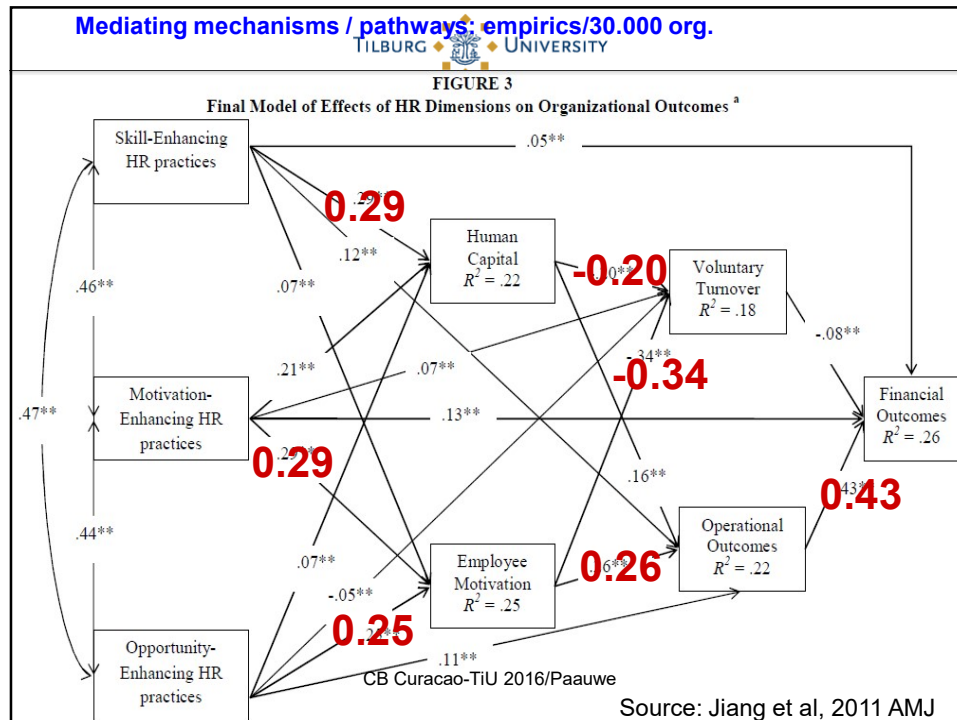
TILBURG UNIVERSITY
FIGURE 2

Theoretical Model of Effects of High Performance Work System on Organizational Outcomes



CB Curacao-TiU 2016/Paauwe

Source: Jiang et al, 2011 AMJ



2nd part→

TILBURG UNIVERSITY
Understanding Society

High Performance Work Systems: The winner takes it all

High performance work systems: examples/theory/applications
Alignment strategic intent and people/line of sight

© Sander van der Borch / Team Brunel

CB Curacao-TiU 2016/Paauwe

High Performance Work Systems In Practice

If we talk about High Performance – High Involvement Work Systems, what kind of companies pop up in your mind?

And what kind of characteristics do they have?

Examples:

CB Curacao-TiU 2016/Paauwe

Keys to High Performance

- Mission, values, pride (communicating)
- Creating a collective state of mindfulness (Karl Weick)
- Entrepreneurial spirit (Kumar Jain, Katzenbach)
- Seeking consistent alignment (Collins/Porras)
- Leadership at all levels, hands-on, value driven mgt.
- Stick to the knitting, core business
- Employee empowerment, sense of ownership
- Process and metrics → perf.mgt

Source: Julia Kirby, HBR july-august 2005

CB Curacao-TiU 2016/Paauwe

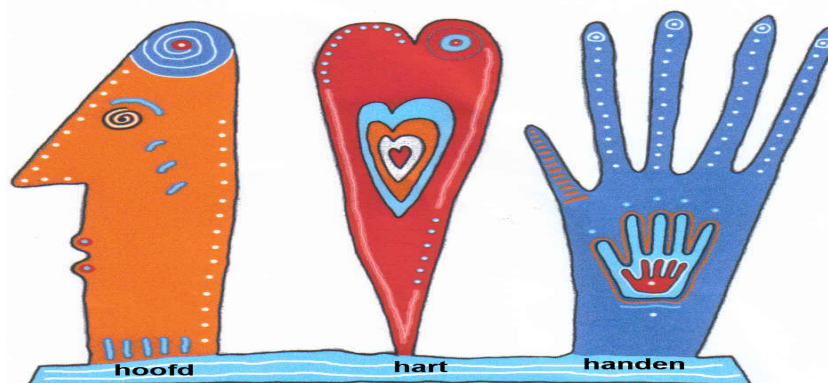
High Performance organizations

- Create a value proposition that defines the workplace
- Hire people that fit the values, core competences and strategic goals
- Continuously train employees to do their jobs and offer them opportunities to grow and develop
- Design work that is meaningful and provides feedback, responsibility and autonomy
- Have a mission, strategies, goals, values that employees understand, support and believe in it
- Have reward systems that reinforce core values and strategy
- Hire and develop leaders who create commitment, trust and a motivating work environment

