High performance work systems: a cross-cultural perspective

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ABSTRACT

Impact of HR practices on organizational outcome is undeniable. Search for effective HR practices has given rise to the concept of High Performance Work Systems (HPWS), which is based on recognition that certain HR practices, when implemented as a “package” lead to more value addition than when they are used separately. The needs of globalization require that HR systems function smoothly and effectively across cultures. However, since cultural values affect employee attitudes and behaviors, HR practices are culturally sensitive. Thus, a HPWS successful in one country may not be as effective in another cultural setting. This paper presents a conceptual framework to describe the interaction of various cultural dimensions with specific HR practices which comprise the HPWS. It is hoped that this framework will enhance our understanding of the cultural sensitivity of HPWS, thereby enabling the HR practitioners to fit the HPWS to the cultural context of the organization.

Keywords: HPWS, HIWP, cultural sensitivity, International HRM
INTRODUCTION

A fundamental principle of Human Resource Management (HRM) is that the way people are managed in an organization contributes to its sustenance and success. HRM research over the past two decades has indicated that there may be certain HR practices, which improve employee effectiveness and predict higher levels of organizational performance (Arthur, 1994; Huselid, 1995). Variously referred to as High Performance Work Systems (HPWS), High Involvement Work Practices (HIWP), or High performance HRM, the central argument behind these labels is that organizations can achieve high performance by adopting practices that recognize and leverage employees’ ability to create value.

If it is possible to identify a bundle of HR practices which promote organizational performance, a natural question is to ask whether such practices can be replicated in different nations and societal cultures? Conceivably, such “best HR practices” achieve the desired organizational outcome by affecting employee attitudes and behavior. Since the cultural background of a person plays an important part in shaping his behavior, it seems reasonable to infer that High Performance Work Systems (HPWS) successful in one country or cultural context cannot be easily replicated in other societies. However, the growing body of literature on the subject does not seem to have paid adequate attention to the cultural aspect of HPWSs. The purpose of this paper is to examine how individual cultural dimensions might interact with and influence important HR practices. It is hoped that the conceptual framework presented here would enhance our understanding of cross-cultural sensitivity of HPWS.

HIGH PERFORMANCE WORK SYSTEMS

HR researchers and practitioners have traditionally been subject to criticism that HR does not add value to the organization (Drucker, 1954). However, post 1990s research has firmly attempted to establish that progressive HR practices result in higher organizational performance. In a ground-breaking study, Huselid (1995) demonstrated that a set of HR practices he referred to as high performance work systems (HPWS), were related to turnover, accounting profits, and firm market value. Since then, a number of studies (Delery & Doty, 1996; Youndt, Snell, Dean, & Lepak, 1996) have shown similar positive relationships between HR practices and various measures of firm performance. More recent research (Batt, 2002; Way, 2002; Zacharatos, Barling, & Iverson, 2005), has also confirmed a positive relationship between HPWS and organizational performance.

Such “best HR practices” have variously been referred to as High Performance Work Systems (HPWS), High Performance Work Practices (HPWP), High Involvement Work Practices (HIWP), High Performance HRM etc. Although there are some subtle differences among these HR systems, this paper uses these terms interchangeably as representative of the basic philosophy and practices of these systems. Specifically, HPWS refer to a group of separate but interconnected human resource (HR) practices designed to enhance employees’ skills and effort (Datta, Guthrie, & Wright, 2005). Although a precise definition of HPWS is difficult to formulate, it is generally agreed that these practices include selection, training, mentoring, incentives, and knowledge-sharing mechanisms, and that these practices are most effective when implemented in bundles due to their cumulative effects (MacDuffie, 1995).
INTERNATIONAL HRM AND CULTURE

Considering the desirability of adopting HPWS for improved organizational performance, the next question is whether the HR practices identified in a successful HPWS can be universally applicable? A prudent answer must be in the negative. Internationalization of any HR practice is fraught with risks, given the cultural differentiation amongst nations and societies. Fuelled by the imperatives of globalization, a separate and rich stream of research on International Management has devoted considerable attention to cross-cultural differences amongst countries and their impact on business practices and decision. This body of literature incorporates several comparative HRM studies, which concluded that national culture is a decisive factor in shaping HRM (Heijltjes, Van Witteloostuijn, & Sorge, 1996; Sparrow, Schuler, & Jackson, 1994).

