

## HUMAN RESOURCE PRACTICES AND BUSINESS PERFORMANCE



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## 1. Abstract

Companies have evolved over time with all their departments, including the Human Resources Department. In the present work, we have analyzed the practices of Human Resources, specifically the high performance practices and the business performance.

Firstly, the evolution of the functions of the Human Resources Department over time has been analysed, to then explain what are the high performance practices and how, according to several studies carried out by different authors, they have a positive effect on the company's performance.

Afterwards, the director of the Human Resources Department of the company Profiltek Spain S.A., located in Quartell (Valencia), was interviewed in order to know what human resources practices are.

**Keywords:** Human Resources Department, Organization, Strategic Management of People, Company, Workers, High Performance Practices.

### **Abbreviations**

HR: Human Resources

HPWS: High Performance Practices

SHRM: Group of researchers called strategic management of human resources

KSA: Employee Knowledge, Skills and Abilities

## 2.Introduction

Nowadays we are living in a constantly changing world, that is why companies that want to survive, need to maximize efficiency, give answers and alternatives and face the changes that arise over time.

In an increasingly competitive and globalized world, companies have to meet increasingly complicated objectives. That is why the optimal management of the human factor is very important in achieving these objectives. The importance of people is a key factor in an organization, that is why the human factor is part of the set of elements of a company, it is called the workforce, qualities and performance that people contribute to achieve the objectives set by the organization.

Nowadays, we know how important the human factor is in a company, because if employees are satisfied in their work environment, they feel valued by the company, they perform better, offer quality work, contribute more ideas and get involved in the company's projects.

It is also important to have a good management of human capital and that is the responsibility of the HR Department, since this department is the main link between the needs of the company and the individuals who make it up. To achieve the organization's objectives, the HR Department needs the support and backing of all departments in the organization.

Due to the high level of competitiveness in which we find ourselves, business success can be difficult to achieve without good human resource management, since a differentiating element is undoubtedly the human capital available to the organization. The principal motor of any company is its workers, without them the company does not grow for many material or economic resources that it has.

It is the employees who turn on the machines, capture the customers, make the sales. Although no organization can guarantee the permanence of its workers, studies show that companies that invest in the training and development of their workers have a lower turnover rate than those that do not, in addition to obtaining a higher return.

The objective of the following work is to define what human resources are, in addition to explaining what high performance management is along with high performance practices. And also, to see how these practices affect the business performance of a company.

Therefore, in order to carry out this work, an exploration of the literature related to human resources, high performance practices and a case study have been carried out.

In the first part, the history of human resources will be explained, together with the literature review, followed by the definition of high performance management, together with human resources best practices and different approaches to the relationship between HR management and business performance.

In the second part, a case study will be carried out, through an interview in the field of HR management in a company in order to observe the effect that this department has on the organization. In particular, the case study will focus on the practices carried out by the company and how these practices affect business performance.

Finally, the conclusion will present the final result reached on the basis of the research process developed, as to whether certain human resource practices affect business performance.

### 3.Theoretical framework

In this section we will review the different theoretical approaches around the concept of HR management such as, its historical evolution, the pillars of HR management and high performance management and related terms.

#### **3.1. History of human resources management**

Human resources management has suffered an evolution since its origins, since it has about two centuries of history, which have given rise to the concept that is known today. That is why in this section we will review the different key stages that human resources have gone through.

##### **Industrial Revolution (19th Century):**

The mechanization of tasks generated the dissatisfaction of the workers. As a result of this dissatisfaction, the workers began an attempt to improve their working conditions using the force of the unions, this attempt gave results as the companies began to take measures to solve the problem. In many companies, the Department of Welfare emerged to try to solve the problems of the workers, regarding working hours, housing, health care, education of their children. This department is the direct predecessor of the HR department as it is known today.

This is the first time that organisations have recognised that there is a need for a department exclusively responsible for solving workers' problems.

##### **Taylorism (20th Century):**

Frederick Winslow Taylor focused his theory on the analysis of time and movement on the assembly line. What he did was to separate the tasks into several sequences where each worker does the sequence that corresponds to him. In this way, a complex job becomes several tasks easier to carry out, plus each task was carried out faster. It reduced the working day to eight and a half hours, introduced rest periods and increased pay in relation to productivity.

The basic principles of his philosophy:

1. Preparation of a study to determine the most optimal method for the execution of each task (organization of work).

2. The workers are selected, taught, formed and trained.
3. Cooperation and remuneration for individual performance.
4. Responsibility is shared between managers and workers.

In the Taylorism the Welfare Departments were in charge of payroll, selection of personnel, advising on various aspects, collecting information on workers, negotiating with the unions.

**Middle of the 20th century:**

Elton Mayo conducted a study on human behavior at work, which involved changing the working conditions of five workers using mostly lighting. This study concluded by demonstrating the influence of psychological and sociological factors in the world of work, previously denied.

Some of the conclusions of the study are:

- Workers should be seen as members of a group.
- It is more important for workers to feel that they belong to a group than wages and working conditions.
- The informal groups to which each worker belongs have a strong influence on worker behaviour.
- Social needs, such as belonging to a group, is a very important concept.

This author highlights the influence of the human factor in work, defending improvements with respect to communication, the non-economic motivations of workers and their participation in company decisions.

**The 70's and 80's:**

The previous disciplinary approach is replaced by a new approach that takes into account psychological and sociological factors in job performance. Leaders focus on improving employees' adaptation to the company and gaining more independence in corporate maps. Personal management is deepened and the working climate, a concept unknown until now, begins to be discussed.

**From 2000 onwards:**

With the arrival of the Internet and the progressive consolidation of new technologies, business models change completely. The position of the personnel department twenty years ago has nothing to do with the current performance of the HR department.



The functions of this department are different from the classic functions, where the total organization, control, planning was. Among the functions carried out by this department, nowadays, besides hiring and firing, there is also training, recruitment and in general everything related to the worker's welfare.

Nowadays, employees are very well qualified to carry out their work within the company, as well as demanding more participation, interaction and decision making in the company.

It can be seen that the HR department has a new role in companies, as it has been focusing on meeting the general objectives, as well as being considered a strategic value of the company.

### **3.2. Differences between traditional and current human resources management**

The activity of the HR department has evolved over time, as it is well known that in the beginning of this department its actions were very restricted. According to Gómez (2017) traditionally the HR Department was called Personnel Department and the main task it carried out was administrative such as hiring, payroll and monitoring that workers complied with the established rules.

Also according to Potente Mascetti (2015) the evolution of this department has been constant. In the 70's, the term Human Resources Administration began to be used, in the 80's this department expanded its scope of action, now it is in charge of training, hiring, salaries, that is to say, more administrative tasks. In the 90's the most important aspect is the optimization of the workers' skills, especially the development and training of the employees as well as their motivation, a trend that continues today.

At present, the actions of this department affect all areas of the organization. This department must offer the company the necessary human resources at all times, together with the skills required for the company to achieve the objectives set.

