EXAMINING THE EFFECT OF ORGANIZATIONAL CULTURE ON HIGH-PERFORMANCE WORK SYSTEM

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Abstract: *Organizational culture is a metaphor of organizational life that has emerged to become a significant factor strongly influencing the performance of the firm. The concept of organizational culture has received growing attention in recent years among academicians and practitioners due to that it can help a firm meet its industry needs for improved effectiveness and to fulfill the social as well as material needs of employees to create a constructive work-environment for fostering high performance working. Human capital is perceived as the most powerful assets, and hence, HR managers are trying to form and develop a number of strategies to make their people achieve high level of performance and competitive strengths. Creating a positive culture is increasingly considered as one of such strategies. This paper seeks to address the role and impact of organizational culture on high-performance work system, and to examine whether a positive organizational culture helps the firm maintain a best internal-fit and outstanding performance culture.*

Keywords: *Organisational Culture, Internal Fit, AMO, High Performance Work System, SHRM*

INTRODUCTION

Due to the intense global competition, business organisations are forced to adopt functional strategies in order to ensure sustainable growth and long-term profitability. Human capital represents the most powerful and highly valued assets in an organisation (Philips, 2005), and therefore, HRM in organizations takes in to account a number of strategies such as organisational culture, knowledge management, teamwork, and reward and recognition with a view to maximize the returns on human capital investment and to achieve high performance working. It is widely accepted that HRM can significantly help firms to improve organisational behaviour and outcomes which in turn contributes to high performance. The growing numbers of literature on ways in which HRM might lead to better organisational performance includes reference to 'high performance work system' (Macky and Boxall,

2007), which is a human resource strategy wherein there is a best possible fit between social and technical resources (Dessler and Varkkey, 2009 and Yalabik and Chen, 2008).

Various studies have focused on HRM strategies and their implications on organisational performance. However, it is relevant to evaluate how organisational culture impacts organisational performance, with special focus on 'high performance work system'. Organizational culture is the system of shared actions, values and beliefs that are developed and established within an organization and it influences its members to guide and shape their behavior (Schermerhorn, Hunt and Osborn, 2005, p. 436). Companies are trying to develop 'right kind of culture', as managers mostly try to inculcate certain values in their organisations that can ultimately increase the value of goods and services being delivered and guaranteed to customers. Academicians as well as practitioners have been tempting to emphasize the significance of corporate cultures for performance, growth, profitability and success. It was mainly after 1980s when studies revealed that culture was playing pivotal role behind the success of excellent companies in USA and the most successful Japanese companies (Alvesson, 2012). This article attempts to shed lights on the impacts of organisational culture on organisational performance in general and high-performance work system in particular.

LITERATURE REVIEW

A brief conceptualization of organisational culture

Organizational culture is an effective system of shared actions, beliefs, values and assumptions that are formed and established in an organisation to influence its employees to guide and shape their behaviour (Schermerhorn, Hunt and Osborn, 2005). Similar to a person's personality, organisational culture is the individuality of the firm, and therefore it varies largely from firm to firm. McShane and Glinow (2004) considered organizational culture as a more strategic and right way that members in the organisation think and act on problems and opportunities that the firm faces at different times.

External adaptation and internal integration are critically important for establishing a right organisational culture. Herzog and Leker (2011) took this view. They asserted that organisational culture is the system of shared assumptions, values, and beliefs that members in the organisation learned while the firm solved various problems of external adaptation and internal integration. These assumptions and beliefs worked well with various

situations at organisational level, and therefore, these are considered to be valid enough to be taught and to be transferred to new members as the right way to think, feel and act in solving these similar problems (Herzog and Leker, 2011).

People are the most valuable, powerful and high-valued assets and hence, utilizing these resources more effectively seems to be the basic underpinning of strategic HRM. People in an organization may belong to different cultures, social setting and life-style, however, when the organization has established a culture of its own by aligning and integrating the shared values among the people, the organization is more likely to be successful in achieving its goals. Organizations are social instruments that can produce cultural artifacts like rituals, legends and ceremonies (Smircich, 1983). When it comes to cultures, some organisations are performance oriented while others are employee-friendly, and some are internally-integrated while others are externally adaptive. In most cases, some cultures play pivotal role in helping firms achieve sustainable competitive advantage, thus leading to improved organisational performance. Since it is closely related to performance, McShane and Glinow (2004) asserted that culture is extremely precious thing which is the reason why managers works harder on it than anything else.

Many literatures have premised on the notion that organisational performance is significantly dependant on the proper alignment of organisational values (Ogbonna, 1992). Harris and Ogbonna's (1998) work has also emphasized on this assumption. Rather than generally discussing on organisational culture, Barney (1986) argued that it must be about 'right culture'. As he pointed, organisations that have right culture with right attributes, or those who get cultures right are more likely to obtain organisational and sustainable financial performance. Based on empirical analysis, Daft (2009) found that organisations that successfully managed culture could outperform compared to their counterparts. The culture and performance relationship is more evident from the fact that organisational performance gets improved when the culture is strengthened it helps to secure greater level of commitments among the members in the organisation (Willmott, 1993).

