

Implementation of High Performance Work System in Public Organizations: Implication to Organizational Performance

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Abstract

A principal concern among organizational researchers is to understand why some organizations irrespective of size and location outperform others. High performance work system (HPWS) offers an explanation for this phenomenon. HPWS gives organizations the competitive advantage over others. While it has been established that HPWS affect the performance of organizations within a large and complex organizations, less have been empirically established if it also create benefit for public organizations. This has generated concerns among organizational researchers. Following this argument, this study examines this theoretical gap with a survey data collected from employees in the public sector organization. Overall, three dimensions of HPWS were identified by the researchers and the level of awareness was assessed on a seven point Likert scale. We found that two out of the three identified dimensions of HPWS has a positive relationship with organizational performance.

Keywords: HPWS, organizational performance, selective training and development, PMS, individual role

1. Introduction

Even though, researchers have provided a wider understanding of the significant role of high performance work system (HPWS) on organizational performance, majority of these studies has done so within the context of large and profit oriented organization. Reasonably, little is known about how HPWS create benefit for public organizations. While data presented on the relationship between HPWS and performance from large and profit oriented organizations are useful in explaining the general effect of HPWS. It is important to examine HPWS within the domain of public organization because the operations of public sector organizations are expected to be relatively different both in terms of goals and HRM implementation. Following this, Heinrich (2007) identified ineffective system as a deep cause of public organization underperformance as such called the need to renew public sector organizations. Besides, other reformers also called for the need to improve public service performance by making them more innovative in their human resource practices. For instance, Wilson (1887) called for the need to reform the public service organizations in order to distinguish excellent performers from poor performers and subsequently reward or reprimand them accordingly. Emphasizing that public sectors organization should be more concerned about innovative practices that can improve the overall performance of the organization (Wilson, 1887). Subsequently, developed economies such as United State, Canada, United Kingdom has embrace innovative practices and have recorded considerable improvement in their performance (Bevan & Hood, 2006; Walker & Boyne, 2006). Indicating that even in the context of developed economy, public sector organizations can also look forward to achieve a positive growth by implementing HPWS.

Even though profit oriented organization represented an important channel of disseminating HPWS through the involvement of supervisors and general managers whose majority have acquired the experience of human resource processes through previous managerial tasks or their relationship with other senior managers who has a greater knowledge of human resource processes (Klaas, Semadeni, Klimchak, & Ward, 2012). However, the responsibility of the human resource issues in the public organizations most times fall on the appointee of a political party in power or a registrar operating under his/ her dictate. These key players most times lack the experience of human resource practices. This further raise much concerned if in reality HPWS will be effective in the public organizations. Again, the differences in employee performance in the public and private sector across the globe are subject to the level of exposure to HPWS between the organizations. Hence, this study

contributes to the literature by looking at the relationship between HPWS and organizational performance within the context of public organization.

2. Literature Review

Researchers have argued that using a bundle of innovative, distinct and unified human resource management practices have greater chances of enhancing, developing and retaining a workforce that can serve as a source of competitive advantage for the organization (Datta, Guthrie, & Wright, 2005). These innovative practices are referred to as HPWS (Datta et al., 2005; Ferreira, Neirab, & Vieirac, 2012; Huselid, 1995; Jensen, Patel, & Messersmith, 2013), dated back to the middle of 80s (Lawler, 1986; Watson, 1985) from American tradition of human resource management which argued that employees contribution is significant to organizational performance (Ferreira et al., 2012). Since then HPWS has continued to gain rising support. Previously, studies on HPWS have focus on uni-dimensional approach to measure HPWS. These have created a significant limitation for researchers in understanding the true effect of HPWS (Moideenkutty, Al-Lamki, & Murthy, 2011). As such, researchers called for the need to broader HPWS in order to understand which element significantly contributes to HPWS practices (Drummond & Stone, 2007; Punia & Garg, 2012; Zhang, Fan, & Zhu, 2013). Knowing that human resource practices within an organization can be a differential element creating difficult for other organizations to replicate (Wright, McMahan, & McWilliams, 1994). Thus, suggested for a study that will test the impact of multidimension of HPWS and organizational performance using different data source in the organization (Moideenkutty et al., 2011) in order to have a better understanding of HPWS. The resource based view theory also emphasized that importance must be placed on the practices that give organizations a competitive advantage (Barney, 1991; Teece, Pisano, & Shuen, 1997). Among the key practices of HPWS this study identified performance management system, selective training and development and individual role in the organization.