The main differences between traditional and current human resources management will be explained below.

### **3.2.1. Traditional Human Resource Management**

This period can be classified from the origins to about the 1980s. During this time, the department is known as the Personnel Department.

In traditional organizations the key resource was manual labor and raw materials. In these organizations, bureaucracy predominated, that is, positions are clearly defined, rules are written, division of labor, there is a hierarchy of authority, that is, a chain of command is recognized. The industrial working class predominated, workers with low or no education, in addition to the fact that knowledge was not shared and creativity was non-existent. The most important thing was production. It was an administrative process that aimed at reducing the cost of personnel and was oriented towards the short term.

### **3.2.2. Current Human Resources Management**

It could be said that from the 80's onwards the name of the Human Resources Department appears, the employees begin to be considered as a resource to be optimised, a stage of collaboration between worker and employer begins for the achievement of the company's objectives.

In today's organizations the workers are very well qualified, these organizations support creativity, innovation, learning and design. As far as knowledge is concerned, it is widely shared throughout the organization.

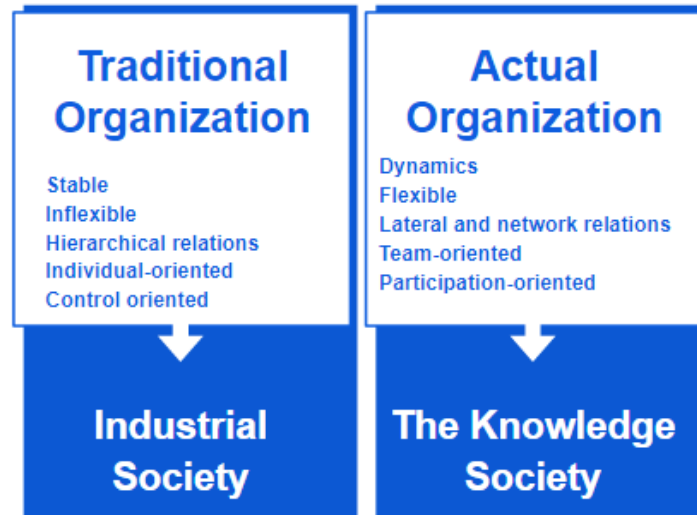
There are changes in the workforce, more education and training, people have more control over their careers and their jobs. There are also changes in the nature of work, technological changes and the universalization of information systems have led to more flexible, less programmable and higher-skilled jobs. Employee autonomy, there is a weak link between the company and the employee. Employment is not for life.

New competitive scenarios, internationalization and increased competition arise. Importance of innovation, knowledge management, information and change, services. The environment where business activity takes place is uncertain, complex and changing.

Increasing importance of people, empirical evidence showing the impact of good people management on the economic results of the company. People are very important as they are a potential source of competitive advantage and their knowledge and skills are key to the company.

In the following image you can clearly see some of the differences between the two organizations:

**Image 1: Differences between the traditional organization and the current organization**



**Source:** *Own elaboration*

### **3.2.3. The pillars of strategic people management**

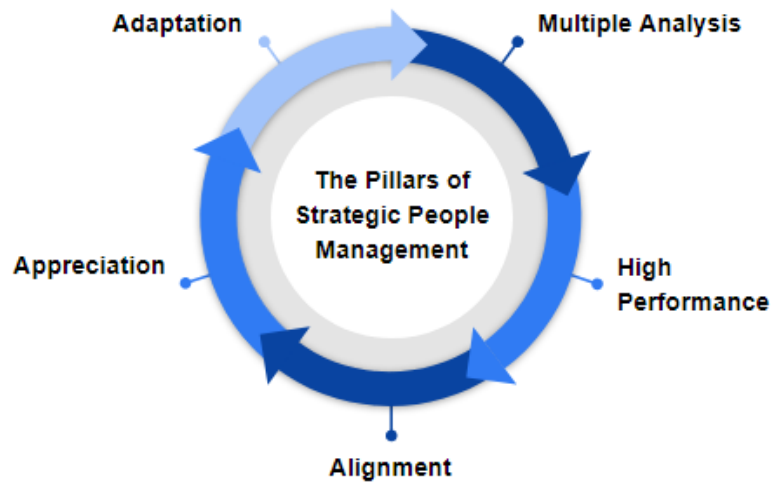
In organizations with a good strategic direction of people the objectives set by these organizations will be reached more efficiently. That is why it can be said that human resources have become the central aspects of business management.

According to Bonache and Cabrera (2006), the organisations that best manage and know how to conduct their human capital will, in the long run, be essential, since it will be the only source of innovation and sustainable competitive advantage. This is because organisations are increasingly developing their activities in markets that are more and more open and transparent.

It is clear that in order to achieve the objectives set, the strategic management of people must be supported by these five fundamental pillars: multiple analysis, high performance, alignment, appreciation and adaptation.

In the following image you can see the five fundamental pillars that I will also explain in detail:

**Image 2: The pillars of strategic people management**



**Source:** Based on Bonache and Cabrera (2006, p.10)

**A. Multiple analysis**

The behavior of people is often affected by past experiences, what they have learned from their successes and failures, and many other circumstances. That is why the strategic management of people has to be based on a multiple conception of human behavior.

The four perspectives of analysis in managing people are economic, psychological, sociological and moral. These perspectives explain different facets of human behavior. All of them are valid but incomplete without each other since none of these perspectives is capable by itself of explaining human behavior in all its complexity. Instead, all four together do.

**Image 3: Analytical perspectives in the strategic management of people**



**Source:** Based on Bonache and Cabrera (2006,p.12)

- **Economic perspective**

More and more often, organizations establish different employment relationships with different people depending on their strategic role in the organization. This is why the economic perspective is useful when assessing the strategic role of people in the organisation.

People with greater strategic value are invested in them through training programmes and their career is planned throughout a good part of the individual's life, i.e. these people are hired for a long period of time. As for the other people, they are outsourced since their skills are easily found.

This perspective can help to design purposeful compensation plans, that is, to design compensation plans that allow all parts of the organization to be satisfied.

- **Psychological perspective**

Every person has a series of needs such as power, social recognition, achievement, self-realization whose satisfaction is more powerful than the monetary reward.

A worker's motivation goes far beyond the economic incentives received for his or her effort and time. There is enough evidence to show that for individuals who have the need for self-fulfillment are motivational factors, autonomy in the workplace the use of different skills, the completion of tasks with socially visible impact, feedback.

This perspective can help when designing jobs that manage to extract the maximum potential from each worker.

- **Sociological perspective**

Every person establishes different relationships with other people inside and outside the organization; these are relationships of a very diverse nature. If we observe these relationships together, according to sociologists, we would be facing a social network.

Depending on the characteristics of the social network of which the individual forms part, such as, the position of the individual in it, its size, its amplitude, its density. This is what determines the information to which the individual has access.