In view of the now accepted HPWS – performance linkage, the crucial role of culture becomes apparent. And culture being a multi-layered concept, it is not only the national culture which would be salient in defining the attitudes, beliefs and practices of the employees, but also the organizational culture. It has been argued that where the corporate culture is not fully embedded in the home country culture, such as for a Multi National corporation (MNC), the organizational culture could be more proximal to determining employees’ attitudes (Mittal, 2010).

The transportability of HR practices across cultures is particularly salient for Multi National Corporations (MNCs), which operate in different country cultures but need to maintain congruence in their HR systems. In a study of subsidiaries of US MNCs in some European countries, Gooderham, Nordhaug & Ringdal (2006) found that the greater the institutional and cultural distance between the MNC country-of-origin and the host country of the subsidiary, the harder it is to transfer HR practices. Although it is usual for HRM strategy to be formulated in the home country, it is the national culture, among others, that defines the accepted behaviors and the practices that can be implemented in each context, such as rewards, overtime, work during religious holidays, and others (Schuler, Dowling, & De Cieri, 1993).

If HPWS is seen as a source of potential competitive advantage for firms, the cross-cultural dimensions of the “best HR practices” need to be explored for replicating successful HPWS in different contexts and cultures. Surprisingly however, researchers on HPWS do not seem to have devoted adequate attention these issues. Although considerable progress has been made in past years towards globalization of psychological measures used in HR systems (Aguinis, Henley, & Ostroff, 2001; Cascio & Aguinis, 2008), the focus has mainly been on developing culture-specific measures, and not on the cross cultural dimensions of HPWS.

DIMENSIONS OF NATIONAL CULTURE

One of the earliest significant attempts to study national and organizational culture was made by Geert Hofstede (1980, 1991), whose model has been the base of numerous studies in the area of management research, due to its simplicity (Kirkman, Lowe, & Gibson, 2006). Hofstede’s cultural value dimensions (Hofstede, 1980; Hofstede & Bond, 1988) are described below:

POWER DISTANCE: Power Distance is the extent to which the members of society accept unequal distribution of power. People in high Power Distance societies accept a hierarchical order which needs no further justification for power inequalities. This affects the behavior of both less powerful and more powerful members.
INDIVIDUALISM - COLLECTIVISM: Individualism stands for a preference for a loosely knit social framework in society, whereas Collectivism stands for a preference for a tightly knit social framework. The key issue is the degree of interdependence a society maintains among individuals.

UNCERTAINTY AVOIDANCE: Uncertainty Avoidance is the degree to which members of a society feel comfortable with uncertainty and ambiguity. Strong Uncertainty Avoidance societies maintain rigid codes of belief and behavior. They protect conformity but are intolerant of deviance. Weak Uncertainty Avoidance societies maintain a more relaxed atmosphere and deviance is more easily tolerated.

MASCULINITY - FEMININITY: Masculinity stands for a preference in society for achievement, heroism, assertiveness, and material success. Its opposite, Femininity, stands for a preference for relationships, modesty, caring for the weak, and the quality of life. The fundamental issue addressed by this dimension is the way in which a society allocates social (as opposed to biological) roles to the sexes.

LONG VERSUS SHORT TERM ORIENTATION: This dimension deals with the temporal mode of the society. It focuses on the degree to which the society embraces long-term devotion to traditional, forward thinking values.

