High Performance Work Systems in the Global Context:

A Commentary Essay

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Abstract

The study by Shih, Chiang, and Hsu (2011) contributes substantially to the high performance work systems (HPWS) literature by sampling Chinese host country nationals (HCNs) of a Taiwanese firm and by introducing new mediating variables. A number of interesting issues follow from the study, including the use of perceived HPWS and the dimensionality of HPWS. This commentary essay briefly explores each of these areas.

Keywords: high performance; work systems; Taiwan; mediating variables

High Performance Work Systems in the Global Context: A Commentary Essay

The high performance work systems (HPWS) literature reports a number of human resource (HR) practices that consistently lead to higher individual and organizational performance. The Shih, Chiang, and Hsu (2011) study raises issues that warrant further attention by future researchers including the use of perceived versus actual practices and the dimensions of the practices. The paper makes a substantial contribution to the HPWS literature by introducing some new mechanisms that explain a portion of the relationship between HPWS and performance and by applying the concepts to a context that has not yet been explored.

Perceived Versus Actual HPWS

Shih, Chiang, and Hsu (2011) measure HPWS as perceived by employees. This measure has a number of important implications for future research. Because perceptions occur within individuals, perceived HPWS is an individual level construct. Historically, most HPWS research has considered actual rather than perceived HR practices. The level of analysis of actual practices is at the firm rather than the individual level. Studies using the firm level of analysis tend to use firm level measures as the dependent variable. Recent studies have looked at firm level outcomes such as sales growth and innovation (Messersmith & Guthrie, 2010), subjectively measured market performance (Chuang and Liao, 2010), export performance (Martín-Tapia, Aragón-Correa, and Guthrie, 2009), employee turnover and absenteeism, labor productivity and labor costs (Guthrie, Flood, Liu, & MacCurtain, 2009), customer service effectiveness (Beltrán-Martín, Roca-Puig, Escrig-Tena, & Bou-Llusar, 2008), innovation performance (Chen & Huang, 2009), collective organizational citizenship behavior (Gong, Chang, & Cheung, 2010), and productivity, profitability, and market share (Fabling & Grimes, 2010).

Consistent with a few recent studies in the HPWS literature, Shih, Chiang, and Hsu (2011) move the level of analysis to the individual level by using perceived rather than actual practices. Studies measuring perceived practices tend to use individual level outcomes. Recent studies have looked at individual level dependent variables including organizational commitment and job satisfaction (Takeuchi, Chen, & Lepak, 2009; Qiao, Khilji, & Wang, 2009; Wu & Chaturvedi, 2009), individual service performance (Liao, Toya, Lepak, & Hong, 2009), and personal safety orientation and incidents (Zacharatos, Barling, & Iverson, 2005). Shih, Chiang, & Hsu's (2011) study is one of the few studies that uses job performance, clearly a critical variable, as the dependent variable. Further, they measure job performance using supervisor ratings, eliminating the common method variance concerns that typically arise when same source measures are used. Showing a relationship between HPWS and job performance is an important step in the development of the HPWS literature stream.

Using perceived HPWS has important practical implications. If perceived rather than actual practices lead to the behaviors that improve individual and organizational performance, firms need to be acutely aware of their employees' perceptions. Firms that strive to have HPWS need to be sure that employee perceptions accurately reflect actual HPWS. A firm that implements a HPWS, but fails to change employee perceptions regarding the practices is likely to have substantially diminished returns. Because the effective communication and education of the practices is critical to their success, a well-designed plan of informing the employees about the practices should be incorporated in to every HPWS. Further, the importance of perceptions may motivate some firms without HPWS to manipulate their employees' perceptions, raising serious ethical issues.

The Dimensionality of HPWS

The Shih, Chiang and Hsu (2011) study has important implications regarding the dimensionality of HPWS. Substantial variation occurs in how research operationalizes and

measures the HPWS construct. HPWS metrics show little consistency even in the most recent studies. Chuang and Liao (2010) define HPWS as comprised of 6 sub-dimensions (staffing, training, involvement/participation, performance appraisals, compensation/rewards, and caring) measured with 35 items. Gittell, Seidner, and Wimbush (2010) also define HPWS as comprised of 6 sub-dimensions (selection, conflict resolution, performance measurement, rewards, meetings, and boundary spanners), but the sub-dimensions differ from Chuang and Liao's (2010) dimensions and are measured with 23 items.

Gong, Chang, and Cheung (2010) also define HPWS using six dimensions (selective hiring, participation in decision making through teams, comparatively high pay contingent on performance, extensive training, career planning and advancement and regular performance appraisal for pay, promotion and development purposes), which also differ from the previous sub-dimensions, this time measured with 34 items. Messersmith and Guthrie (2010) measured HPWS with 21 items based on the percentage of employees covered by a particular HR practice, with no clear sub-dimensions identified. Finally, Fabling and Grimes (2010) define HPWS as the first factor of a factor analysis of 8 items of which 4 tap into the prevalence of training and job rotation. Clearly, future researchers should attempt to refine the construct and its measurement such that a generally accepted operationalization is available.