That is why knowing the social networks that exist in an organization can help to know how to manage the process of change in that organization. In this way, it is possible to discover which are the most likely barriers to implementing change, which are the most influential

individuals and those who could help implement the changes or which are the most effective channels for communication.

- **Moral perspective**

Persons, unlike other productive factors, are moral subjects, which is why their management and optimization has certain limits. Management demands the achievement of both economic and competitive results through the efficient use of all available resources. In addition, organizations acquire a series of moral responsibilities with their employees through the employment relationships signed.

Nowadays, managers know that the dignified and responsible treatment of their workers is essential for the success and long-term survival of the company. The responsible treatment of employees can be a source of reputation that reinforces a company's brand image in the marketplace. Consumers and investors are increasingly sensitive to the illegitimate actions of companies.

Ethical management can also impact on employee commitment, mismanaged mass layoffs, limited term contracts and job uncertainty can damage employee motivation and reduce their commitment to the company. The challenges of competitiveness cannot be won if employees are not motivated and involved in the business.

According to this analysis, the ethical impact of human resource management is not a disinterested initiative, but a tool at the service of the brand image and the growth of the company in the medium and long term.

## **B. High Performance**

There is strong empirical evidence to show that the implementation of certain human resource practices, particularly those of high performance, has a positive impact on the value and results of the company.

Of course, the practices studied are not exactly the same in all studies, but there seems to be a consensus on a core set of high-performance practices.

Authors such as Lawler, Morman, and Ledford (1995) have grouped practices into four categories:

1. Shared information: when employees know the situation of their company, its strategy, its results, its evolution, they are able to understand the importance of their work for the organization.

2. Development of knowledge: this concept is related to the development of skills and knowledge of workers. That is why in this section the selection process is very important, in this way they select the ideal candidate for the position and they can train him/her in a continuous way.
3. Performance incentives: the distribution of economic incentives in this type of practice is related to several indicators that reflect both individual and collective results.
4. Equality in the treatment of employees, preventing privileges or differential practices applied to different groups of employees.

Later in this work, the practices mentioned will be explained in more detail.

### **C. Alignment**

When implementing a high performance management system, the strategic management of people is guided by the principle of both horizontal and vertical alignment. That is, the internal coherence between one and the other and the coherence between the system of practices and the essential competencies that mark the strategy of the organization.

High performance practices mark the way forward, but the steps to follow the path have to be dictated by the strategic objectives and the context of each organization. When designing specific practices, a series of contingency factors must be taken into account.

### **D. Appreciation**

The requirements of strategic management of people include measuring and evaluating the results of their human capital management. That is why you have to estimate to what extent the investments made to manage human resources actually contribute to improving the performance of the organization.

Many organizations claim to have a multi-pronged people perspective. These organizations pay a lot of attention to high performance practices and that's why they tailor them to the strategic and contextual requirements of each organization. Among the requirements for an organization to have a strategic focus on people management is the appreciation of management results, that is, to measure or evaluate the results offered by its investment in the company's personnel.

Numerous of these organizations claim that people are their main differentiating asset and so they manage this asset strategically. Few organizations pay attention to the return on

their investment in such assets, that is, we would not make an investment without first calculating the benefit that this investment will bring to the company.

### E. Adaptation

This last requirement of strategic people management is related to change. As we all know today, uncertainty, volatility and complexity are present in everyday life, so organizations must be prepared for continuous change and adapt to the environment. As well as looking for the most appropriate way at any given time to make the most of their core competencies and develop new ones.

Next, we will name some variables that contribute to the development of the company's adaptation capacity, if these are implemented by the human resources department of the company.

**Image 4: The variables that contribute to the development of adaptation**



**Source:** *Own elaboration*

### **3.3. Definition of High Performance Management**

High performance HR practices influence the efficiency of the company. These practices are aimed at the people who make up the organization, as they are far more important than any other asset of the organization. People are so important in organizations because of their capabilities, as this is the added value that differentiates an organization from its competition.



The environment in which companies operate is constantly changing. They have realized that the human factor is something that is constantly present in the organization. Moreover, the human factor is difficult to copy, since each worker has unique characteristics. That is why the HR department is very important in an organization, helping the company to achieve its goals, or maintain its competitive advantage.

### **3.3.1. High Performance Human Resources Practices**

To describe the HR practices I will focus on the practices they describe (*Céspedes L. et. al., 2005*), in their paper, "*High Performance Human Resources Practices*" they mention eleven practice models. These practices are considered generic and flexible, making it easier for organizations to adapt them to their needs.

**Selective recruitment:** Companies are not only looking for employees who fit into their organization and culture, but they expect these employees to have the skills and abilities required for the position they intend to fill, that is, they are looking for individuals who fit into the organization and its culture.

**Fixed recruitment:** permanent contracts, a long-term or stable employment policy. This provides the company with stability and a commitment to the employee, as it provides security in the workplace.

**Intensive formation:** high training opportunities offered to the employees. In this type of training, the company offers training, preparation and specialization courses for its employees.

**Generic formation:** formation oriented to the polyvalence that allows the employees to develop different tasks and functions. In this type of training, employees acquire skills for different posts.

**Qualitative promotion:** use of promotion standards based on attitudes that support the organizational culture. That the employee's efforts are aimed at achieving organizational objectives.

**Qualitative evaluation:** use of evaluation criteria based on attitudes that support the organizational culture.

**Individual-based remuneration:** base salary determined by the knowledge of the individuals and their flexibility to perform multiple tasks. This type of compensation rewards individuals not only for their knowledge, but also for their ability to perform multiple tasks.

**Variable remuneration:** use of salary incentives as a way of remunerating employees. Employee incentives depend on what they do, get the organization.

**Medium-high level of remuneration:** remuneration levels above or at the average of what the market offers, seeking external equity.

**Long-term remuneration:** the company sets both medium- and long-term objectives and as these are achieved or not, certain wage incentives will be offered to reward effort.

**Collective incentives:** use of collective performance, work teams Financial or non-financial incentives will be offered according to the performance of the work group.

### **3.3.2. The systemic effect of High Performance Practices and Differences Between Countries**

High performance HR practices are a package of tools for human capital training and development. The purpose of HR practices is to motivate and retain employees. There are socio-cultural variations with regard to HPWS, as in one country a practice may be considered high performance while in another country it may be a legal requirement.

As noted by Boselie et. al. (2001), some HPWS practices in the U.S. are connected to institutional requirements elsewhere, in these contexts it is not a source of high performance (*Boxall & Purcell, 2008*).

According to authors such as Bayo and Marino (2002) and Sanz and Sabater (2002) high performance practices have the basic objective of improving workers' skills and their involvement in the company.

The companies that develop these practices to a greater extent are those that have a more advanced human resources strategy (*Arthur, 1994; Batt, 2000; Ordiz Fuertes, 2002*).

