

Introduction

In the short time available I want briefly to cover the following issues:

- What is meant by the term “high performance workplaces”;
- The implications of high performance workplaces for both employers and employees;
- The relationship between “fairness” and high performance workplaces; and
- Whether we should try and legislate for high performance workplaces.

What are high performance workplaces?

- Apparently it was Socrates who said that the beginning of wisdom is the definition of terms.
- Unfortunately, the concept of High Performance Workplaces is a bit slippery.
- Surely we don’t just mean “workplaces that perform well”?
- I’m going to focus on the body of academic work that has developed over the last 15 years or so that suggests there has been an emergence of a genuinely new approach to organizing work, based around the idea that certain human resource management practices are positively associated with improved organizational performance.
- If true this is great news for HR managers because it suggests that HR – if done well – can feed straight into the bottom line. We all knew that already, of course!
- Mind you, there is not really a consensus on what these particular HR practices are.
- In 1996 Becker and Gerhartⁱ examined five studies of high performance workplaces and identified 27 different variables used as identifiers for high performance work practices. Of those 27 only four were common in more than three of the studies.
- Nevertheless, the underlying concept appears to be the notion that organizations that empower their employees by means of participative work practices will achieve performance gains, particularly in the form of higher productivity.
- There has also been a widely held view that to maximize the benefits of this approach, organizations need to adopt a “bundle” of practices.ⁱⁱ This is based on the notion that while individual practices, such as self

managing teams, might have benefits in their own right, a bundle of practices that are mutually consistent will deliver performance outcomes greater than the sum of the outcomes of the individual practices. That is where the notion of “system” comes from in the term “high performance work systems”.

- My own personal take on this is that while there is certainly a lot to be said for employee empowerment, simply giving employees a greater say can be quite dysfunctional unless you also adopt strategies to ensure a good alignment between the goals of both management and employees. In my past work life I’ve seen some great examples of self directed work teams with a high degree of autonomy. Unfortunately in some cases the members of the team had little awareness and even less interest in the goals of the organisation as a whole. As a result they were quite happy to go off in directions totally at odd with the organization’s goals. I can’t say this contributed to a high performance workplace.
- It’s also true that consultation rights can be used simply to slow down or stall the introduction of much needed workplace change – again hardly consistent with a high performance workplace. To repeat, employee empowerment needs to be combined with a strategy to ensure an alignment of employee and organisational objectives.
- The specific aspects of work organisation that are commonly included in empirical studies of high performance work systems include such things as information sharing, staff briefings; management-employee meetings, employee surveys, suggestion schemes, consultative committees, problem solving groups, formal team structures, and the use of TQM.
- In addition the research suggests that employee involvement is most effective if combined with sophisticated recruitment and selection techniques and an emphasis on training, to ensure employees have the requisite skills to play the more demanding roles expected of them.
- Finally, consistent with the point I’ve been making about goal alignment, there need to be practices that give employees a sense of ownership in the organisation, such as profit sharing and/or performance related pay, and what might be termed “progressive” policies in areas such as work-life balance, job security, formal grievance procedures and EEOⁱⁱⁱ.

What are the Implications for High Performance Workplaces for Employers and Employees?

- A key part of the appeal with the concept of high performance work systems is that it offers a “win-win” approach to the workplace.
- There is a growing body of evidence in the USA and the UK that supports the view that high performance work systems really do contribute to organizational performance in areas such as productivity and financial performance.
- There is rather more debate however about whether the impact on employees is positive.
- Some sceptics see high performances workplaces as basically a clever way to make employees work harder, by giving them more responsibility, with the result that while the firm benefits, the employees simply experience work intensification and increased stress.
- Nevertheless, on balance, most studies find that high performance work practices are associated with increased job satisfaction and organizational commitment^{iv}.

What is the Relationship between Fairness and HPWS?

What is the relationship between fairness and high performance workplaces?

To the extent that high performance workplaces put an emphasis on recruiting the best people, then they are clearly incompatible with any discrimination in the selection process on irrelevant criteria such as sex, race, social background, sexual preference etc. Such discrimination is not only unfair (and indeed, potentially illegal) but is also likely to undermine organizational performance.

However, there is more to fairness than non discriminatory employment practices.

Fairness can be seen as having three dimensions:

1. substantive (or distributive) fairness,
2. procedural fairness and

3. Interactive fairness.

While much of the relevant research has been done in the US there is evidence that concepts of fairness are less culturally specific than one might imagine^v.

To be “fair” at work (or indeed anywhere else) you need to have regard to each of the three dimensions^{vi}.