2.1 Performance Management System (PMS)

Most studies have condemned the way organizations implement performance management system (PMS), emphasizing that the processes, measures and data are flawed (Grizzle, 2002; Radin, 2000; Schick, 2001; Wiseman, 2004). This argument at higher level of organizations requires renew effort both theoretical and practical issues which may have causes decrease in performance improvement. In view of this, researchers have called for concerted effort to change some of these difficulties. Among these reform suggested, is for researchers to promote PMS (Currstine, 2005) because PMS play a significant role in a modern organization by identifying the objective of the organization, the essential outcomes to attain these objectives, the means to affect these objectives, and the motivations to achieve them (Henri, 2006; Otle, 1994; Osmani & Maliqi, 2012).

Studies have also established that a good PMS performance management system has significant influence on organizational performance (Amaratunga & Baldry, 2002; Hanks, 2003; Nura & Osman, 2013; Paul & Anantharaman, 2003). That is, it requires supervisors or managers in a good PMS to ensure that outcome is fairly and equitably distributed and making sure all the relevant information are made known to the employees at the right time (Hanks, 2003). Doing this, will help to bring positive change in the culture of the organization by helping to set agreed upon performance goals, prioritizing resources and notifying managers to either confirm or change existing policy to meet set goals (Amaratunga & Baldry, 2002). PMS also permits employees to understand their job responsibilities express the pathway towards individual growth. When PMS is strongly and positively implemented, it will result to better organizational performance (Mansor & Chakraborty).

2.2 Selective Training and Development

Increasing market competition has place much demand on organizations to equip employees with sufficient knowledge and skills to perform job effectively. Therefore, studies on selective training and development and organizational performance have gained much research attention over the past few years (Barba-Aragón, Jiménez, & Valle, 2013). Stressing that selective training and development improves both employees and organizational performance by creating a workforce with extensive knowledge and skills (Atteya, 2012; Ballesteros, De Saá, & Domínguez, 2012; Birdi, Clegg, Patterson, Robinson, Stride, & Wall, 2008; Faems, Sels, DeWinne, & Maes, 2005; Lopez-Cabrales, Valle, & Herrero, 2006) and remain a significant tool to woo qualified, flexible and well prepared employees (Bae & Lawler, 2000; Velada & Caetano, 2007). According to Goldstein (1993), training and development is a systematic development and acquisition of skills, attitudes and knowledge required by workers to effectively perform a task or increase performance in the work environment. Selective training and development ensures that the right people with the desirable characteristics and knowledge are trained so that they can judiciously perform task and fit the work environment. Identifying training needs and the right employees to reduce organizational cost (Vlachos, 2011) and help in paying the damages of external

recruitment and selection due to the opportunity provided for the organization to encourage employees internally (Xiao, 1996). Thus, to achieve organizational task and enhance performance, training and development program should be selectively designed in such that they create a win-win situation to both the employees and the organization (Bhatti & Kaur, 2010). A study by Huselid (1993) acknowledged that training and developing employees will not only influenced employee efficiency but will also serve as short and long term indicators for organizational performance and helping to trim down employee attrition.

However, studies have also established that selective training and development does not have direct effect on the performance of an organization (Aragón et al., 2013; Faems et al., 2005, Gelade & Ivery, 2003). Emphasizing that selective training and performance relationship can only be found through a mechanism of productivity (Faems et al., 2005). Hence, training and development must be developed subject to organizations desires and availability of resources (Storey, 2004).

2.3 The Role of Individual

The role of individual in organizational performance has been to a great extent under-research, particularly, in a public established organization (Mollick, 2012). Nevertheless, every individual play a significant role in explaining performance difference among organizations. That is why organizations constantly look for employees who do not only think that the organization is a good workplace, demonstrate commitment and having no intention to quit but for employee who go further by seeing the organization identity as closely link with their own self-identity and believe that their chances is to a great extent interlinked with the chances of the organization (Epitropaki & Martin, 2005).