According to Boxall and Keith (2009) the knowledge that a high performance work system exists establishes that the existence of such a work practice system leads to superior performance in organizations. In this statement there are three concepts explicitly included, these are; systemic effects, organizational performance and work practices.

To understand what an HPWS means, it is necessary to examine each of these concepts separately.

Systemic effects have been readily identified in several reviews of the literature on HPWS (e.g., *Dyer & Reeves, 1995; Becker & Gerhart, 1996; Delery & Shaw, 2001*). In terms of MacDuffie (1995, p. 200), the "clustering" of work practices is central to HPWS, it is the combination of practices as a whole, rather than individual practices, and it forms a pattern of interactions between managers and employees. The same statement is made by Ichniowski (1997) and Appelbaum (2000), who argue that productivity gains are greatest when firms adopt complementary practice systems.

In any reading, the idea that there are systemic or synergistic effects on the set of human resource practices chosen is a key part of the HPWS proposal. However, what tends to vary is the extent to which this systemic notion extends to the complementary elements of a company, such as its technology, knowledge, product/service mix, financing, supply chain and governance.

Organizational performance is the variable that depends on HPWS, it is more difficult to specify because it is a general term, similar to that of organization and effectiveness. It can be conceived of in various ways, incorporating short- and long-term economic results and broader notions of legitimacy or corporate social responsibility (*Edwards & Wright, 2001; Paauwe, 2004; Boxall & Purcell, 2008*). In terms of HPWS, however, most researchers have focused on economic performance criteria, such as Godard's (2004) assessment. This means that HPWS, to be considered successful, mainly need to improve cost-effectiveness. If the financial benefits do not outweigh the costs, then HPWS are not economically rational for businesses.

The connections between human resource systems and performance are exemplified in the studies by MacDuffie (1995) in automobile manufacturing, by Ichniowski (1997) and Ichniowski and Shaw (1999) in steel manufacturing, and by Appelbaum (2000) in steel, clothing manufacturing and medical electronics manufacturing.

HPWS depend on workers and their performance in the workplace, and are influenced by team performance and, before that, individual work performance, which in turn is a function of the interactions between employee skill, discretion and performance opportunities.

In much of the research, assessments of the effects of HPWS performance therefore depend on obtaining relevant data on company and worker outcomes (*Vandenberg, 1999; Appelbaum, 2000*).

The management practices considered to constitute an HPWS are subject to a confusing set of definitions and assertions, as indicated in Wood's review (1999). Becker and Gerhart (1996) illustrate diversity in a table of five major HPWS studies, all conducted in the U.S. There is no common practice among these five studies, and there is sometimes disagreement as to whether a practice, such as variable pay, has positive or negative effects on performance.

The more socio-cultural variations in HPWS practices have to be accommodated. For example, a practice such as an employee grievance procedure, which Huselid (1995) considers to be high performance in the US, is simply a legal requirement in countries such as the UK, and therefore not something that differentiates superior performers.

Legal differences are the simplest aspects of socio-cultural variation. The underlying cultural assumptions are much more challenging some practices that may work well in the Anglo-American world are understood very differently, much less positively, in less individualistic or more hierarchical cultures (*Trompenaars & Hampden-Turner, 1997*).

Work systems and the use of practices vary significantly according to occupation, hierarchy, workplace, industry and social contexts (*Appelyard & Brown, 2001; Lorenz & Valeyre, 2005; Kalleberg, 2006*).

### **3.4. Strategic Human Resources Management approaches**

In recent decades, the importance of strategic human resource management has increased. There are several approaches that energize and contribute their ideas to strategic management. This management has a proactive character and the human resources department is the one that formulates and implements the strategic management of the organization, which must be integrated in the planning of the organization.

The most important aspects for companies include business performance. There are two approaches to the relationship between human resource policies and business performance. These approaches are: the "*Universalist approach and the Contingent approach*", both of which help to make business performance the highest.

According to Bonache and Cabrera (2006) these approaches, rather than being in conflict, operate at a different level of analysis. An example would be incentive systems that can be introduced in all organizations to improve performance. But each organization can use them to promote different types of employee behavior.

**3.4.1. Universalist approach**

This approach argues that regardless of the type of organization we have, there are a number of "High performance best practices" that help achieve good results.

*"The essential affirmation of the universalist approach is that there is a set of best practices for managing employees. Such practices often include teamwork, the use of incentives, selective recruitment, intensive training, high market salaries and employee participation in decision-making" (Bonache and Cabrera 2006, p. 33).*

This approach tends to analyse the relationships between certain practices and the results obtained by their application. Universalist practices are generic techniques that have to be made specific by connecting them to the strategy and other factors of the organization's context.

In this model we find two areas of study: High Performance Work System and High Commitment Work System. This paper will analyze the High Performance system.

High Performance Work Systems: create value not only for the organization but also for the employees. According to several authors, there are a series of practices that are very beneficial for the company to obtain its competitive advantage. They can be found in the following table.

**Table 1: Classification of best practices in human resources**

Arthur (1995)	McDuffie (1995)	Pfeffer y Veiga (1999)
Ample places. Employee participation. Formal conflict resolution. Dissemination of information. Highly qualified employees. Teamwork. Intensive formation. Benefits. High salaries in relation to the market. Action plans.	Teamwork. Problem solving groups. Idea suggestion system. Post rotation. Decentralization. Selective recruitment. Incentives. Status differentiation Training of new employees Training of experienced employees	Employment stability. Selective recruiting. Teamwork. High remuneration and in relation to organizational performance Intensive formation. Salary and symbolic equalization Information diffusion.

**Source:** *Based on Bonache and Cabrera (2006, p.38)*

### **3.4.2. Contingent approach**

According to Bonache and Cabrera (2006), this approach is found in the theory of structural contingency, which argues that there is not one single way to organize but multiple ways, depending on the context of the organization. This approach is more complex than the universalist one, since it analyzes vertical and horizontal adjustment.

For this approach none of these options is superior or better alternative. Any one of them can be efficient to the extent that it fits the critical contingency factors, that is, it maintains the external alignment or adjustment and complements the others, that is, the internal consistency or adjustment. Therefore, the two basic questions we must ask ourselves are

1. External alignment or adjustment: How does the human resources strategy fit into the organizational context?
2. Internal consistency or adjustment: How consistent are the different human resources practices in the organization?

#### **A. Alignment or External Adjustment :THE 5 FORCES MODEL**

When a company wants to gain a competitive cost advantage, its HR department has to include practices such as detailed work planning, job-specific training and performance evaluation as a control mechanism.

If you want your product to be different from the competition, that is to say, a competitive advantage in differentiation, your HR department must promote innovation and flexibility, recruit highly qualified people, and work as a team.

Therefore, different strategies require different personnel management.

However, Baron and Kreps (1999) have pointed out that strategy is not the only element of the organizational context, along with it, there are four other critical contingency factors: technology and work organization, the environment (social, political and economic), the culture and the demographics of the workforce.