Let me very briefly illustrate what I mean by taking the example of a disciplinary process in the case of an alleged instance of misconduct:

- “Substantive” (or distributive) fairness would mean only applying a sanction if there really had been misconduct, any sanction was proportionate to the misconduct, and similar cases of misconduct were subject to the same kinds of sanctions;
- “Procedural” fairness would, inter alia, involve ensuring that the alleged misconduct was properly investigated, by someone impartial and that the person alleged to have committed the misconduct was given a reasonable opportunity to respond to the allegations. It would also mean that clear reasons were given for any decision, and ideally there would be some scope for a review or appeals process;
- “Interactional” fairness means ensuring that everyone involved is treated with dignity, that the whole process is conducted with courtesy, consideration and respect^{vii}.

Everyone professes to believe in fairness. How come then it’s not more common?

It would be naïve to believe that fairness is cost-free. For example, ensuring that allegations of misconduct are properly and fairly investigated can involve a significant investment in time, taking managers and staff away from their “proper jobs”, and may also cost money through the use of outside consultants.

I’m sure I remember my mother telling me that politeness costs nothing – and I’m sure at one level she was right – yet a failure to treat individuals

with respect is all too frequent in the workplace. In my experience, some managers treat people unfairly as an exercise of brute power – they treat people badly because they can.

But then why do so many organisations let them do it? Let's not kid ourselves – doing something about unfair treatment can sometimes be costly. For example, what do you do if one of your high performing managers regularly abuses those of his subordinates who find it hard to live up to his high expectations?

Are you going to discipline him – perhaps to the point where he might become demotivated, or thinks about leaving the company?

Indeed, the phenomenon of the star performer who treats his or her subordinates poorly is not an exception. Research has found that where managers are primarily oriented to tasks or outcomes and focused on the short term achievement of these goals, they make decisions that have less to do with fairness and more to do with practical goal attainment. It has been argued that the key discipline for management these days is to maintain share price and dividend levels and that these essentially short term objectives make it difficult to make a long term commitment to and investment in workplace fairness^{viii}.

However, if ensuring fairness can be costly, tolerating unfairness in the workplace can be costly too.

Central to the concept of a high performance workplace is that employees are given scope to exercise greater discretion and judgment in their work, and contribute their knowledge and ideas as to how work can be done better.

For this to work,

- a) Employees have to feel a sense of identity with the interests of the organisation; and
- b) They have to feel a level of trust that it is OK to speak up, perhaps challenging old ways of doing things.

There is nothing more corrosive of trust in the workplace than a sense that supervisors and managers treat workers unfairly.

One of the seminal pieces of research in the high performance workplace literature is that published in “*Manufacturing Advantage: Why High Performance Work Systems Pay Off*” by Appelbaum, Bailey, Berg and Kalleberg^{ix}.

They conducted in depth research on 44 manufacturing facilities across the US from 1995 to 1997. Amongst their findings was that trust had a strong positive impact on organizational commitment and job satisfaction. Indeed they suggested that trust mediates many or all of the effects of high performance work systems on commitment and satisfaction.

Applying the logic of these findings, tolerating unfair treatment in the workplace undermines the trust which is essential to the sense of commitment integral to high performance workplaces.

FAIRNESS leads to TRUST which leads to COMMITMENT (and willingness to innovate and come up with ideas etc.)

As I mentioned, one of the criticisms of the high performance work systems model is that while giving added autonomy to employees may help the organisation’s bottom line, it allegedly does this at the expense of increased stress on employees.

However there is evidence that while autonomy increases stress if trust is low; if trust is high, then autonomy over task-level decisions lowers stress.

This makes sense – if you are given more responsibility as an employee, but you do not feel confident that your managers will treat you fairly if anything goes wrong – you would probably rather not have the added responsibility.

As I noted earlier, ensuring fairness has a cost to the organisation, for example in management and staff time, and perhaps in confronting otherwise star performers with their unacceptable behaviour. But there are also costs involved in failing to ensure that employees are treated fairly. Moreover these costs are likely to be greater the more your organisation has adopted a strategy based on giving employees greater autonomy and responsibility.

Thus an argument for fairness in the workplace can be made not simply on ethical grounds, but also on the ground that treating people fairly at work creates a more committed workforce, and is an integral part of what makes a high performance workplace.

Can we Legislate for High Performance?

Finally, I just want to touch on the issue of whether there is a role for legislation in promoting high performance workplaces.

The short answer is I don't know.

There is little doubt that many – perhaps most – senior managers want to create high performance workplaces.