Studies have established that individual role in an organization have a significant influence on the overall performance of the organization (Cusumano, 2004; Jelinek, Ahearne, Mathieu, & Schillewaert, 2006; Zucker, Darby & Armstrong, 2001) because creativity and innovation are highly variable by individual (Stephan, 1996) hence, there will be a significant difference in the role played by individuals in the achievement of organizational performance in most organization that are involve in creative work. Consequently, Mollick (2012) argued that an organization innovation alone cannot produce performance difference rather it is the role of individual manager to incorporate and harmonize the innovative work of others.

Furthermore, Hambrick and Mason (1984) opined that the significant role of every individual in the organization is viewed on the bases that personality and cognitive differences among individuals have a significant impact over policies and outcomes, which ultimately clarify the performance differences of organizations.

3. Conceptual Framework

Following the review of literature, HPWS would have significant influence on organizational performance. Base on the aforesaid proposition, the conceptual framework for this study is presented in Figure 1 below.

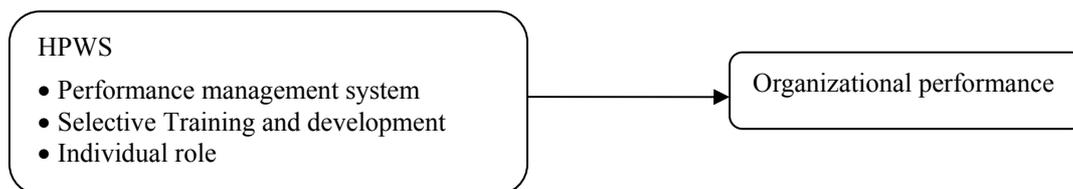


Figure 1. Conceptual framework

3.1 Hypotheses

Previously, studies have found a significant positive relationship between PMS, selective training and development, individual role and organizational performance. While a few of these studies have also produced contradictory results which call for the need to conduct additional research. Thus, we propose the following hypotheses to further improve the understanding of HPWS.

H1. There is a positive relationship between performance management system and organizational performance such that organizations that adequately manage their employees' performance will achieve better performance.

H2. There is a positive relationship between selective training and development and organizational performance such that organizations that provides adequate training and development to its employees will achieve better performance.

H3. There is a positive relationship between individual role and organizational performance such that

organizations who engages employees who display high commitment and believe that their chances is to a great extent interlinked with the chances of the organization will report greater performance than others.

4. Method

Data were collected using a set of questionnaire because is the most popular technique for data gathering. A pilot test was initially conducted using 30 employees before the actual study. The purpose was to ensure the clearness and reliability of the survey instrument. The Cronbach's Alpha value from the reliability analysis of the pilot study showed a value of 0.773 for PMS, 0.706 for selective training and development and 0.832 for individual role. Employees involved in the pre survey were not included during the actual survey. Following the pilot survey, a total of 200 questionnaires were distributed to a cross section of line managers, supervisors and other employees working in different unit such as evaluation of training outcome unit, director's office, School performance development unit all within the ministry of education in Oman between July 2014 and September 2014. These respondents are considered fit for the study because of their knowledge on the concept under examination. Out of the 200 distributed, 162 were retrieved, providing a high response rate of 81 percent.

Furthermore, previous studies on HPWS and organizational performance administered survey to human resource managers as key informant to assess HPWS. However, other researchers argued that only human resource managers or supervisors may possibly overstate the degree of HPWS common to their organization (Bowen & Ostroff, 2004; Wright & Boswell, 2002). Similarly, their response may be less reliable in measuring HPWS. Drawing on growing number of studies that have use employees and line managers in measuring HPWS, the present study assess both employees and managers view of HPWS.

Apart from the above, it is imperative to say that just as managers promote HPWS, we also believe employees are direct recipients of the organization HPWS. Hence, they provide suitable source of information on such practices in the organization. Statistically, when feedbacks come from numerous sources within a single organization, the resulting score for the prevalent human resource system is expected to be more reliable. Besides, employee's response to HPWS is also as significant as manager's response to HPWS (Takeuchi, Lepak, Wang, & Takeuchi, 2007).

Out of the 162 returned, 9 were excluded because of outliers. Overall, 153 questionnaires were used for the final analysis after the deleting the outliers. With the exception of ten respondents who were transferred from other department to the ministry, every other respondent had a minimum of ten years in the ministry.

The questionnaire was initially developed in English. For the purpose of administering the questionnaire in gulf country, the survey was subsequently translated to Arabic using bilingual expert in the language center of the ministry of education in Oman. The simplified Arabic language was subsequently used to collect the data.