Table 2: Diagnosis of alignment between human resource practices and organizational context

Factor	Basic Considerations
<p><b>Technology and work organization</b></p>	<p><b>Interdependence of tasks</b> to what extent is the product of employees' efforts influenced by that of others?</p> <p><b>Required skills:</b> are they acquired in the market or on the job?</p> <p><b>Output control:</b> to what extent do external factors, beyond the control of employees, influence their work performance?</p> <p><b>Type of position:</b> is success or failure more important?</p>
<p><b>The strategy</b></p>	<p>What are the different competences of the organisation?</p> <p>How do you want to achieve your competitive advantage ( for example by innovation; better service, lower costs)?</p> <p>How do you expect to maintain it?</p>
<p><b>The environment</b></p>	<p><b>Social:</b> What is the attitude towards the hierarchy? What is the social responsibility of the company? In terms of valuing people?</p> <p><b>Political and legal:</b> What aspects of the employment relationship are regulated? What level of support can be expected from the political system?</p> <p><b>Economic:</b> What is the geographical mobility like? What is the employment situation?</p>
<p><b>The workforce</b></p>	<p>What is the average age of the staff?</p> <p>What is their level of education?</p> <p>Is it very homogeneous?</p>
<p><b>The organizational culture</b></p>	<p>Is the culture equalitarian or hierarchical?</p> <p>Is there an incentive for competition or cooperation?</p> <p>How important is intrinsic motivation?</p> <p>Are jobs or careers offered?</p> <p>Are the means or ends attended to?</p>

Source: Based on Baron and Kreps (1999)

As far as the interdependence of tasks is concerned, it may differ from one job to another. In the case of a commercial employee, he or she may perform his or her work independently of his or her colleagues, while in the case of an engineer it differs, as he or she works within a multidisciplinary product development team, where a high degree of coordination with other persons or departments is required, so that the product of the employee's efforts will be influenced by that of other employees. To encourage each of these jobs, the most efficient way is to give individual incentives to the former, while group incentives to the latter.

### **B. Consistency or Internal Fit**

Consistency is important for at least two reasons. First, to send a clear message to employees about the behavior expected of them. Second, consistency is important so that some practices reinforce others.

There is no single set of consistent practices. The most creative organisations are often those that, at a given time and within a specific organisational context, design practices that complement each other well and allow employees to anticipate what they can expect and what is expected of them. Two of the most prominent models for achieving this consistency will be discussed below: the market system and the high engagement system.

#### **B.1. The market system:**

The market system usually prevails in sectors with highly variable results, such as construction or hotels, or when success is more a function of individual contribution than group effort.

#### **B.2. The high-commitment system:**

It's another alternative approach to achieving consistency in HR practices. This system, which is sometimes referred to as a high performance system or self-managed teams, is a radical change from the classical school-inspired management approach.

The main objective of this system is that the worker is considered an associate. In this way, the worker would make a greater effort to ensure that the organization meets the objectives set. In addition, the different practices used by the organisation complement and reinforce each other.

A summary table will then be presented with the main characteristics of these two models, the market system and the high commitment system.



**Table 3: Consistent human resources system**

	<b>Market System</b>	<b>High Commitment System</b>
<b>Basic objective</b>	Maximize individual performance	Obtain more effort from employees
<b>Professional career</b>	Short-term, non-fixed input/output system	Long-term with frequent lateral moves and emphasis on teamwork
<b>Selection</b>	Demonstrated abilities	Adaptability
<b>Formation</b>	Scarce	Technical, cultural and inter-functional
<b>Compensation</b>	Individual remuneration according to market value	For skills, group and business incentives
<b>Evaluation</b>	In double direction	360° control and development oriented
<b>Participation</b>	A lot of autonomy and responsibility can be given	Wide dissemination of information, symbolic and salary egalitarianism, a lot of participation
<b>Employee Vision</b>	Contracted	Associated

**Source:** Based on (Bonache and Cabrera 2006, p.47)

For the contingency approach, regardless of the system of practices that a company uses to manage its workers, the important thing is that there is consistency between the practices and that they are adapted to the critical factors of the organizational context. If this is the case, it will become the typical business asset that is difficult to imitate, either because it is difficult for competitors to understand the precise mechanisms through which the policies and practices that comprise it create value or because it takes time to develop and cannot be bought in the market. Only then can it be said that the system creates value and is a source of competitive advantage.

### **3.5. Empirical evidence on the relationship between High Performance human resource practices and Business Performance**

According to the data from multiple academic studies, there are reasons for some optimism. Management researchers have produced a great deal of empirical evidence showing the positive impact of certain HR practices on business results.

According to Bonache and Cabrera (2006) numerous studies have been carried out in recent years which show that there is a statistical relationship between the degree of implementation of a series of human resource management practices and various performance indicators of companies.

According to Pfeffer (1998), human resources can be one of the largest and most difficult expenses to control in an organization, but it can also be the central ingredient affecting business performance.

According to Gomez et. al. (2008), companies that perform well can afford to pay higher wages and offer greater job security. These companies obtain good results by carrying out such practices. That is why organizations implement those practices that are associated with the best results.

Bonache and Cabrera (2006) have found that these practices have more effect if applied together rather than separately. That is, there are synergistic effects, the whole being greater than the sum of its parts. Moreover, these authors insist that the implementation of some of these practices, independently of the rest, may even be counterproductive.

This study makes an essential contribution to the business literature, as it illustrates, with statistical data, that the way in which employees are managed has a significant influence on the economic performance of the company. In other words, the HR system is a value-creating function.

As mentioned above, there are numerous studies on the relationship between high-performance human resource practices and their positive effect on business performance. Below are some of the results of these studies according to various authors.

One of the main tasks of the researchers has been to understand how human resources can be managed to maximize productivity and improve creativity while controlling costs.

The group of researchers called Strategic Human Resource Management (SHRM) is dedicated to understanding how HR management practices affect the results of the entire organization (*Ferris et. al., 1999; MacMillan & Schuler, 1985*).

The HR practices that SHRM researchers believe improve performance are known as (HPWP) practices. Examples of such practices include incentive compensation, training, employee participation, selectivity, and flexible work arrangements.

The HR management theory states that these practices increase the knowledge, skills and abilities of employees (KSA). Organisations use the KAS of their employees to their advantage. This leads to a number of results, such as increased job satisfaction, reduced employee turnover, increased productivity and improved decision making. All of this contributes to improved organizational performance.

The SHRM investigators point to three mediators through which HPWPs affect organizational performance. The first is increasing employee knowledge, skills and abilities (KSA). The second is empowering workers to take action. The third is motivating them to do so (*Becker & Huselid, 1998; Becker et al, 1997; Delery & Shaw, 2001; Huselid, 1995*).

Bailey (1993) argued that employees often under-perform because they have discretionary use of their time and talent. Therefore, employees must be motivated to take advantage of their expertise. High-performance work programmes, such as incentive compensation, performance appraisal and internal promotion policies, are considered to offer incentives to contribute to motivation (*Delery & Shaw, 2001; Huselid, 1995*).