GLOBE CULTURAL DIMENSIONS

The GLOBE (Global Leadership and Organizational Behavior Effectiveness) project, in a multi-nation study of relationships between organizational leadership, societal and organizational culture identified nine cultural dimensions (House, 2004); Power Distance, Collectivism-I (societal) and Collectivism-II (in-group), Uncertainty Avoidance, Performance Orientation, Future Orientation, Humane Orientation, Assertiveness, and Gender Egalitarianism. The first three dimensions are similar to, and based on dimensions identified by Hofstede. It is therefore felt that Power Distance, Collectivism and Uncertainty Avoidance are the most universal of all cultural dimensions. Propelled by this reasoning, this paper situates the framework of interaction between culture and HPWS around these three major cultural dimensions.

HPWS PRACTICES

Although it is difficult to exactly pinpoint and define the specific HR practices which should be part of an HPWS, a study of literature on the subject is suggestive of following important HR practices which are involved in an HPWS:

Recruitment and selection: This would include methods of recruitment and selection for various categories of employees. These might be differentiated as internal and external methods of recruitment, use of consultants and assessment centers etc. Recruitment practices are an important component of HPWS (Guthrie, 2001). The HRM literature recognizes that culture could influence the purpose, criteria and other aspects of recruitment and selection process (Aycan, 2003).

Training and development: Extensive training & development has been identified as a core component of high commitment work practices (Pfeffer, 1998). However, this HR practice encompasses a wide array of activities such as training needs assessment, purpose and importance of training, training methods etc. This would also include career management practices such as use of formal career plans and succession plans.
Performance and reward management: The HRM literature supports a strong linkage between performance management practices, as part of HPWS, and organizational performance (den Hartog, Boselie, & Paauwe, 2004; Fletcher, 2001). These practices would include performance appraisal mechanisms, compensation issues and reward systems.

Knowledge-sharing mechanisms and communication: HR practices dealing with the way information is handled in an organization are one of the most important constituents of HPWS (Messersmith & Guthrie, 2010; Preuss, 2003). These would include downward and upward communication in an organization, joint consultative mechanisms etc.

DISCUSSION

A discussion of each cultural dimension and how it might interact with different HPWS practices follows. It may be mentioned that only those interactions are discussed, which were considered salient enough to merit attention. The framework described here is far from exhaustive, but only demonstrative of the approach that could be adopted to understand the cultural differentiation of HPWS mechanisms.

POWER DISTANCE AND HPWS

Power distance is an important cultural dimension which directly affects people’s attitudes and behaviors. Since it deals with the way a culture treats differential distribution of power, power distance is expected to be significantly related to communication practices, recruitment methods, PA and compensation systems, and importance assigned to training and development activities. Some of these interactions are described below.

In high power distance societies (HPD), managers tend to treat their subordinate with disdain – as individuals who need not have any meaningful voice in decisions and planning – functions which are supposed to be carried out by senior managers high up in the power and hierarchy chain. It directly follows that high power distance cultures would tend to prefer impersonal and non-direct means of downward communication. Similarly, direct upward communication practices would be discouraged. The same logic would dictate that unions, joint consultative mechanisms and participatory management practices would not be preferred. This line of reasoning can be expressed in the form of following proposition:

P1a: Direct downward or upward communication practices, as also employee consultative mechanisms will not be the preferred communication practices in high power distance societies

Choice of recruitment method is another area to be impacted by power distance. As pointed out by Budhwar & Khatri (2001), high power distance cultures tend to place greater importance on ascribed status and socio-economic connections, rather than on merit alone. Therefore, external sources of recruitment which focus on later are less likely to be used in HPD societies.

P1b: High power distance societies would prefer to recruit managers internally, rather than using external methods for recruitment.

The type of Performance appraisal (PA) system and its use is also expected to be directly related to power distance. There is some evidence that upward evaluations are likely to be distorted in high power distance societies (Mittal & Saran, 2010; Varela & Premeaux, 2008). Since HPD cultures foster low communication and disregard for subordinates, performance
appraisal practices incorporating evaluations by subordinates would not be encouraged. Similarly, because the attitude of subordinates towards their bosses is of submissiveness and servitude, self-appraisal practices would not be given as much importance, as is given to such practices in low power distance cultures. Multi-source feedback PA systems are being increasingly used in the context of HPWS (Church, 1997). But these may not be suitable in HPD societies. The following proposition is offered:

P1c: High power distance societies would not prefer multi-source feedback system of performance appraisal, in contrast to low power distance cultures.

