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High Performance Work Organisation - A Driver for the High Skills Vision?

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Summary

Both academics and policy makers have shown increasing interest in the topic of the high performance work organisation (HPWO) as a means to achieve a 'high skills' or 'learning' economy. The idea that the HPWO can deliver mutual gains for both management and employees is a central part of the attraction, yet its ability to do so remains deeply contested. This paper provides a brief guide through some of the main areas of controversy.

Introduction

Over the last few years there has been much discussion in academic and policy circles concerning the phenomenon of what has been variously labelled 'high performance', 'high commitment' or 'high involvement' work systems. Interest has been sparked by the claim that the 'high performance work organisation' (HPWO) embodies a 'new' approach to the management of employees that is capable of yielding 'mutual gains' for both employers and employees. The promise has been one of improved levels of organisational performance *and* more participative work systems which 'empower' workers to exercise higher levels of autonomy, discretion, skill and commitment in their jobs.

Although such claims remain highly controversial, they have nevertheless had a strong appeal to policy makers in the UK, where the HPWO is seen as having an important role in improving competitiveness and tackling the nation's long-

standing productivity problem (see DTI 2003). The HPWO has also proved attractive to a number of commentators on UK skills policy. They argue that the diffusion of the high performance model is fundamental to the achievement of a high skills economy where employees have greater opportunities to exercise higher levels of skill and learning at work (see, for example, Ashton and Sung 2002, and for a more critical discussion, Lloyd and Payne 2004).

The idea that a radical shift is taking place in the organisation of work and the management of labour is, of course, nothing new. Numerous antecedents can be found from the human relation school of the 1930s through to motivation theory and socio-technical job redesign, and more latterly, post-Fordism and sophisticated HRM (see Harley 2005). Is HPWO simply the latest in a long line of management 'fads' or is it something genuinely new and different? This issue paper seeks to provide practitioners and policy makers with a brief guide through the main thickets of controversy and poses the question of whether HPWO can or should be seen as a suitable vehicle for the high skills project.

What is the HPWO?

The HPWO became a popular concept in the USA at the end of 1980s, drawing on ideas from Japanese management practices and North European concepts of job redesign. A number of companies were implementing wholesale reforms of work organisation and the management of employees, in an attempt to make substantial improvements to company performance. A body of academic research has since developed, particularly in the US and the UK, that has attempted to explore the links between the adoption of the HPWO and performance outcomes. The literature suggests that what is new and important is not the practices themselves, but the combining together, or 'bundling' into a mutually reinforcing or coherent system (Pil and MacDuffie 1996). While, on their own, such practices may have only a limited impact on company performance, bundling them together is claimed to offer powerful multiplier effects.

The HPWO, however, has been haunted from birth by the problem of definition that extends even to the very name itself (high performance, involvement, commitment etc.). The constituent practices that make up the HPWO are meant to be forms of human resource management policies and methods of work organisation that engender employee involvement, the maximisation of effort, initiative and commitment. The difficulty is in defining a common set of practices that everybody can agree should be included. Less controversial are practices such as team working, staff briefings, problem solving groups and appraisal schemes. Beyond these, other practices may either be in or out according to individual preferences - job security guarantees, performance related pay, profit sharing, job rotation, multi-skilling, to name but a few. It has even gone so far that the UK's Sector Skills Development Agency has

adopted a completely different definition that is about good leadership and management, innovation, the application of information technology, and customer handling and communication skills. Therefore, not only is there no agreement on what the HPWO might be, each individual practice is also open to considerably variation in interpretation. While some consider self-managed teams with common objectives, and responsibility for allocating and organising work as central to the HPWO, for others any sort of team will do - even if it is just a re-labelling of a former work group.

These definitional problems make it extremely difficult to gauge the extent of HPWOs within a national economy. Depending upon which practices are included and how high one chooses to set the qualifying bar, one can arrive at very different estimates of the proportion of the UK workplaces that might be said to be HPWOs. The wide range of interpretations that have been placed on data generated by the DTI/ESRC Workplace Employee Relations Survey (WERS) (see Cully *et al* 1998) are a case in point. Using a list of 16 practices, Bach and Sisson (2000:23) found that only 20% of companies had half or more of these practices, and only 2% had more than 10. By contrast, Wood and colleagues used the same data but different thresholds to suggest that 26% of UK workplaces had a 'high involvement orientation' (Wood *et al* 2002:28).