The HPWP, such as job security, flexible working hours, grievance procedures and high overall compensation, can also increase motivation by increasing employee engagement (*Pfeffer, 1998; Youndt, et. al, 1996*).

Evans and Davis (2005) argue that the effect of work programs on organizational performance is enhanced by their impact on the internal social structures of organizations.

For example, auto-managed teams and flexible station designs link people who do not usually interact with each other, facilitating the exchange of information and resources. Widespread rules of reciprocity help select and retain the people most likely to develop these rules. In addition to increasing organizational flexibility by increasing cooperation in solving complex problems, they also help to establish shared mental models among employees (*Tsai & Ghoshal, 1998*). These positive changes in the internal social structure increase the flexibility and efficiency of the organisation (*Evans & Davis, 2005*).

According to Huselid (1995) a system of high performance practices is defined by the use of multiple and reinforced high performance practices by organizations.

The SHRM researchers have offered two reasons why the value of HPWPs increases when multiple practices are combined in a coordinated system (*Delery, 1998; MacDuffie, 1995*).

The first reason is that practices have cumulative effects (*MacDuffie, 1995*), for example, when two different selection tools identify unique job skills (*Delery, 1998*). The second reason is that synergies occur when one practice reinforces another (*Delery, 1998; Huselid, 1995*), e.g., training reinforces participation programs because employees are better equipped to make the decisions that participation programs allow them to make.

In the work of the Harvard group (Beer et al., 1984) and Schuler and Jackson (1987) one can begin to see an integration between a strategic vision, which highlighted the importance of "*External Adjustment*" and organizational behavior with its "*Internal Adjustment*" approach to produce a conceptual perspective or "*map*" (*Noon, 1992*) that forms the basis of contemporary HR management.

The most recent phase in the development of HR and performance management theory and research can be defined in terms of increasing complexity and sophistication. An important starting point for considering both sophistication and complexity is the work of Bowen and Ostroff . In their first paper (*Ostroff & Bowen, 2000*), they presented a multi-level conceptual framework that suggests that the relationship between HRM and performance could be considered at both the individual and organizational levels and through the links between them.

The second article (*Bowen & Ostroff ,2004*), offered a theory of the implementation of HR management. In this paper, it emerged that in order to understand the links between HR management and performance, it was necessary to devote a lot of attention to processes, reflecting the often cited view that it is not enough to have good practices if they are not applied correctly. What this does is change the focus to line management and place greater emphasis on the effectiveness of HR management.

Another indication of the growing sophistication is the use of models of organizational and social psychology. This can be found in the work of Nishii et al. (2008) who argue that what is important is not only the presence of practices, but the perceptions of the intentions behind the practices. He has used attribution theory to explore how workers interpret practices and to show how this interpretation can shape their response. This is further confirmation that it is not enough to restrict our focus to the presence of practices and points to the need for organisations to pay much more attention to how they communicate the purpose as well as the content of HR practices

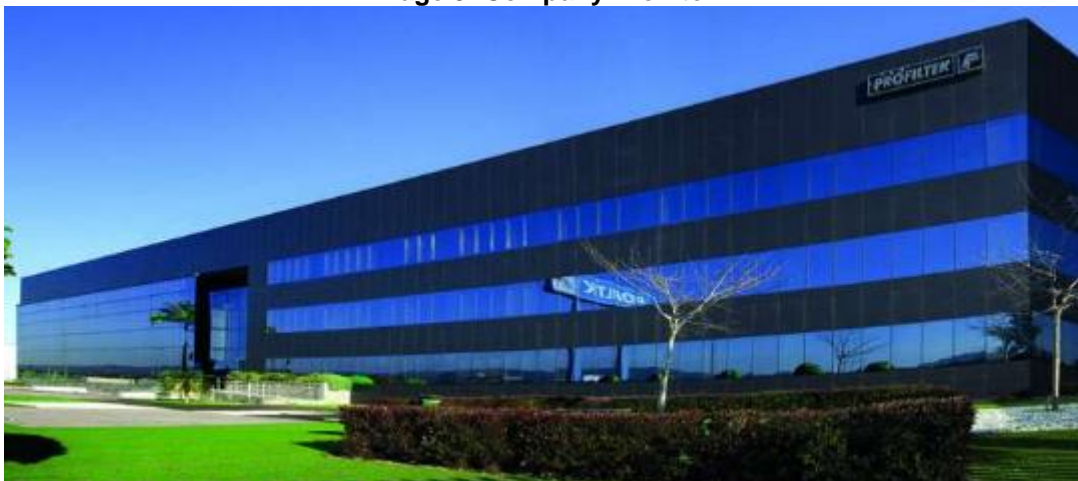
To close this section, according to several existing studies it can be stated that the use of high performance practices (HPWP) is positively related to business performance. In addition, HPWP improves organizational performance by increasing KSAs, empowering workers to leverage their KSAs for the benefit of the organization.

## 4. Case Study

Then, the description of the company will be made, where the history of the company, its main activity and its products will be discussed. After completing the description, an analysis of the company's HR practices and how they affect business performance will be conducted.

Profiltek Spain is the company on which the case study will be carried out, with information obtained from the interview with Alejandro Carreres, who is the representative of the company's human resources department. First I will describe the company, that is, its history, what it does, its products. Then I will analyze the human resource practices it uses and how these practices affect its business performance.

**Image 5: Company Profiltek**



Source: [www.profiltek.com](http://www.profiltek.com)

### **4.1. Description of the company**

This is a family business founded in Quartell (Valencia) in 1989, which was dedicated to aluminium carpentry and the manufacture of blinds. In 1995, the company focused its production on the manufacture of screens. In 1998, Profiltek expanded its product line by adding shower trays and hydromassage columns. In 2012 the company starts its internalization, starting to sell its products in the markets of: Portugal, France, Italy and Germany.

Profiltek has been on the business for thirty years, designing and producing shower screens and trays. It is a national reference company in the bathroom products sector. They use quality products and meet the requirements of their customers.

The company carries out its activity taking into account the following values:

**Compromise:** the company is committed to offering quality products that meet and satisfy the needs of its customers.

**Honesty:** the company is committed to being transparent and honest.

**Excellence:** the company is committed to offer high quality services to its customers, complying with the law and beyond.

**Innovation:** the company invests in the continuous innovation of its products in order to offer its customers the most innovative products .

**Client-centrism:** this is the term the company uses to refer to the importance it gives to the customer, as it is the most important for the company.

The products offered by Profiltek Spain are aimed at a select audience, that is, people who are not just looking to renovate their bathroom, but to make it a place where they can relax, feel comfortable and safe. That is why the company's products are aimed at a public with a medium/high purchasing power.

As far as the products are concerned, as mentioned above, they are shower screens and trays. The company offers its customers a wide range of options to choose from, as well as offering the possibility of complementing and customising all its products with a wide variety of accessories.

