

High Performance Working: A Synthesis of Key Literature

Executive Summary 4
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Introduction

This report presents a synthesis of recent research evidence on the theme of High Performance Working (HPW), setting out the current state of knowledge on the topic, and identifying research gaps and policy questions. It is one of the first outputs from the Skills Utilisation project being led by the UK Commission for Employment and Skills, which is looking at how the HPW approach can help to ensure skills are better used in UK workplaces. In this paper, HPW is defined as a general approach to managing organisations that aims to stimulate more effective employee involvement and commitment to achieve high levels of performance.

Why is HPW moving to the centre of policy debates?

Interest in HPW within policy and research circles has heightened in the past few years. Policy makers in the UK are now recognising the potential of HPW to offer benefits to both employers *and* employees, as well as contributing to the economic performance, competitiveness and prosperity of the national economy.

The focus of skills policy in the UK has recently extended from a primary concern with improving skills *supply* to also looking at the question of employer *demand for skills*. In particular, there has been a shift in focus to considering how we can ensure that skills are effectively *used* as well as developed in the workplace. HPW is believed by many to provide a means to achieve more effective skills utilisation.

Interest in HPW has grown at the same time as increased attention is being paid – internationally, as well as in the UK – to general issues about the quality of work. There is increasing focus, particularly at the European level, on seeking to create ‘better’ jobs and good working environments that offer mutual advantages to the individual as well as the employer.

Although it may seem counter-intuitive, the current economic circumstances in the UK could offer a window of opportunity for developing policy initiatives directed at increasing the uptake of HPW amongst UK employers. This could help to maximise employee skills, and, importantly, ensure business survival and growth for the longer term.

What is HPW?

There is a lack of consensus amongst experts over how to precisely define HPW.

After carefully considering the literature, in this paper we define HPW as a **general approach to managing organisations that aims to stimulate more effective employee involvement and commitment to achieve high levels of performance.**

The precise form this takes within an organisation will vary depending on context, but will include activities in the areas of: human resource management (e.g. pay and incentives, appraisal, workforce development), work organisation (e.g. team working and job design), employment relations, management and leadership (including strategic management and business development as well as line management), and organisational development. Importantly, the HPW approach is specifically designed to enhance the discretionary effort employees put into their work, and to fully utilise and further develop the skills that they possess.

In early work in this field there was considerable interest in identifying,

measuring and understanding which specific *practices* make up HPW, and what combination of practices works best. Over time, views have developed from 'the more the better' (in other words, that practices provide an additive benefit), to identifying the *best* practices to adopt (often known as the universalistic approach), to a recognition that there is no single, universal, or indeed, 'off-the-shelf' formula or set of practices to fit all circumstances. Rather, the most meaningful combination or 'bundle' of practices will be context-specific (known as the contingency or best fit approach), and needs will be shaped and managed to suit each specific organisation.

Increasingly within the literature there has been recognition of the complexity of HPW, and a desire to understand how HPW operates as a *system* within a particular workplace setting. There has been a concern with understanding *how* the HPW approach – and its associated ethos of management and leadership, business improvement and people management – achieves more effective performance outcomes, and what this means for future implementation and practice.

Why Does HPW matter?

There is now a significant body of evidence on the benefits of HPW, and although some are more cautious about its impact on employees, the weight of the evidence pointing to the positive link between HPW, performance and employee well-being is difficult to ignore.

This evidence shows a link between HPW and various measures of improved *organisational* performance, showing that HPW is positively associated with company profits, sales and profitability. It also points to beneficial outcomes for *employees* in terms of higher job satisfaction and motivation, greater opportunities for innovation and creativity, greater task discretion, greater employee involvement and commitment and lower labour turnover.

However, this report does not claim that simply adopting HPW will provide a panacea that will *immediately* bring benefits for all, no matter what. The reality is more complex than that. It does argue though that HPW offers a potentially important mechanism for improving

organisational performance, employee well-being and competitive advantage *over the long term and assuming implementation is right*. As such, HPW warrants further attention from policy makers.

How does HPW work?

There is growing interest in understanding *how* HPW operates as a system, and how it is best implemented *on the ground*.

Researchers have turned their attention in particular to investigating the mechanisms by which HPW might positively influence performance outcomes. This has involved looking more closely at the ways in which organisations work internally, and getting inside the ever-elusive ‘black box’.

A number of theories and models have been developed in an attempt to facilitate better understanding of HPW. These models can act as analytical tools, demonstrating what factors are most important, highlighting inter-dependencies and the importance of chains of impact. They can also help on a practical level to shape management decisions and influence implementation.