Shih, Chiang, and Hsu (2011), measure HPWS with 26 items that capture 3 sub-dimensions (HR flow & employee influence, work structuring, and reward systems). Their overall HPWS measure, used to test the hypotheses with structural equation modeling, averages these three sub-dimensions. However, in the correlation matrix reported in Table 1, they report the sub-dimensions separately. The correlations show substantial differences among the three sub-dimensions in their correlations with job performance, relational psychological contract, and work involvement. For example, work structuring is correlated at 0.18 with job performance while the correlation between reward systems and job performance

is -0.01. Work structuring is correlated at 0.35 with relational psychological contract while the correlation between reward systems and relational psychological contract is 0.04. Clearly, some sub-dimensions of the HPWS are more important than others. Thus, future studies should not only focus on refining the construct, but also delve into the sub-dimensions and their effects. Theoretical work should explore which specific sub-dimensions are related to which particular outcomes (both individual and organizational) and whether mediators and moderators apply to all sub-dimensions.

Some Mediating Variables of the Practices and Performance Relationship

Some researchers look at the underlying mechanisms that explain the relationship between HPWS and both individual and organizational variables. At the organizational level, positive outcomes are likely to result from HPWS because of the positive mediating effects of collective affective commitment (Gong, Chang, & Cheung, 2010), knowledge management capacity (Chen & Huang, 2009), employee adaptability (Beltrán-Martín, Roca-Puig, Escrig-Tena, & Bou-Llusar, 2008), concern for employees and concern for customers climate (Takeuchi, Chen, & Lepak, 2009; Chuang & Liao, 2010), and employee relationships (Gittell, Seidner, & Wimbush, 2010).

Less work is available on mediators at the individual level. At the individual level, positive outcomes are likely to result from perceived HPWS because of high trust in management (Zacharatos, Barling, & Iverson, 2005), improvements in human capital, organizational support, and psychological empowerment (Liao, Toya, Lepak, & Hong, 2009), and increased perceived procedural justice (Wu & Chaturvedi, 2009). The findings by Shih, Chiang, and Hsu (2011), that relational psychological contract and work involvement mediate the relationship between perceived HPWS and job performance helps clarify the psychological mechanisms through which HPWS work.

Shih, Chiang, and Hsu (2011) conclude that HPWS correlates with job performance at 0.07 directly and 0.05 indirectly. However, this low indirect effect is largely due to their hypotheses that HPWS leads to an improved relational psychological contract, which in turn leads to higher work involvement, which then leads to higher performance. If perceived HPWS leads directly to high involvement or if relational psychological contract leads directly to higher job performance the indirect effect of HPWS on job performance would be substantially increased. Thus, their model may be under-reporting the magnitude of the indirect relationship between HPWS and job performance.

A New Context

Recent research on HPWS has expanded the scope of the studies beyond the historically traditional American sample. For example, recent samples include employees in Ireland (Guthrie, Flood, Liu, and MacCurtain, 2009), Spain (Martín-Tapia, Aragón-Correa, and Guthrie, 2009; Beltrán-Martín, Roca-Puig, Escrig-Tena, & Bou-Llusar, 2008), China (Gong, Chang, and Cheung, 2010; Qiao, Khilji, and Wang, 2009), Singapore (Wu and Chaturvedi, 2009), Taiwan (Chuang and Liao, 2010), Japan (Takeuchi, Chen, and Lepak, 2009) and New Zealand (Fabling and Grimes, 2010). Thus, Shih, Chiang, and Hsu's (2011) Chinese sample is no longer novel. However, what is novel about this sample, and extends the context of the relationship between HPWS and performance in an important way, is that their sample is comprised of host country nationals (HCNs) of a multinational corporation (MNC) that is headquartered in a different country.

The finding that HPWS still works in HCNs of a MNC headquartered in a different country increases confidence that HPWS are applicable to the global workforce. Further, the use of HPWS in the MNC context raises a number of theoretical issues that warrant further study. For example, if culture is an issue in HPWS application, which culture matters more, the home or the host country? What about other MNC employees, such as expatriates or

third-country nationals – and the role of host, home and third country cultures in the applicability of HPWS to them? The use of HCNs in the Shih, Chiang, and Hsu (2011) study, opens up the possibly of a substantially more complex view of the applicability of HPWS in the global context.

The finding that HPWS are effective on Chinese employees of a Taiwanese firm provides further evidence of the applicability of HPWS on a global basis, because of the cultural differences between China and Taiwan. Although Shih, Chiang, and Hsu (2011) classify the similarity of the Chinese and Taiwanese cultures as a limitation of the study (they categorized them both as Chinese cultures in the broad sense), in fact, non-trivial differences between the two exist. For example, using Hofstede's (2001) measures and scores, the Chinese and Taiwanese cultures are only similar on individualism (China index score = 20, ranked #41 and Taiwan =17, ranked 44th), and long term orientation (China index score = 118, ranked #1; Taiwan = 80, ranked 3rd). China and Taiwan are substantially different on Power Distance (China index score = 80, ranked 7th; Taiwan =58, ranked 30th), Uncertainty Avoidance (China index score = 30, ranked 48th; Taiwan = 69, ranked 26th) and Masculinity (China index score =66, ranked 9th; Taiwan =45, ranked 33rd). Nevertheless, future research can help clarify the role of culture by focusing on more distinct cultures and by exploring the importance of each of the various cultural dimensions.

Conclusion

The study by Shih, Chiang, and Hsu (2011) substantially contributes to the HPWS literature by sampling Chinese HCNs of a Taiwanese firm and by introducing new mediating variables. Further the study raises a number of interesting issues, including the use of perceived HPWS and the dimensionality of HPWS. The findings provide evidence of the global applicability of HPWS, although more research is needed to clearly specify the global boundaries of HPWS effectiveness.

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