It is worth mentioning that Profiltek offers a five-year guarantee for both the shower screens and the shower trays.

**The Screens:** there are two alternatives: 100% customized and standard. As far as the 100% customised bath screens are concerned, you can choose between: fixed, sliding, folding, PMR (for people with disabilities) and Konvert Solutions (converts the bath space into a space for the shower, more space for storage, shelves for placing towels). And finally, the standard shower screens can be chosen from: sliding, folding, fixed and pivoting.

In addition, the company is a pioneer in the technique of digital printing on IMAGIK glass used for the decoration of its screens. Thanks to this technology, the tempered glass of the screens can be customized to the customer's taste. What IMAGIK technology does is use the tempered glass as a canvas on which to print the decoration chosen by the customer. In this way, unique and personalized products are obtained 100% to the buyer's taste.

In the following images you can see the different alternatives of screens that the company has to offer.

**Image 6: 100% customized screens**



Source: [www.profiltek.com](http://www.profiltek.com)

**Image 7: Standard screens**



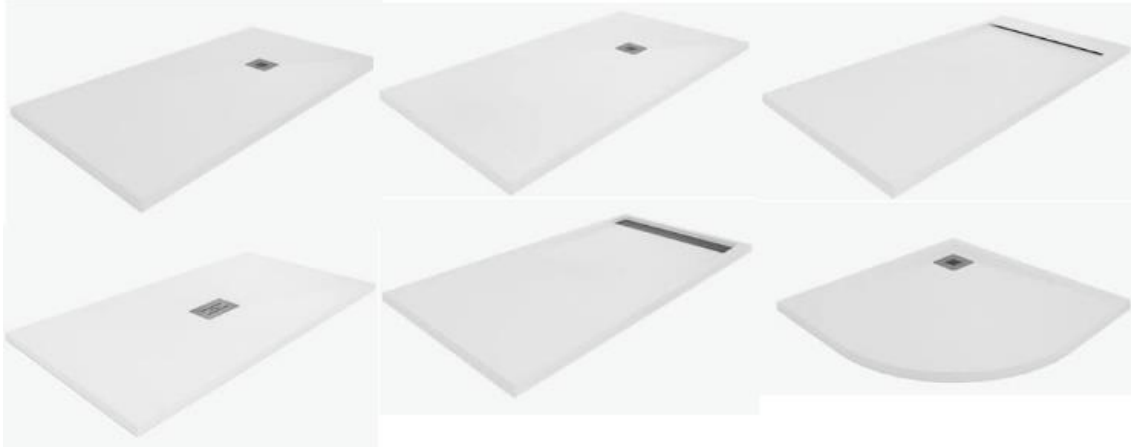
Source: [www.profiltek.com](http://www.profiltek.com)

**The shower plates:** have the following characteristics: lightweight ecological material, non-slip, cuttable, extra-flat, symphonic valve, antibacterial, easy to clean and can be repaired.



They are available in eight colours and three textures to choose from: slate, stone and SOLIDTEK smooth. You can choose from the following options; Gotham, Zenda, Lotus, Daray, Matis and Rodik.

**Image 8: Shower plates**



Source: [www.profiltek.com](http://www.profiltek.com)

#### **4.2. The human resource practices used**

The company has about 250 workers, of which 200 are factory workers and the rest 50 work in the office. Profiltek's Management Committee is made up of nine managers and one board member.

With regard to the HR Department, which is the main subject of this case study, the company currently has, in addition to the HR director, two HR technicians and one PRL technician. It is worth mentioning that Profiltek works in parallel with an external PRL company, CONSECAS, in order to look after the well-being of its employees.

Based on the interview with Profiltek's HR director, and following several authors of the universalist approach, several tables will be presented. Within the tables that will follow, the intention is to interpret whether or not the company complies with the condition of best practice.

Can be seen below the interpretation of best practices according to Arthur (1995).

**Table 4: Best practices according to Arthur (1995)**

<b>Ample posts.</b>	NO
<b>Employee participation.</b>	Yes, since each area of the manufacturing process has a representative at the Committee meetings. Everyone participates in these meetings and contributes their ideas.
<b>Formal conflict resolution.</b>	If you're not looking for guilt, but for solutions.
<b>Diffusion of information</b>	If the information comes from the committee meetings both up and down, and vice versa
<b>Highly qualified employees.</b>	You could say that yes, it depends on the position you develop.
<b>Teamwork.</b>	Depending on the task, there is both individual and team work. If it's for a new project you work in a team.
<b>Intensive formation.</b>	No, the company offers training so that its workers can carry out their work correctly.
<b>Benefits.</b>	Si, ejemplo el ajuste del horario según las necesidades específicas del trabajador.
<b>High salaries in relation to the market</b>	I consider that it is, since the average salary of a worker in a factory is 1,300 euros and if overtime is performed they are paid at 10 euros per hour.
<b>Action option plans.</b>	NO

**Source:** *Own elaboration*

As we can see in the table, it can be said that the company complies with the conditions of best practice according to the author Arthur, since the company implements most of these practices.

Can be seen below the interpretation of best practice according to McDuffie (1995).

**Table 5: Best practices according to McDuffie (1995)**

<b>Teamwork</b>	As I said before, it depends on the task, but it can be said that there is both team and individual work.
<b>Problem solving groups</b>	If the problems and their respective solutions are raised at the committee meetings.
<b>System of ideas suggestions.</b>	If the company has a specific section for new ideas, these are analyzed by the committee and if everyone agrees they are carried out.
<b>Rotation of posts.</b>	Not even though all factory workers learn to manage the entire production process corresponding to their area of work. In this way, if an incident occurs, there is no need to stop the production process.
<b>Decentralization</b>	NO
<b>Selective Recruitment</b>	If the company already hires workers who meet its requirements.
<b>Incentive.</b>	Whether financial or non-financial.
<b>Status differentiation.</b>	Not since all workers are treated with respect and equality.
<b>Training of new employees.</b>	Yes, since they have to know how to manage the entire production process corresponding to their area of work. In addition, the first training they receive is the prevention of labor risks (PRL)
<b>Experienced employee formation</b>	If, with the purchase of a new machine, the company is responsible for providing the necessary training for workers to know how to operate the machine.

*Source: Own elaboration*

With the information obtained from the table, it can be affirmed that the company complies with the conditions of best practice according to the author McDuffie, since the company implements most of these practices.

Can be seen below the interpretation of best practices according to Pfeffer and Veiga (1999).