High Performance Work System

The main idea of High Performance Work Systems is to create an organisation based on employee involvement commitment and empowerment, but not employee control (Tomer, 2001). An organisation is said to have High Performance Work System (HPWS) when it has

best possible fit between its social system (people and their interaction) and technical system (equipment and processes) (Noe, Hollenbeck and Gerhert, 2003). Kirkman, Lowe, and Young, (1999) elaborated this view. According to them, HPWS helps a firm achieve synergy when it produces two outcomes simultaneously: 1) all of the organisational parts are aligned and fit together, and 2) people in the company are deeply committed, energized and impassioned about their work. Based on these views, HPWS is the right combination of people, technology and organizational structure that together make use of organisation's opportunities and resources to achieve its goals.

A well functioning HPW system aligns a better combination of organisational elements such as strategy, vision, mission, business philosophy, goals, management practices, organisational culture and structure, human resource management practices and so on. However, implementing the HPWS requires major up-front investments, with main focus on human capital investments including training and development, selective hiring, higher wages and so forth (Pfeffer, 2001). Yalabik and Chen (2008) also focused on the requirements of human capital investment for effectively implementing the HPWS. According to them, HPWS involves selective hiring, extensive training, performance based pay, workplace empowerment and sharing of organizational knowledge. As Bohlander and Snell (2009) pointed, HPWS contributes to several organisational outcomes including higher productivity, increased profitability, lower costs, better responsiveness to customer and greater flexibility.

Boxall and Purcell (2003) conceptualized the HPWS by presenting the internal-fit theory, stating that HPWS requires HRM practices to be integrated to form a coherent system of practices that are more supportive. The internal-fit theory of HPWS states that the internal consistency should be maximized. Internal fit occurs when the HR practices are integrated with various works in different directions so as to reinforce different themes in a more complicated environment where employees face different messages (Macky and Boxall, 2007). Accordingly, employees play mediating role in the high performance working system.

The AMO theory, which was initially proposed by Bailey in 1993 (Hutchinson, 2013), is used by Macky and Boxall (2007) to conceptualize the elements of High Performance Work System. AMO, which stands for Ability, Motivation and Opportunity, is also described as 'the performance equation' theory (Gerhart and Barry, 2005). Ability is achieved through

selective hiring and training, whereas motivation is achieved through pay or incentives and opportunity through teamwork and suggestions. If an orgaisation has employees, who are able, skilled and talented, and they are motivated to exhibit their competencies, and moreover, they also get opportunities to exhibit them, the organisation is more likely to maintain a high performance work culture.

Pfeffer (1998) presented seven key factors of HPWS. They are employment security, selective hiring, self managed team and decentralizations of decision making, high compensation contingent on organisational performance, training, reduction of status difference, and sharing information. Various researches proved that the best-performing companies in a wide range of industries perform well because of their high performance working (Dessler and Varkkey (2009). It is because; HPWS is positively influencing the overall performance of the employees by increasing their productivity. No doubt, HPWS is a strategic bullet, and hence, it is significantly important to evaluate how an organisation's culture would affect its High Performance Work System.

DISCUSSIONS AND FINDINGS

Effects of Organisational Culture on High Performance Work System

Organizational culture is the basic pattern of shared values, assumptions, beliefs and norms that guide the behaviour of members of the organisation to think about and act on problems and opportunities facing the organisation. It is a deeply embedded form of social control that employees' decisions, behaviour, actions and as a result their productivity as well as performance too. At organisational level, culture is pervasive and it operates unconsciously (McShane and Von Glinow, 2004). The culture works as a social glue that bonds people together (Robbins and Judge, 2011), and makes them feel committed, sincere, and being an inevitable part of the organisation.

The impact of organizational culture on performance is well documented. Researchers have reached to a consensus that organisational culture is positively related to performance, because an organization's culture is the social glue that helps organisation hold together by providing appropriate standards for what its members should say and do. What they should say, how they should react, and how they should behave are determined by the shared norms, beliefs and assumptions. More specifically, how they should perform is largely

influenced by the norms, values, beliefs and assumptions that are shared among the members of the organisation.

High Performance Work System is not just about performance, but is a strategic HRM system that involves particular configuration of work structures, practices and processes, with a view to achieve the highest possible performance level from a structured combination of social, technical and other resources. A broad view on HPWS states that it is the best possible fit between social system and technical system. In order to explore the effects of organisational culture on HPWS, it is important to evaluate the theories of HPWS, and to see how organisational culture and its contents contribute to HPWS.