4.1 Measurement of Items Virtuous

All the items use in this study were adopted from past validated studies and modified to fit to the nature of this study. Every item required a response on a seven point likert scale ranging from strongly disagree (1) to strongly agree (7) for every dimension in HPWS and organizational performance. The measure of performance management system (PMS) was on six items taking from (Mansor et al., 2012). Employees were asked in relation to the items on PMS to include: employees are carried along during the development of PMS, employees are informed about new developments in PMS, the organization provides adequate information on PMS, there is strong support from top managers about the involvement in PMS, managers constantly monitor activities performed by staff through performance management system, the system completely evaluate the job that has been done. The Cronbach's reliability of the selected items from this survey was 0.86.

Selective training and development was measured by ten items scale (Vlachos, 2011; Ahmad & Schroeder, 2003). The items include: the organization provides training in one important skill, employees are trained to gain multi-ability, training is a motive for employees to achieve more, the organization thoroughly train and develop its employees, management believes that constant training and upgrading of employees skills is important, employees are cross trained so that they can fill in for others, employees in the organization are motivated by giving them in-depth training rather than developing them on a wider skill base, the longer employees stays in the organization, the higher the task he/she learns to perform, employees are provided with sufficient opportunities for training and employees receive the training needed to do their job. The Cronbach's alpha selected for these ten items was 0.83.

Seven items scales of individual role were adopted from a survey by Goldston, (2007), Chiang Hsi-An Shih and Hsu (2014). The items includes: Every individual in this organization believes that he or she can have a positive impact on the organization, jobs in this organization are designed around individual skills and ability, the

organization ensures the role perform by every individual is not duplicated by others, every individual look for opportunity to improve the organization, every individual in this organization take initiatives to improve their day to day task, every individual knows what is required of them to achieve the organization long term goal and work in this organization are organized in a way that every individual can see the relationship between his or her job and the goal of the organization. The Cronbach's alpha for the selected items was 0.73.

Organizational performance items scales were built around the measures of Jelinek et al. (2006). The items include: employees in the organization are encouraged to monitor their performance, every employees in this organization are concerned about meeting performance target, employees in the organization has a strong drive towards performing well, employees understand how their work contributes to the overall performance of the organizational, employees in the organization accept any type of task assigned to them in order to keep their job, employees feel very good when they know they have outperform others in the organization, it is important in this organization that supervisors think positively about employee performance and majority of the employees are highly involved in their work. To ensure the validity of these items, a confirmatory factor analysis was conducted for every element. The result showed that all the three dimensions of HPWS have acceptable levels.

5. Results

This section provides the summary statistics of the measure use to assess the relationship between HPWS practices and organizational performance. First the result of the descriptive statistics and the correlation analysis between the independent and dependent variable will be presented. Following this, the multiple regression analysis will be presented to test statistically the degree to which the HPWS practices explain organizational performance.

5.1 Descriptive Results

Base on the descriptive statistics, the majority of the respondents are female (59.5%) while 40.5 are male. This result supports the notion that female employees always constitute the majority of the workforce in almost every public organization. With deep respect to the age of the respondents which differ between 10-20 (0.7%), 21-30 (7.8%), 31-40 (49%), 41-50 (41.2%), 51-61 (1.3%). This perhaps reflects the fact that most of the respondents seem to be approaching the retirement level. This will possibly create a large vacuum in the organization considering the high number of employees in this ministry that are within the retirement level if provision is not made for replacement. As for the experience of those that were involve in the survey 1- 5 years (6.6%), 6-10 years (11.1%), 11 years and above (82.4%). Majority of the respondents have better experienced in the ministry. This suggests that they have satisfactory knowledge about the practices in the organization.

5.2 Correlation

Regarding the variable analysis, none of the dimensions was found to have low value of inter-item correlation. The correlation result between PMS, selective training and development and individual role are shown in Appendix 1. The result demonstrated that selective training and development and individual role are positively correlated to organizational performance. These correlations support H2 and H3 which predicted a positive relationship between selective training and development, individual role and organizational performance. These results did not support H1 which predicted a positive relationship between performance management system and organizational performance. This showed that PMS has a negative relationship with organizational performance.