**Table 6: Best practices according to Pfeffer and Veiga (1999)**

<b>Stability of employment.</b>	Yes, each new worker starts with a 3 month contract with the (ETT's), then another 3 month contract is added to the company's staff. If the employee proves to be qualified for the position, he or she will be given a new contract of 6 months and the last contract is an indefinite one. The company is proud to have employees who have started the business.
<b>Selective recruitment.</b>	If since the new candidate has to meet a number of requirements.
<b>Teamwork.</b>	It depends on the task at hand.
<b>High remuneration and in relation to organizational performance.</b>	Yes, in addition to the basic salary there is a seniority bonus.
<b>Intensive formation.</b>	NO
<b>Salary and symbolic equalization.</b>	No, since a factory worker is not remunerated the same as an office worker and even the director.
<b>Diffusion of information.</b>	If the information is shared from top to bottom or vice versa.

**Source:** *Own elaboration*

With the information obtained from the table, it can be affirmed that the company complies with the conditions of best practice according to the authors Pfeffer y Veiga, since the company implements most of these practices.

According to the information obtained from the interview, he considered that Profiltek has human resources practices that could be classified as best practices. Throughout the interview they made it clear that for them their workers are very important, also the practices they carry out. I was impressed that after thirty years in the market they still have workers

with whom they have started their activity. The fact that they adjust working hours according to the needs of each worker is a clear example of how this company cares about its workers.

It must be admitted that the company has good human resources practices and cares about its workers, since it is they who, by developing their skills, make the company prosper over the years. This can be seen in the company's turnover, as the company's general manager said in the interview, since this figure has grown by 5% over the previous year.

## 5. Conclusion

To conclude this work, this section will provide a brief summary of the results obtained together with the corresponding conclusions.

After analysing the evolution of the HR Department, more specifically the activities it has developed over time, it can be stated that this department has evolved over time and has become a fundamental pillar within companies.

As far as high performance practices are concerned, it can be said that these are positively related to the benefit that the organizations obtain, as long as they have a good management of their HR Department. Clearly, employees have a key role to play in achieving these benefits. It can be said that employees are the most important asset that an organization can have, besides being the most difficult resource to imitate by the competition, since the entire production process passes through their hands, from design to obtaining the final product.

The high performance practices have an impact on the capacities of the employees. These capacities are a source of benefits for both the employees and the organization.

From the many studies on the relationship between high performance practices and business performance, it can be said that there is a positive relationship, provided that HR applies these practices in the most optimal way for the organization.

Nowadays it is quite unusual to find companies that do not apply adequate HR practices to their employees. That's why organizations that treat their employees well will be successful and will be able to stay in the increasingly competitive and innovative marketplace.

Finally, employees are an organisation's most valuable asset, so it is important to treat them as best as possible and invest in them to develop their skills and apply them to the benefit of the organisation.

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## Annexes

### Annex 1: Interview with the responsible for the RH department of Profiltek

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#### What type of formation do the workers have?

*"There are both higher education and basic training, it also depends on the position that this is going to develop in the company, the office workers have to have higher education, on the other hand the factory workers who have the obligatory education is enough since we also train them for the position that they are going to develop".*

#### Is there job stability?

*"If the company takes into account all its workers, no matter how long they've been with the company. In other words, what counts is the quality of the work. The company looks for responsible employees who do their jobs well.*

*Workers who meet this requirement may work for the company for many years. We still have some of the people we started the business with."*

#### Is the information shared with the entire staff?

*"Yes, the company uses two ways to keep its employees informed through a bulletin board where employees are informed of changes made by the company and the website where all employees have access through their username and password, here the information is usually more detailed.*

*In addition, the committee, which is made up of the company's directors and those in charge of the different areas of the company, meets monthly. In these meetings the problems and solutions to these problems are presented. Example: There was a time when the factory employees complained about the heat, so the committee has sought to solve the problem, introducing some large fans to cool a ship".*

#### Is the work individual or team?

*"Individual work predominates, as far as the human resources department is concerned, since I do some specific activities and my colleague does others. For example, I carry out selection and recruitment at national level together with the corresponding reports on the*

*cost of recruitment and training of employees. My colleague is responsible for managing incidents, such as accidents at work, writing reports for the Mutual, tasks necessary for the retention of income tax of employees. Although if the task requires it, we always ask for help.*

*Also when there is a new project, a team is formed with people from different departments to carry it out and the same team works from the beginning to the end of the project.*

*It depends a lot on the task to develop but in the company there is a great comradeship that is why I also consider that there is teamwork. “*

### **How are employees treated?**

*"We do our best to understand the situation of the workers, that's why we adapt their schedule according to their needs such as; reduced working hours for employees who have recently become parents, early or late working hours depending on the hourly need of the employee to manage the school program of their children, etc."*

### **How is the remuneration of the employees?**

*"This depends on the position held, but the average salary starts at 1,300 euros and increases every three years due to seniority. In the factory, since it is where most overtime is done, it is paid at 10 euros/hour, so I would say that the remuneration can be both fixed and variable since it all depends on the overtime done".*

### **How are new worker employees?**

*"Through temporary employment agencies (ETT's) such as Adecco, Randstad, Michael Page these new workers are usually with the ETT's contract for 3 months, after which time they become part of the company's staff for 3 months. If the employee proves to be qualified and meets the requirements of the position, the next contract is for 6 months and the last contract is for an indefinite period".*

### **How are new employees treated in the company?**

*"At Profiltek, all employees are treated with respect and equality, not counting the time they have been with the company. All employees are equally valuable."*

### **What is the training like for new employees?**

*"Each new employee must go through a training period of 3 months, which includes some phases and periods to follow, where the employee must learn to manage all the productive process corresponding to his work area".*

**Do you offer training to your employees? What kind of training?**

*"If the first training offered as soon as you start working in the company is the prevention of risks in the labour (PRL), which all employees have to do regardless of the position.*

*New factory employees have a training process that lasts a maximum of 3 months, in which coordinators teach them the complete process of their area. It takes so long because the newcomer is made to work in each position in that area for a certain amount of time. Depending on the difficulty, it takes one or two days to teach the new worker and then the new worker will spend seven days in each position. In this way everyone knows how to develop any position and if there is any incident there is no need to stop the production process".*

**How do you usually solve problems that arise in your team or in the course of the day in general?**

*"Problems have to be solved quickly and one should never look for blame, always look for solutions."*

**What is the cause of the layoffs?**

*"The main cause of layoffs in the company is when the employee stops working, that is, layoffs are made when the employee deteriorates the quality of the work provided."*

To end the interview I asked you about the company's turnover, *"The company's turnover last year, if I remember correctly, is around 30 million euros.*

According to an interview conducted by the newspaper Expansión on 29/05/2020 to Esteban Azcuénaga, General Director of the company Profiltek. This is his answer to the question

**What was your business volume last year and what are your expectations now for 2020?**

*"Last year's turnover was around 33 million euros, up 5% on the previous year. In 2020, it is still too early to assess the full impact of this crisis. We had foreseen a very important growth for this year and some things are going to compensate others. It is going to be key between now and June on which side demand rises, how fast, and whether we reach levels similar to those we could have expected. The decrease in orders in our case is not going to be dramatic, and we are going to be able to recover it in 2021 and possibly reinforced."*