Training and development is yet another important component of HPWS (Pfeffer, 1998). Although, this HR practice encompasses a wide array of activities, this paper focuses on quality management training, because of its importance in HPWS. It is argued that the importance of quality management training is bound to be perceived differently in different cultures. This is because the key characteristics of total quality management (TQM), such as emphasis on group facilitation, employee empowerment and customer feedback (Reger, Gustafson, Demarie, & Mullane, 1994) etc. are clearly incongruent with the practices prevalent in high power distance societies. It is therefore reasonable to expect that the importance given to quality management training in high power distance societies would be comparatively less. Accordingly, the following proposition is proposed:

P1d: High Power distance societies would ascribe relatively less importance to quality management training in an organization.

INDIVIDUALISM – COLLECTIVISM AND HPWS

Individualism characterizes a society where ties between individuals are loose; individual responsibility is paramount. The individual expects to garner rewards based on achievement or merit. People from individualistic societies prefer clarity in their conversations to communicate more effectively. Employees are expected to defend their interests and to promote themselves whenever possible. For this reason they would expect to maintain effective and clear communication with their bosses, receive feedback and merit awards. These traits would seem to favor direct communication practices, both downward and upward, to facilitate each individual to achieve his goal. On the other hand, in collectivistic societies people are integrated into strong cohesive in-group. Accolades, achievements, and rewards are due to the group, not to the individual (Jung & Avolio, 1999). Members of collectivistic societies believe in the desirability of rules, do not question leaders' decisions, and prefer to abide by convention unless otherwise instructed (Gallois & Callan, 1997; Trompenaars, 1993). It is submitted that strong bonds between people in collectivistic societies could obviate the need to have formal communication practices, whereas such practices are likely to be accorded more prominence and importance in individualistic cultures. This would be in congruence with the HPWS arrangements.

P2a: Individualistic societies would favor well defined and effective channels of multidirectional communication in organizations, in congruence with HPWS arrangements.

Cultural attitudes towards recruitment and selection also differ. If one considers internal Vs external sources of recruitment for middle and senior-level managers, one would expect that individualistic and collectivistic societies would have differing preferences for methods of recruitment. The primary aim of recruiters in an individualistic society would be to get the “best” person for the job, in terms of Knowledge, skills and ability. In order to have a wider choice, and
hence more chances of getting the right person, external methods of recruitment may be preferred in an individualistic society. On the other hand, in collectivistic cultures organizations are generally treated as a family and it is important for new appointees to easily integrate in the existing networks. It is frequently difficult for externally recruited candidates to get into strong social networks and overcome the resistance following their appointment (Björkman & Lu, 1999). For this reason therefore, other things being equal, collectivistic cultures would tend to prefer internal recruitment over external processes. The following is proposed:

P2b: Collectivistic societies would prefer to recruit managers internally, rather than using external methods for recruitment.

Individualism-collectivism also interacts with performance management practices. Given the emphasis on group loyalty and subordination of individual goals to group, it is conceivable that collectivistic societies may not prefer individual merit-based reward system or determination of pay at individual level based on performance – practices which are prevalent in HPWS in western cultures. It can be argued that the performance and reward management system in collectivistic societies needs to focus on teams rather than individuals, for a successful HPWS. The following proposition is offered:

P2c: Collectivistic societies would prefer performance and reward management systems which focus on group tasks and needs, rather than on individuals for determining pay and rewards.