The impact on performance

Much of the literature on HPWO has been concerned to explore the links with improved organisation performance. There is now a body of research to support the view that a positive correlation exists between HPWOs and enhanced business performance using measures such as productivity and profitability and drawing upon studies across a range of countries and industries (see Ashton and Sung 2002, Harley 2005). Even if you discount the issue that different criteria are used for identifying the HPWO, there remains a problem that virtually all these studies show only an *association* and do not prove that HPWOs *cause* improved business performance. Indeed, some commentators have suggested that organisations with superior performance may simply have more money available to spend on costly HR practices.

It is also important to point out that the empirical evidence focuses mainly on manufacturing firms. This had led some to question whether HPWOs may be more appropriate to certain sectors and types of firm, in particular those that are more technologically advanced and which compete in higher quality product markets, and whether the model can be equally applied to the mass service sector. Finally, the mechanism through which performance gains may be achieved also remains unclear. For example, is this achieved through cutting costs (including labour reductions), employees working harder or by making more efficient use of existing resources?

The impact on skills

Is the HPWO a mechanism to drive up skills? A key part of the model is that these forms of work organisation are a means to tap the skills and abilities of all employees, while team working and forms of employee involvement actually require workers to gain additional skills to be effective. Evidence, however, on the actual impact on skills is surprisingly thin on the ground. Research tends to focus on whether HPWOs provide more training to their employees, rather than on whether there are increased demands for skill. In addition, the measures used are extremely crude, often simply a case of 'is training available - yes or no', rather than how much and what type.

The strongest evidence of a link with skills comes in the form of the 1997 and 2001 UK Skills Surveys, which involve detailed face-to-face interviews with individuals about perceptions of their skills (see Felstead and Ashton 2000; Felstead and Gallie 2002). Both surveys found that skills increased with the use of practices associated with high performance working. However, the 1997 survey was limited in the types of practices included, for example team working was not used. The 2001 survey indicated that high involvement working had a positive and very significant relation to problem-solving, peer communication and checking skills, but not to the other skill sets examined. Once again, the research deals with association, leaving the suggestion of any causal link unproven. In short, while much has been made of the links between HPWO and skills, the current evidence base may, as yet, be too limited and fragile to support such claims.

Mutual gains

A key feature of the HPWO is claimed to be the ability to deliver mutual gains in the form of improved organisational performance, alongside enhanced wages, greater employment security and increased job autonomy for employees. However, there is considerable debate about whether this is the case, with some commentators arguing that these organisations can be characterised by work intensification and increased insecurity and stress. As most studies have focused mainly on the link with business performance rather than employee outcomes, the evidence base for testing such claims remains limited and provides, at best, a mixed picture.

Drawing upon US studies, Osterman (2000: 195), for example, concludes that 'HPWOs do not seem to have lived up to their promise of "mutual gains", given that they are positively associated with lay offs and have no relationship to pay gains.' By contrast, Appelbaum *et al* (2000) find that workers earn more than in traditional workplaces and that where employees have greater levels of autonomy, they tend to experience higher levels of trust, commitment, intrinsic rewards and job satisfaction.

Some commentators, however, have argued that HPWOs might have ambiguous or even contradictory outcomes. In this case, employees might experience increased task discretion together with additional stress as management deploys more distant forms of control such as performance management, targets and other employee relation techniques (see Edwards 2002). Finally, it is worth remembering that in contrast to the 'work humanisation' movement of the 1970s, current changes in production systems are being driven by managerial objectives rather than any explicit concerns with employee needs. Whether employees benefit indirectly remains, therefore, an empirical question to which there is still no definitive answer.

Final thoughts

Much ink has been spilled in examining claims that the HPWO constitutes a radical and new approach to the management of labour which embodies 'win/win' gains for both employers and employees. Current research suggests that such claims need to be treated with caution. While many of the individual practices, associated with the HPWO can be found in significant number of firms, take-up of the full-blown model remains patchy and limited. The latest WERS findings suggest that not only does the HPWO remain a minority sport in the UK but that there has been no significant increase in penetration since 1998 (Kersley *et al* 2005). A key question has become why - if HPWO is so good - are more organisations not adopting it either in the US or Europe?

However, focusing on the 'diffusion problem' may be avoiding some central concerns about the concept. While there is some evidence that HPWO can, in some circumstances, be linked with performance, the mechanism through which such gains are achieved remains unclear. Evidence that employees benefit in terms of skills or wider outcomes remains very weak and inconclusive. Perhaps, the greatest problem has to do with definitional ambiguity. Until there is a much clearer understanding of what the HPWO *is*, it will be difficult to fully assess any of these claims, let alone decide whether it should be seen as key element in the development of a high skills economy.

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