Source: Lawler III

CB Curacao-TiU 2016/Paauwe

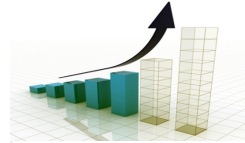
High performance/high involvement work systems



CB Curacao-TiU 2016/Paauwe

HPWS: Different emphasis

- High **Performance** work systems, with the emphasis upon *performance*, sometimes at the expense of well-being
- High **Involvement** Work Systems focused on involving employees more effectively in organizational *decision-making* with respect to for example job design. (Lawler, 1986)
- High **Commitment** Work Systems with the core objective of generating among employees a psychological bond to the organization in order to make the *alignment with the culture and goals* of the organization as strong as possible. (Walton, 1985)



Source: Boxall and Macky, 2009 HRMJ

CB Curacao-TiU 2016/Paauwe

Example of High commitment work systems: IKEA Values

- Togetherness/enthusiasm
- Constant desire for renewal
- Humbleness and will power
- Daring to be different
- Cost consciousness
- Simplicity
- Leadership by example
- Accept and delegate responsibility
- Striving to meet reality
- Constantly being on the way



CB Curacao-TiU 2016/Paauwe

ING-Values

- **Integriteit, boven alles**
Ons succes is afhankelijk van onze integriteit. Inbreuk op onze waarden zullen wij niet negeren, tolereren of goedpraten.
- **We zijn eerlijk**
We geven eerlijk en helder advies aan onze klanten. We respecteren de wet, evenals de regels die we onszelf hebben opgelegd. We vertellen de waarheid.
- **We zijn verstandig**
Wij gaan zorgvuldig om met financiële risico's en nemen ze alleen als deze goed zijn afgewogen.
- **We zijn verantwoordelijk**
We respecteren mensenrechten en dragen zorg voor het milieu, door schade te voorkomen en eventuele impact te beheren. We bevorderen alle vormen van diversiteit, we investeren in onze gemeenschappen, steunen goede doelen en moedigen medewerkers aan vrijwilligerswerk te doen.
- **Bestuurders en medewerkers leggen Bankierseed af**

CB Curacao-TIU 2016/Pauwe

Nursing home:
Is the nurse nice?
Is the food tasty?
Is there something on the program today?

Most Important Features of HPWS's according to the Literature:


- **Employee participation** (empowerment) and decentralization
- **Training and development of employee skills**
- **Employment security** (e.g. health care insurance, pension schemes)
- **Incentive pay** (e.g. performance related pay, promotion opportunities)
- **Information sharing and communication** (e.g. personal communication manager/employee)
- **Teamwork** (autonomous teams)

Key Issue of HPWS's:

The pursuit of "mutual gains" (employer/employee) through the creation of more cooperative labor-management relations.

Line of sight

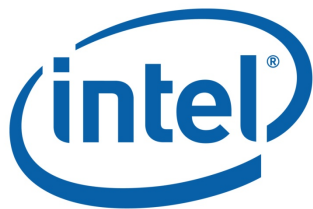
| | Accurate | inaccurate |
|---------|----------|------------|
| deep | 1 | 2 |
| shallow | 3 | 4 |



Line of sight: employees understanding of the organizations objectives and how to contribute to those objectives

→ shared mindset/shared values

CB Curacao-TIU 2016/Paauwe

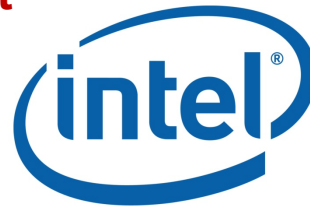


Strategic goal: to be the hearts and brains of computers worldwide; play a role in connectivity, e-commerce and the internet

How do they define alignment:

Employees are aligned to the goals of the organization an they believe in the visions and directions of the company

What moves line of sight within Intel?