Theory of Internal Fit

Theory of 'Internal Fit' propounded by is one of the prominent concepts Internal Fit is the notion that the HRM practices should be integrated to form a coherent system of practices that is mutually supportive. Internal Fit focuses on maximizing internal consistency. Synergy, fit and integration are considered to be the most critical key concepts in modern HRM theory. In terms of HPWS, the notion of 'internal fit' focuses on ensuring the individual HRM practices are aligned together consistently and coherently, so as to make HRM Practices work together as a system to achieve organisational objectives and high level performance (Paauwe, and Farndale, 2018). An organisation with bundles of HR practices should have a higher level of performance, provided it also achieves high level of 'internal fit' with its competitive strategy. Theory of 'bundling' given prominence by MacDuffie's (1995) focuses on the development and implementation of several HR practices together so that they are interrelated, and hence, they complement and reinforce each other. Armstrong (2006) argued that bundling can be also regarded as the process of 'horizontal integration' which is also referred to as 'internal fit' by Boxall and Purcell (2003).

Internal fit, and bundling theories suggest that high performance work system can be achieved when there is a 'best fit' of several and most appropriate HR practices, with greater focus on consistency and coherence Armstrong (2006), however, argued that the internal fit and bundling cannot simply contribute to HPWS. Rather, it is important that the HR practices must be fit and aligned with organization's desired structure, culture, and workforce capabilities, which in turn actually activates the 'internal fit'. More specifically, internal fit can be regarded as 'best fit', only when organisational culture and structure are aligned with HR practices.

Organizational culture acts as a framework that helps employees exchange values, assumptions, beliefs and norms pertaining to employee engagement, involvement, sincerity and commitment, which in turn contribute significantly to their performance. HR activities, while they are bundled and fit together coherently and consistently, could help achieve HPWS only when employees are guided, monitored, coordinated and controlled by certain implicit rules and regulations that are termed as organisational culture. This is how the culture of a firm contributes to building and maintaining a system of best possible fit between social and technical capabilities.

The AMO theory of HPWS

The ability, motivation and opportunity (AMO) model has become a very commonly accepted framework for explaining how HR policies and activities might work and impact on overall organisational performance. This framework helps HR executives to decide which HR policies should be developed and implemented. By aligning the AMO theory with the concept of HPWS, Macky and Boxall (2007) stated that the HR practices would contribute to improved employee performance by developing employees' abilities (A), and skills to perform their jobs, improving an employees' motivation (M) for discretionary efforts, and providing them with opportunities (O) make full use of their skills, while they are being motivated (Hutchinson, 2013). Ability is influenced by recruitment and selection to ensure that right talents are recruited initially, and their skills and competencies are maximum improved through training, learning and development. Motivation is influenced by intrinsic as well as extrinsic rewards, performance reviews, career development and employment security. Opportunity is influenced by involvement initiatives, team working, autonomy, communication, job design and job rotation.

Out of these three elements, ability and opportunity are greatly influenced by organizational culture of the firm. The beliefs, norms and assumptions, that are shared among the employees, and that guide their behavior, can also significantly influence learning and development of the employees. Abilities, talents and capabilities will be automatically enhanced in an organizational setting where its culture supports knowledge share and organizational learning through various collaborative and team working platforms. A very positive culture supports team performance and synergy, which in turn helps improving of individual talents by observing and learning from their co-workers. Similarly, in an

organization where its culture supports employee engagement, involvement initiatives, and team working, employees enjoy high level of opportunities for their own progress. Greener (2010) holds this view. He asserted that the AMO model rests on two strong factors; one is the role of front-line managers in implementing the HR policies, and the second is the nature of organizational culture that facilitates front-line management responsibility for decision making.

Pfeffer's seven factors of HPWS

To conceptualize the HPWS, Pfeffer (1998) presented seven factors that he explained as the key elements that contribute to HPWS. They are employment security, selective hiring, self managed team and decentralizations of decision making, high compensation contingent on organizational performance, training, reduction of status difference, and sharing information. Out of these factors, four are positively related to organizational culture. First, organizational culture influences employment security. A positive culture is one that makes employees feel respected, dignified and honoured, which in turn never spreads a feeling of insecurity to jobs among the employees. Secondly, a right culture supports decentralization of decision making. Third, status difference is eliminated when the culture is right, because, free flow of communication without any status difference is an important aspect of right culture. Fourth, right cultures always support knowledge share and continuous organizational learning.

CONCLUSION

This article presents a qualitative study to examine the impacts of organizational culture on High Performance Work System. These two variables, both organizational culture and HPWS are studied by several researchers, and the impacts of each of these on several organizational outcomes such as competitive advantages, financial performance, employees performance etc are well documented. However, the researcher meant to explore the concepts of both organizational culture and HPWS further, and to study the impacts of a firm's culture on its HPWS.

Based on the HPWS theories namely Internal Fit, AMO theory and Pfeffer's seven elements of HPWS, it is evaluated that a right organizational culture is positively related to HPWS. High Performance Work System can be achieved only when there is a best fit of several and most appropriate HR practices that are aligned with organizational culture. The culture can

activate abilities of the employees and opportunities for them through various HR practices such as team working, knowledge sharing, organizational learning etc. Based on Pfeffer's seven elements of HPWS, it is found that four elements namely employment security, decentralization of decision making, reduction of status difference, and sharing information are largely influenced by organizational culture. To summarize, shared assumptions and values that guide the behavior of employees are also fond to create an environment of HPWS where the organizational can attain a system of best fit between its social and technical systems.

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