

## Developing a Stronger HRM System

**Prof Liqin Wei**

**Professor, Department of Management**

**Associate Director, Doctor of Business Administration**

**Hong Kong Baptist University**

Research on Human Resource Management (HRM) systems and practices has made a lot of progress during the past two decades. Recent development of studies on human resource management systems includes so-called “best practices”, emphasizing the “integration” and “synergistic” effect of HR functions. That means, the well-done of each sub-functions of HRM is no more enough and the different sub-functions should be complementary to each other so as to maximize the overall effect of HRM. These HRM systems are called strategic human resource management, high-performance work systems, high-commitment, and high-involvement work systems. The primary logic underlying the concept is similar in that people are valuable assets that firms can deploy to achieve competitive advantages. A central focus of these human resource management systems and practices is on capitalizing firms’ human resources to achieve firm performance. Albeit some subtle differences in these HR systems, they all focus on both internal and external consistencies, emphasizing the consistency of a firm’s various HRM sub-functions and the alignment with the firm’s strategies. The initiating role and commitment of line management people in the process are also emphasized. Without full communication with line managers and their understanding of the implemented HRM practices, the effectiveness of HRM implementation, how great the practices adopted are, cannot be secured. Saying so, the opposite cases can be observed in some organizations, though much fewer: HR managers are too occupied with business strategies and overlook their roles in coordinating with the line management.

In addition, the support of top leaders of the firm, the organizational culture and structure do affect the effectiveness of HRM systems when the HRM practices are put into use in the organization. The HRM system is most likely to be perceived as an authority situation when the HRM is perceived as a high-status, high-credibility function and activity. This is most likely when HRM has significant and visible top management support in the firm and can be

achieved through investing in various HRM practices or the whole HRM system, or by placing the director of HRM in a high-level managerial position. That is: the success of HRM depends largely on top management support, including top managers' beliefs about the importance of people, investment in human resources, and involvement of HRM professionals in the strategic planning process. Since corporate culture is a reflection of the mindset of top leaders of the firm, it is critical for top management to promote any new, advanced managerial practices such as strategic HRM, by accepting and merging them into the philosophy of business management. The support of top management is especially needed each time when new or updated HRM practices aligned with firm strategies are designed and implemented. Complaints of some HR executives have evidenced that the failure of implementing management innovations such as strategic HRM is due to lack of support from top management. If only the values and beliefs of top management can become aligned with what is required for the establishment and appropriate functioning of strategic HRM, the firm can in the end benefit from the implemented HRM. Research has shown that organizational culture, such as a developmental culture, in contrast to a hierarchical culture, does help to align employees' priorities and motivate them towards acting more compliantly with what is required and expected by the organization to meet its goals, thus, enhancing the effectiveness of HRM. A flattening organizational structure then helps to improve firm efficiency further through maximizing the benefits of HRM.

Despite the development of HRM research and practices, we so far, do not have enough understanding of the mechanism underlying the HRM processes, that is, *how* HRM systems can have impact on the firm's performance. Along this process, employees' role is critical but has never been well documented. How employees understand the nature of the HRM practices implemented and how they are shaped, developed, nurtured accordingly are largely overlooked. Recent research findings tell us that if employees are able to build up the firm's overall adaptive capability, the organization is more likely to be dynamically capable to compete in the marketplace, and so is more able to meet the increasingly fast changing challenges from the business world. Such adaptive capability can be generated from its strategic HRM system which is characterized by its inherent linkage to the firm's strategy constantly. It is with the employees' collective adaptive capability that the firm's financial performance as well as innovation can be largely enhanced.

Knowing this, we can fully recognize that it is necessary for the collective behaviors of employees to be translated into certain organizational momentum in order to achieve better organizational performance. The guiding logic here is that a firm's HRM practices must develop employees' skills, knowledge, and motivation such that employees behave in ways that are instrumental to the implementation of a set of good HRM practices. Even more eagerly, practitioners expect to see through the transformation process with which HRM benefits the firm's bottom line. The importance of HRM to organizational effectiveness and competitive advantage, however, can not only be evidenced by the ADOPTION of a set of coherent and strategically aligned HRM practices, but also traced by a down-to-the-earth IMPLEMENTATION of these 'best' practices. An effective implementation of HRM practices might be even more critical since productivity and performance can be improved only when the HRM policy and practices are well understood by employees, and employees have their attitude and behaviors changed accordingly. In other words, we should have more of our attention paid to the implementation process of HRM.

A following question then is: how is the effectiveness of HRM implementation evaluated? Bowen and Ostroff (2004), winning award for this most insightful work, have advocated a concept of HRM strength. It becomes an important concept in the field of human resource management by stressing the HRM implementation process beyond the HRM practices (content) themselves. They quote the "social context" view to highlight the importance of social structure within the organization. Both culture and climate, as typical social structures, shape people's behaviors, and influence their way of thinking. Recently, scholars have "acquired a strategic focus over the years, with the move from viewing climate perceptions as shared perceptions about global, generic issues to linking climate perceptions to a shared, specific, strategic content criterion of interest", and employees' psychological climate is becoming a kind of "shared organizational climate" acting as a critical bridge helping to explain the implication of HRM practices. It is the employees' climate perceptions eventually determine their behaviors in the workplace, being observed in their various performance outcomes such as customer satisfaction and service quality.