- Quarterly business updates
- Open forums
- Goals objectives on the web
- Employee bonus system (based on both b.u and corporate goals)
- Performance mgt
- New employee orientation/on-boarding

CB Curacao-TIU 2016/Paauwe

Line of sight model

What moves alignment

Communication
Incentives
Involvement
Leadership styles
Learning maps
Openbook mgt
Cross-training



Defining and Detecting LoS

Feeling part of org. success
Belief in strategy/values
Articulate mission statement
List contributions to mission
Rank/rate importance of objectives/behaviours



Consequences/effects

Morale/satisfaction
Retention
Performance/success
Accomplish goals
Timely and better decisions

How LoS differs

Hierarchical level
Demographics/tenure
Age/education
Culture
Mergers/acquisitions
Proximity to HQ's



Source: Boswell & Boudreau in Management Decision

Line of Sight!? assignment

- How would you know if an employee in your organization has line of sight? → indicators
- Which employees are likely to have line of sight and which ones are perhaps being overlooked?
- Line of sight especially important for a certain group of employees?? Which one?
- What practices within your company are likely to foster or hinder line of sight?
- (workshop this afternoon??)

CB Curacao-TIU 2016/Paauwe

3rd part →

The future of HR: trends 2016 and onwards

- Change from a manufacturing to a service or knowledge economy
- Rise in globalization
- Growing domestic diversity: age, generations, ethnic
- Emerging use of technology

- Source: Stone and Deadrick, 2015 HRMR

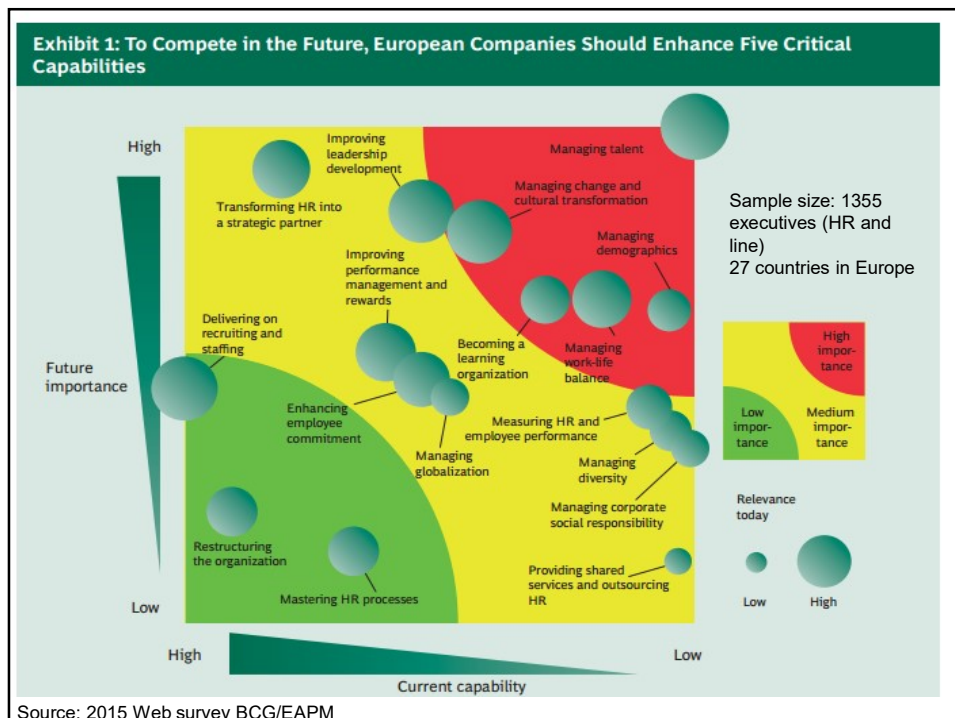


The state of HR

HR may shift its mission and mandate to concentrate on building a culture where people can use talent management tools to enhance their own job performance.

- Digital advancements
- Movement to predictive analysis: HR analytics increasingly important
- Talent management in everyday's lives
- Much less administrative burden

Source: 2015 Accenture Strategy



Source: 2015 Web survey BCG/EAPM

HR challenges for European companies:

- Managing Talent/improving leadership development
- Strategic Workforce planning
- Managing demographics/workforce analytics
- Managing change and cultural transformation
- **How about the Caribbean region??**



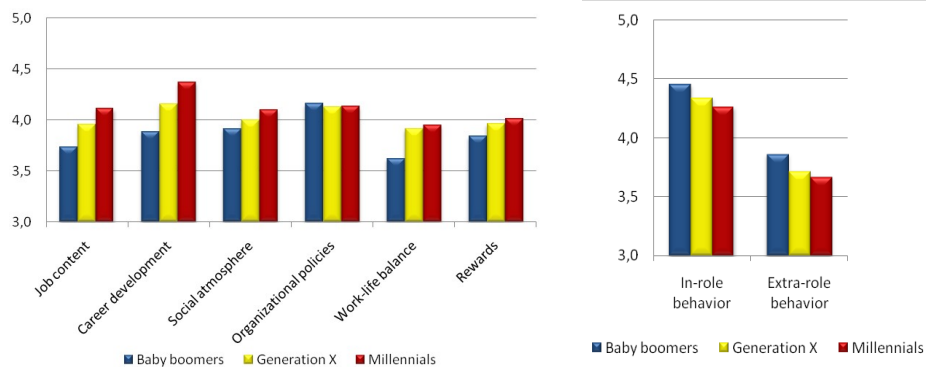
Combining different sources: BCG/EAPM analysis: The future of HR in Europe, BCG/WFPMA: Creating people advantage 2012 (worldwide survey), DDI global leadership forecast, 2011