5.3 Regression Analyses

Appendix 2 provides the results of the multiple regression analysis that test the extent to which PMS, selective training and development and individual role affect organizational performance. These results indicate that PMS, selective training and development, and individual role jointly contributed to organizational performance explaining a variance of 0.591(59.1%) in organizational performance. This indicated that 59.1% of the variance in organizational performance can be accounted by the HPWS dimensions. The regression result does not support H1. Besides, individual role has the strongest effect on organizational performance having a beta value of 0.493 above the effect of selective training and development which accounted for 0.297 beta value, while PMS has the least beta value of 0.087.

6. Discussion

The overall result of this study shows that HPWS have a significant positive relationship with organizational performance. The findings are in line with previous studies that found a significant effect of HPWS on organizational performance.

Although, PMS was originally hypothesized to have a positive relationship with organizational performance, the

relationship was not supported by the result of this. The result is contrarily to the result of past studies. However, the insignificant result is not surprising in public sector organizations where majority of the employees are not rewarded or promoted base on their performance except on the employee tenure of service. This therefore demonstrated that PMS was not as significant in determining performance in public sector organizations. Following RBV theory that not all practice is significant drivers of organizational performance (Barney, 2001). This therefore indicated that public sector organizations particularly in developing economy required more time to buy into the mainstream HPWS practices.

Another possibility of the insignificant result between PMS and organizational performance is the high cost involved in implementing PMS. In public sector organizations, it may be very difficult to assess the contribution of PMS due to the bureaucratic nature of work activities. In spite of the insignificant support for PMS and organizational performance linkage, it is difficult to conclude that PMS do not have positive effect on organizational performance considering the fact that the study respondents are from public sector organizations with unique characteristics including performance evaluation. Hence, comparing PMS in public sector to private or profit oriented organizations will produce a significant difference result. Instead of jumping to conclusion that PMS has no positive relationship with organizational performance, it is reasonable to suggest this finding to further investigation in different context within the public institution.

Another important findings of this study, is the relationship between selective training and development and organizational performance. This study finds a strong support that selective training and development has a significant positive effect on the overall performance of the organization. As such H:2 was confirmed. The findings therefore reflect that selective training and development is a significant practice in HPWS that add value to organizational performance irrespective of the size or sector of the organization. Therefore, training and development serve as an opportunity for public organization to key into the mainstream HPWS. Thus, regardless of the size and sector of the organization, organizations should be more concerned on employees training and development because the more organizations identify training needs and systematically select employees towards these needs, the more experience employees will achieved of the work which in turn give the organization a competitive advantage in terms of innovation and performance. Therefore, when an organization selects training needs and identify the right employees, it will help the organization to such reduce operating cost.

Finally, the results reflect that individual role have a statistical significant positive relationship with organizational performance, confirming hypothesis (H:3). In other words, the level of overall performance of an organization is subject to the extent of individual input to organizational goal. A higher level of individual effort will result to a higher level of organizational performance. Hence, it is essential that in the current changing work environment, individual play a great role in contributing to the smooth functioning of the organization. Their role go further than improving organizational success but will also provide efficient coordination among members by creating a clear vision, mission, and transparent system in the organization.

7. Conclusion

Following the objective of this study, we concluded that HPWS have a significant effect on organizational performance. Therefore, every organization should be connected to HPWS in order to effectively respond to changing competitive action. However, the results presented in this study should be viewed in light of the following limitation. Among other limitation is the reasonably small sample size. Given that this study was limited to a sample of 200 respondents in public sector organizations, creates difficulty to generalize the findings to other contexts. However, more research is needed to extend the sample size, including widening the scope to other context. Notwithstanding the above limitations, this study has contributed to the improvement of knowledge by extending HPWS to the domain of public sector. Besides, our study also made a novel contribution to knowledge by examining the importance of implementing HPWS in a multidimensional ways.

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Appendix

Table A1. Correlation results

	PMS	STD	IR	ORGP
PMS	1			
STD	.267**	1		
IR	.329**	.554**	1	
ORGP	-.329**	.593**	.686**	1

** . Correlation is significant at the 0.01 level (2tailed).

Table A2. Regression results dependent variable: Org per

	β	t	Sig
PMS	0.087	1.483	0.140 ^{NS}
STD	0.297	4.435	0.000***
IR	0.493	7.228	0.000***
R ²	0.543		
F	69.096		

N= 153 *p < .05 **p < .01

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