Obtaining the information of HRM strength may help the firm better understand why HRM may contribute to firm performance. A common phenomenon nowadays is that firms having adopted a set of HRM practices which look quite

effective or should be effective, have difficulty of evidencing the desired outcome in employee productivity or company financial performance. It means that the HRM system has not helped to elicit appropriate collective behaviors and attitudes needed for effectiveness from employees. This might be because that individual employees are interpreting the HRM practices distinctively, resulting in variability in psychological climate perceptions. Actually, employees usually make sense of and to define the psychological meaning of their work situation by using the message signaled by the HRM practices. All HRM practices communicate messages constantly and in unintended ways, and messages can be understood quite differently by individual employees. In fact, HRM practices are themselves the communications between the company and its employees. Employees firstly encode the message they perceive from the system, and then decide whether to accept them or not. We would like to have employees receive and interpret uniformly the message the firm's HRM systems intend to convey. Research indicates this to a high extent, depends on the three features of the HRM system in use.

Firstly, a stronger HRM is featured with *distinctiveness*. If HRM practices are visible and easy to be understood by employees, it is more likely that employees are able to have a clearer and deeper interpretation on the desirable attitudes and behaviors that HRM practices encourage. One important aspect that has to be highlighted here is the relevancy of the HRM system. Relevancy means that individual employees must perceive the situation as relevant to their important goals, that the desired behaviors are optimally suited for goal attainment, and that influencing agents have the personal power to affect the achievement of these goals. Alignment or congruence between individuals' and managers' goals has been shown to have important consequences for both individual attitudes and behaviors, as well as for effective organizational functioning. The situation must be defined in such a way that individuals are willing to work toward goals that not only allow them to meet their own needs but, in doing so, also allow the organization to achieve its goals. If the organization has a strategic goal of customer service and an employee values financial gain, then service-based bonuses will heighten relevance and allow both the individual and organization to achieve their goals. Relatedly, the relevant desired behaviors must be specified and obstacles to their performance removed.

The second aspect emphasized by a strong HRM is *consistency*. A visible and

relevant HRM system has to present a consistent pattern of instrumentalities across HRM practices, time, and employees that link specific events and effects further enhances the likelihood that desired specific behaviors will be displayed. Employees would act to invest their time and energy to learn and exhibit expected behaviors if only the HRM practices are consistent in promoting their knowledge and skills. Adequate incentives associated with performance of the desired behavioral pattern should be ensured so as to displaying the HRM practices with a consistency between what they intend to do and what they actually do, creating a strong situation for employees. Conversely, lack of consistency easily results in communication involving two separate messages, leading to intense cognitive dissonance. For example, managers may advocate a value of risk taking, but employees may infer that performance appraisal and reward practices actually reinforce playing it safe. Such inconsistency therefore, downplays HRM strength.

Last but not least, important feature of HRM strength is *consensus*. A relevant and consistent HRM system is easily recognized by employees. Within such a system, the major decision makers in the organization (e.g., top managers, HR executives) set the strategic goals and design the set of HRM practices for achieving those goals, according to the strategic HRM perspective. When employees strongly agree among themselves on the message sent from the system, they are more likely to form a consensus. This perception of agreement can be facilitated mainly by the fairness of the HRM system which is composed of employees' perceptions of whether HRM practices adhere to the principles of delivering three dimensions of justice: distributive, procedural, and interactional justice. Perceived fairness of HRM largely determines how positively HRM activities are viewed and the capability of the HRM system to influence employee attitudes and behaviors. In a nutshell, employees' perceptions of HRM fairness often means the acceptability of HRM practices and hence influences the extent to which employees contribute to and utilize HRM.

To conclude, a strong HRM system is one we aim to build up—only when employees have shared understanding and perception of the HRM system, it is possible to have a strong climate with which employee behaviors and attitudes can be nurtured and developed towards meeting the organization's expectations, eventually facilitating the enhancement of firm performance.

**References:**

- Bowen, D. E., and Ostroff, C. (2004). Understanding HRM-Firm performance linkages: The role of the "strength" of the HRM system. *Academy of Management Review*, 29 (2): 203–221.
- Wei, L.Q., Liu, J. & Herndon, N. C. (2011). SHRM and product innovation: Testing the moderating effects of organizational culture and structure in Chinese firms. *International Journal of Human Resource Management*, 22 (1): 19–33.
- Wei, L.Q. & Lau, C. M. (2010). High performance work systems and performance: The role of adaptive capability. *Human Relations*, 63 (10): 1487–1511.
- Wei, L. Q., Liu, J., Zhang, Y., & Chiu, R. (2008). The role of corporate culture in the process of SHRM: Evidence from Chinese enterprises. *Human Resource Management*, 47 (4): 777–794.