- What are the priorities in your organization ? In this region??

Differences between generations: the psychological contract

The millennial generation: Higher demands, lower investments



Source: Study Accenture/ Tilburg University 2010, M.Sonnenberg

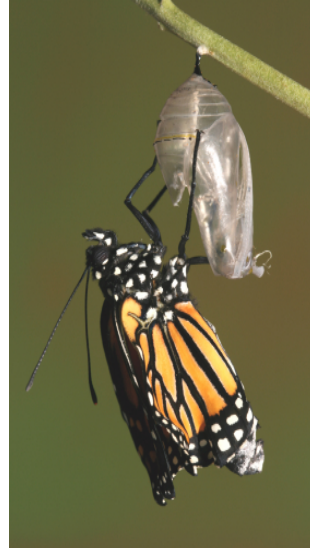
New generation

- **Temporariness and mobility**
- **Demand more, invest less**
- **Require direct feedback**
- **Want meaningful work and appreciation**
- **Get easily bored**

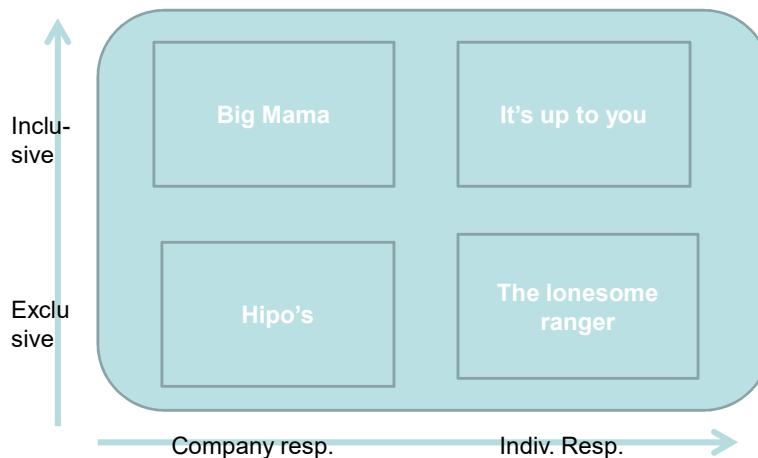


In 2020 a totally different setting for Talent Management can be expected

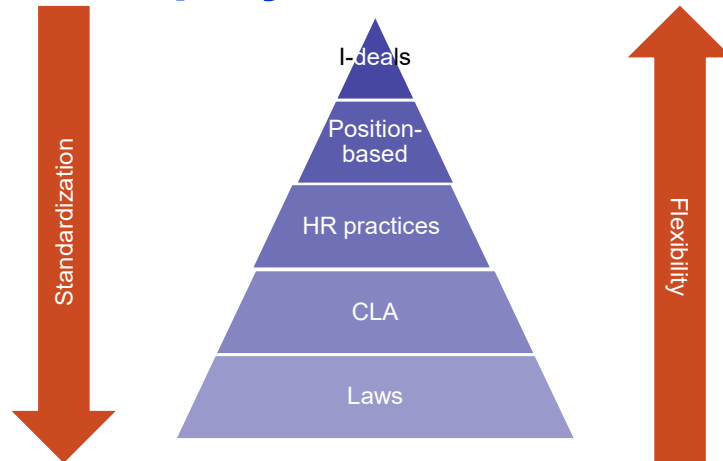
| | |
|---|---|
| Worker dynamics | Workers are in control of own talent. like to work for multiple organization at the same time. Talent can come from all over the world |
| Focus of TM | Shift from employee focus to globally available talent. Talent can be sourced flexible from a time and location perspective. |
| Ownership of TM & structuring in the organization | CEO becomes Chief Talent officer. Talent Management is combined with marketing & supply chain management |
| TM practices | Talent Management (HR)function is the provider of talent guidance, tools, and coaching to enable workers to take own responsibility. |



Inclusive or exclusive approach



The employment relationship



Adapted from Rousseau, 2001
By Freese/Kroon

Pro-active employees

- **Strength based approach**
- **Job crafting**
- **I-deals**
- **Positive psychology** → from satisfaction/commitment → to engagement/vitality
- **Not just a state of mind, but visible in behavior**



A strengths-based approach...