Several key points are highlighted in the models of HPW we discuss in the report, including: the need to take a holistic and balanced approach where careful consideration is given to how practices integrate and work together to suit the business context; the crucial role for managers from senior to line management level as well as those responsible for human resources; the pivotal importance of employee commitment and achieving a partnership between managers and their employees; and the need for a clear vision and ethos, underpinned by strong values and culture.

How widespread is HPW across the UK?

Despite the significant body of evidence that exists on the benefits of adopting HPW, it appears that take-up is not widespread in the UK, and that this has not changed dramatically over time. The 2008 Employer Survey undertaken by the UK Commission for Employment and Skills found just under a third of organisations could be classified as taking a HPW approach. However, measurement of HPW is very difficult due to variation in the definitions that are used.

There appears to be considerable variation by sector and size of employer, with HPW being more common in the public sector (according to the UK Commission's Employer Survey, around seven in ten employers adopt HPW practices here), parts of manufacturing (e.g. especially engineering) and amongst larger employers. However, it is important not to jump to conclusions from this about the lack of relevance of in other types of organisations. Given its context-specific nature, HPW has the potential for wider application if it is tailored appropriately.

Various studies have explored the reasons behind the low uptake of HPW. The literature shows that the adoption of HPW is low in the UK for a range of reasons, including: ignorance and a lack of awareness; doubts and inertia (including concerns about complexity and managing costs); inability and difficulties overcoming a range of impediments to effective implementation.

HPW, by its holistic nature (which involves it touching and having implications for all parts of the business), is undoubtedly an extremely difficult and complex thing to achieve and get right. There is no single 'silver bullet', or ready-made blueprint to follow, and there is a significant time lag before the effects can be totally realised. Furthermore, many employers, whether intentional or not, are not *fully* adopting the approach, but may introduce parts of it. However, in the context of changing external pressures in the market (e.g. globalisation, growing international competition, the expansion of trade, on-going technological developments and changes in consumer demand), there are questions about whether this stance is enough and if a more selective approach is sustainable over the longer term.

Managers and leaders (across a range of functions) play a crucial role in fully implementing HPW and ensuring that when it is put into operation it is done so in a way that not only fits the business context, but utilises full organisational capacity and optimises the business

benefits. Crucially, effective implementation also depends on achieving employee involvement and commitment, which needs to be underpinned by a strong partnership between employers and their employees.

What further needs to be done? Conclusions and policy issues

The report synthesises the now sizeable body of evidence on HPW, setting out clearly the current state of knowledge, defining HPW, showing why it matters, drawing out some considerations for policy, and demonstrating why HPW should be an important policy priority in future.

Whilst some commentators have raised doubts about the impact of HPW, there is now a substantial amount of evidence pointing to the positive association between HPW and organisational performance and employee well-being at work. HPW, *if it is implemented effectively*, is linked with positive benefits in terms of a range of measures including improved company profits, sales and profitability, as

well as wider improvements for employees, in terms of higher job satisfaction, better skill use and development, commitment and motivation.

HPW also offers a potential vehicle for converting public policy messages on skills and productivity into the kind of language that can inspire organisations to act, and by so doing enhance not only the competitive advantage and success of individual organisations, but ultimately, too, the performance of the broader economy.

A key consideration for policy makers, therefore, is how to tackle the currently low take-up of HPW practices in the UK. A set of barriers have been identified, and an immediate priority is to establish where there is a role for public policy help employers overcome them and facilitate take-up.

Clearly, employers are, and must remain, in control of the management of their own organisations and businesses. But that is not to say that there is no role for public policy in encouraging employers to adopt HPW. In this context, there is undoubtedly a need to review the range of current and potential policy instruments that could be deployed to offer help to employers managing their businesses and adapting to change. Evidently there is no one single policy instrument that can exert the influence required. It is thus important to understand how varying policies can work to lift particular barriers for different types of employers. This report offers suggestions about possible future policy developments. It also highlights policy and research questions that warrant further investigation, some of which are being taken forward by the UK Commission as a part of its Skills Utilisation research project.

Executive Summaries

present the key findings of the research and policy analysis generated by the Research and Policy Directorate of the UK Commission for Employment and Skills. More detailed analytical results are presented in Evidence Reports and all outputs are accessible on the Research and Policy pages of the UK Commission's website www.ukces.org.uk

To obtain copies of this document, contact:

UKCES

3 Callflex Business Park
Golden Smithies Lane
Wath-upon-Dearne
South Yorkshire
S63 7ER
T +44 (0)1709 774 800
F +44 (0)1709 774 801

UKCES

28-30 Grosvenor Gardens
London
SW1W 0TT
T +44 (0)207 881 8900
F +44 (0)207 259 1290

Email: communications@ukces.org.uk
www.ukces.org.uk