My attention was drawn recently to a survey of nearly nine and a half thousand senior executives in more than 900 organisations across New Zealand and Australia conducted by Human Synergistics^x. They were asked what kind of culture they preferred to see in their organisations. Managers said they wanted an emphasis on Achievement (setting goals, pursuing standards of excellence), Self Actualizing (be creative, learn and grow) Humanistic-Encouraging (be supportive and helpful to one another) and Affiliative (build relationships with one another). All characteristics of high performance workplaces.

However when 132,000 employees across those same organisations were asked to describe the way they perceived the actual culture in those organisations, the culture profile was very different. The specific key behaviours identified were Conventional (don't rock the boat, follow rules, make a good impression), Avoidance (shift responsibility to others, avoid blame) Oppositional (oppose ideas and be critical of others), Competitive (compete with co-workers rather than co-operate), Perfectionistic (work long hours to complete narrow objectives).

My wife told me that the two most important acronyms she learned early in her career were DTA and CYA – don't trust anyone and cover your rear!

The Human Synergistics research suggests those concepts unfortunately are alive and well in our workplaces.

I've been involved in the area of workplace regulation for over 20 years, so I'm certainly reluctant to say that there is no role for legislation in promoting high performance workplaces.

However, I've also learned that there are limits to what can be achieved by legislation.

I'm personally opposed to laws that are honoured in the breach. If you're going to have workplace laws they should be enforceable and enforced. Anything less simply creates confusion and doubt and brings the law into contempt. However for the law to be enforceable it needs as far as possible to be simple enough to be understood and complied with by ordinary employers and employees.

You also need to be aware that all laws in this area are likely to have unintended consequences, and hidden costs.

I'm also pretty sceptical that you can legislate for good management.

This all suggests that the main focus of legislation should be on the protection of minimum acceptable standards.

On the other hand, there is an argument that legislation can play a normative role – sending a signal about what kind of behaviour the community wishes to promote. An example would be the kind of “light touch” regulation introduced in the UK and partly adopted by the AIRC in the Family Provisions Test Case Decision (though later overrode by Work Choices) giving employees the right to request family friendly hours.

There is also a place for certain rights to be given to employees to be consulted about and/or involved in decisions that affect them at work – even if we do not go as far as recent European Union directives in this area. It could perhaps also be appropriate for employers above a certain size to be required to comply with certain minimum standards of fairness in dealing with workplace grievances. Interestingly, a provision of this type was included in the NSW Industrial Relations Act 1991 introduced by the Liberal Greiner government though it was never promoted and as far as I can tell became one of those laws honoured in the breach.

Another option that might be worth exploring is exempting workplaces or organizations from some of the more prescriptive workplace laws if they can demonstrate that they are truly high performance workplaces. A small example of this type of approach is the way in which the Equal Opportunity for Women in the Workplace Agency can waive the requirement for annual reporting for organizations that have achieved certain equity objectives. Obviously you would need an independent and impartial agency to decide who had met the appropriate standards. Moreover to the extent that your workplace laws were focused on minimum acceptable standards, exemption might not make a lot of sense.

An alternative approach might be to rely less on regulation per se and more on the promotion of good practice by an independent agency, along the lines of the ACAS “model workplace”^{xi}.

Certainly the industrial relations agencies in a number of other countries are placing an increased emphasis on education and advice aimed at promoting best - or at least good – practice, sometimes under the rubric of dispute prevention, rather than spending all their resources trying to fix things when they have gone wrong.

Perhaps the best approach is to combine a strong emphasis on education and advice with modest and pragmatic legislation of the kind I’ve suggested.

I hope these comments might at least provide some points for discussion as the day progresses.

Thank you

ⁱ Becker, B and Gerhart, B (1996) “The Impact of Human Resource Management on Organizational Performance: Progress and Prospects” *Academy of Management Journal*, Vol. 39 No. 4 (December) pp. 779-801

ⁱⁱ MacDuffie, J (1995) “Human Resource Bundles and Manufacturing Performance” Organisational Logic and Flexible Production Systems in the World Auto Industry” *Industrial and Labor Relations Review*, 48, pp. 197 - 221

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- ^v Tyler, T. "What is procedural justice? Criteria used by citizens to assess the fairness of legal procedures" *Law and Society Review*, 22(2): 301-55
- ^{vi} Turner, M.E., (1993) "organizational justice: The Search for fairness in the workplace" *Personnel Psychology*, 46 (4): 932-36
- ^{vii} Bies, R.J., and Moag, J.S., (1986) "Interactional Justice: Communication criteria of fairness" *Research on Negotiation in Organizations* 1 (1): 43-55
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- ^x <http://www.human-synergistics.com.au>
- ^{xi} ACAS (2005) "The ACAS Model Workplace" London