From 'gap' or 'deficiency'-approaches (NB competence mgt!) focusing on weaknesses and how to 'repair' these

To.. ➡

Strengths-based approach: focus on talents, successes & drive and how to further develop these

- appreciation of strengths (appraisals, rewards)
- identification and development of individual talents (appraisal & learning)
- putting strengths into practice (task design)



<http://www.youtube.com/watch?v=fvI46MpcolQ>

Job Crafting

- **Job Crafting:** ... is a continuous process involving adjustments and change in order to achieve a better fit with one own preferences, interests and capabilities.
- So say goodbye to job descriptions.
- Involves three elements:
 - Changing the job's task boundaries
 - Changing the cognitive task boundaries
 - Changing the relational boundaries



Different kinds of I-deals

Flexibility I-deals

- **Flexibility in work life balance domaine**

Rousseau & Kim , 2006; Hornung, Rousseau & Glaser, 2008

Developmental I-deals

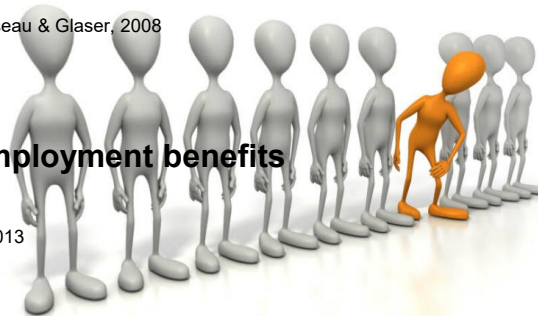
- **Customization of individual skills and competencies**

Rousseau & Kim , 2006; Hornung, Rousseau & Glaser, 2008

Financial I-deals

- **Customization of employment benefits**

Bron: Freese, Paauwe & Schalk, ESB, 2013



Future developments of the HR profession

- HR becomes increasingly an industry → buy in
- A fourth leg: mgt of infrastructure
- Temporariness, mobility, connectivity → tracing talent and connecting with them
- Procurement, social media
- HR itself: other business model → leaner and better
- HR: working across the borders
→ Connected workforce



Three legged stool approach: HR Delivery

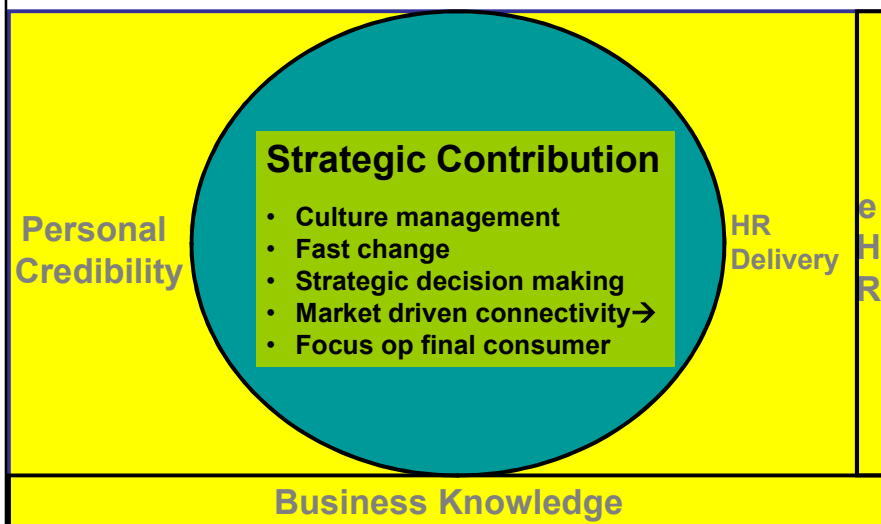


- Business facing HR partners
- Functional Expertise centres
- Shared Service Centres

Is there a fourth leg??→

- Mgt of infrastructure?
- Procurement/brokerage?
- Connector?

Competencies for the New HR



HRCS Michigan Business School/RSM

Future of the HR function -> Requirements



Understanding the business, HR metrics, KPI's



Analytics: forecasting talent needs,
Analyzing performance of talents



Connector, spider in the web, change mgt
Building org infrastructure, brokerage



Serving the interface with line mgt



Marketing/Expert in social media



Employer branding for the connected workforce



Paauwe, Guest, Wright(eds.)
Publisher: Wiley, 2013

The End



CB Curacao-TiU 2016/Paauwe