As regards training and development activities, it is suggested that collectivist culture is more closely associated with the type of culture embodied by TQM practices. TQM implies teamwork, cross-functional cooperation, and employee cooperation and involvement at every level of the organizations (Evans & Lindsay, 1999; Lau & Anderson, 1998). Given such a strong link between ingredients of collectivistic culture and TQM, it is reasonable to believe that collectivistic societies, with their high emphasis on group-centered activities and goals would consider the training on these issues more important than individualistic societies. The following proposition is offered:

P2d: As compared to Individualistic societies, Collectivistic societies would place greater emphasis on quality management training.

UNCERTAINTY AVOIDANCE AND HPWS

The tolerance of societies for uncertainty has an impact on the way they deal with communication practices in an organizational context. Societies, which are high in uncertainty avoidance, are not comfortable with uncertain situations. Therefore, the communication practices in such societies would seek to minimize uncertainty at every level in the organizations. This means that direct communications, both downward and upward, would be favored, preferably through a formalized interaction structure. They would also make use of multiple channels of communication, such as email, management briefings etc. Similarly, communication with unions, could be formalized and the joint consultative mechanism more effective. Societies, which are low in uncertainty avoidance, may not give much importance to formal methods of communication. Being more open to unstructured ideas and interactions, they may not need formalized structures for dialogue with employees. The following is proposed:

P3a: Societies high in uncertain avoidance would place greater importance on formal organizational communications, both downwards and upwards.
Let us now examine the likely impact of the cultural dimension of uncertainty avoidance on recruitment practices. Societies high in uncertainty avoidance (low tolerance for uncertainty) would like to recruit people with a focus on abilities and potential, in order to provide a safeguard for future performance. They would prefer a recruitment process with high predictive validity - which can reassure them that the new appointee was the best available performer, thus reducing the uncertainty about the future outcome. This line of reasoning would indicate that societies with low tolerance for uncertainty could prefer external recruitment methods, such as assessment centers for example, over internal recruitment practices. Accordingly, the following is submitted:

P3b: Societies high in uncertainty avoidance would prefer to use external recruitment practices with high predictive validity.

The impact of the cultural dimension of Uncertainty Avoidance on performance management practices is expected to be minimal because such practices do not directly relate to increase or decrease in uncertainty. At a marginal level, however, it could be argued that societies high in uncertainty avoidance would tend to use the PA system for a variety of purposes, such as promotion, pay determination and assessment of training needs. This is because in an attempt to reduce uncertainty, decisions would seek to be taken with maximum inputs in such cultures; the inputs provided by the PA system would be useful. Accordingly the following is proposed:

P3c: Societies high in uncertainty avoidance would place greater emphasis on the importance given to various uses of a performance management system.

Extensive training & development has been identified as a core component of high commitment work practices (Pfeffer, 1998). Though this field encompasses a wide array of activities such as training needs assessment, purpose and importance of training, training methods etc., this paper focuses on quality management training, because of its importance in HPWS. Examining this issue in the context of the culture dimension of uncertainty avoidance, it is argued that societies high in uncertainty avoidance would be more receptive to TQM since they generally have a system of rules and procedures – a prerequisite of TQM. Thus such societies would tend to assign greater importance to TQM training, than societies low in uncertainty avoidance which have a more flexible and tolerant outlook. The following proposition is offered:

P3d: Quality management training would be given more importance in high uncertainty avoidance societies than in low uncertainty avoidance cultures.

CONCLUSIONS AND SUGGESTIONS FOR FUTURE RESEARCH

In the preceding paragraphs an effort has been made to relate the major cultural dimensions to some specific HR practices that are considered to be a part of HPWS. Prima facie, HPWS seems to be negatively indicated in societies which are high in Power Distance and Collectivism but low in Uncertainty Avoidance, such as India or China. On the other hand, societies low in Power distance and Collectivism but high in Uncertainty avoidance, such as Scandinavian countries, could be good candidates for HPWS. However, the framework suggested in this paper can be used by HR practitioners to evaluate the culture-HR interaction and design culture-specific HPWS packages for greater acceptance and efficacy.
REFERENCES


