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High performance workplaces: Background paper for the Third European Company Survey

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This paper is one of two background papers that served as a conceptual framework for the development of the questionnaire for the Third European Company Survey (ECS). The papers also formed the basis for the discussion with Eurofound's tripartite Advisory Committee on the ECS and the questionnaire development group. The two papers cover the following topics: High performance workplaces and Social dialogue at workplace level.

What is an organisation?

An organisation as a structure of division of labour

Doctors diagnose and cure patients. But there is more to their job than that. They also order products, carry out administration, read new research literature, check their instruments and so on. In other words, different aspects related to their job are all done by doctors themselves. We therefore describe them as 'self-employed' and not an organisation.

In our industrialised world, however, products and services are mostly made and delivered in large-scale settings. There are organisations with hundreds or even thousands of people working at the same time. Inevitably, the work to be done has to be divided in some way into 'work packages' as everyone cannot do the same thing at the same time. We describe these work packages as 'workplaces'. And the process by which the work to be done in an organisation is broken down into different workplaces, we call 'division of labour'.

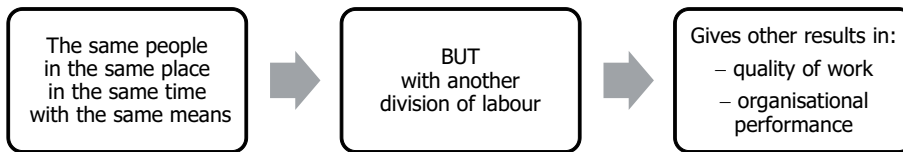
Within this process of division of labour a lot of choices have to be made. This is often not obvious to the employees or customers of an organisation. Through a sequence of decisions, all the tasks to be done are transformed from an undifferentiated pool of tasks to a network of often strictly defined jobs. After a while these decisions acquire an almost fixed status which is hardly ever questioned. However, they remain the result of choices taken more or less consciously by management. Other possible choices would have resulted in workplaces and organisations with different characteristics.

One such a basic choice is a division according to product or operation. This choice can be recognised in the structure of many organisations. For example, furniture company A has departments 'Tables', 'Chairs' and 'Benches', while furniture company B has departments 'Wood processing', 'Assembly' and 'Garnish'. Or computer company A has the departments 'Europe', 'United States' and 'Asia' while company B has the departments 'R&D', 'Production' and 'Marketing'.

Such a choice has important consequences for the quality of work. Furniture company A may have groups responsible for the production of tables, which could include responsibilities for work planning. In company B this is impossible as the production groups are specialised in, for example, wood processing. As a result they have no overview over the whole process leading to tables and are unable to be involved in the overall work planning. We therefore have workplaces with other tasks and characteristics.

Organisational performance is also affected by such choices. Furniture company B will find it difficult to respond flexibly to frequent changes in product demands. As products have a complex routing within and between specialised departments, throughput time will be long. Company A is better able to adapt to frequent changes as the department 'Tables' is able to deal itself with changes in demand. The following figure summarises this difference.

Impact of division of labour



Impact of division of labour

Organisations have to consider such choices carefully as these have a lasting character. Indeed, employees in an organisation do not all meet every morning around the coffee table in order to decide who will receive customers, operate machines, pay the bills, check the inventory and so on. Such choices in the organisation are recurrent. Over a longer period of time, changes of course have to be made, but from day to day these choices are fixed. Workplaces, as well as the way they relate to one another in the organisation, are defined.

We label this network of workplaces the ‘structure of the division of labour’. The term ‘structure’ indicates that we are dealing with a persistent characteristic. And thanks to this, we are able to describe the structure in the division of labour in an objective way. This could for instance be done by means of a questionnaire. But if we want to do this mapping in a scientific way that can be understood and verified by others, we need a conceptual model. Such a conceptual model provides us with a toolkit of concepts that enables us to map the wide range of choices that are made in any organisation with regard to the structure of the division of labour. Such a conceptual model for organisations was elaborated by Van Hootegem (2000, p. 76) and is sometimes referred to as the ‘hamburger model’ (see p.5 below). The production concept forms the upper half of the hamburger and the employment relationship forms the lower half.

This conceptual model is based on modern sociotechnical systems theory (De Sitter et al, 1994). In systems theory, any system consists of a network between nodes. Such a network has a structure which determines the nature of the relationships between the nodes. The way in which nodes operate and thus the system as a whole is determined by the nature of their mutual relationships.

Similarly, organisations can be considered ‘systems’ that transform an input into a certain output aimed at certain goals. An organisation’s overarching goal is its survival. And as its environment becomes more turbulent, an organisation will seek to enlarge its possibilities for choice and self-direction. The extent to which the organisation is able to reach these goals is determined by its structure of division of labour. The workplaces in an organisation can be considered as nodes interconnected in a network of relationships. How that network looks will be determined by its structure of division of labour. This structure will determine how all the workplaces – and thus the organisation as a whole – are able to operate and maintain its presence.

This systems approach stresses the structural conditions in which problems emerge or goals can be reached. It also stresses the structural conditions for the ‘goal manoeuvrability’ of organisations: in other words, the organisational capacity to aim at new goals if circumstances change. This capacity provides the organisation with better chances for survival, especially if the environment becomes turbulent.

The production concept

Production organisation

Like the design of a building, the basic architecture of the organisation has to be tackled first. This could be referred to as its 'departmental structure'. This collection of decisions is called 'production organisation'. First of all it deals with how the 'primary' value-adding process to the organisation is structured. How are these operations grouped and linked with regard to orders? Above we exemplified such a choice in our division of companies according to product or operation.

But value-adding operations are not the only activities that take place in an organisation. These other activities also need to be prepared and supported. How are these activities grouped and linked to the primary process? They could, for instance, be separated from the primary process and grouped according to aspect. Each aspect is then taken care of by separate staff departments such as 'human resource management', 'logistics', 'maintenance' and 'quality'. However, such activities can also be integrated in the primary process.

All these activities also need to be coordinated and regulated. Again, such regulatory activities can be divided from the productive as well as supportive and preparatory activities in the organisation and arranged for each aspect separately. Regulation itself can also be split whereby operational, tactical and strategic regulation is assigned to different hierarchical levels. Another choice would be to locate regulatory capacity as much as possible where the execution happens and where regulation is required.

Production technology

A subsequent decision is related to the application of production technology in the organisation. Which activities and to what extent will these be taken over by mechanisation and informatisation? (The latter is the extent to which the organisation is becoming information-based.) Indeed, technology is not a given thing to which people have to adapt, but is part of the decision process the organisation has to deal with. Having made the decisions about production technology, this inevitably leads to restrictions for those who have to work with the chosen technology.

Choices can be made with regard to the function, level and nature of production technology. Which functions in the organisation will be automated? Activities within the value-adding process are obvious candidates, but automation can also be considered in its support, preparation or even regulation. Subsequently, the level of diffusion of the technology needs to be considered. And finally the nature of the technology may severely restrict how employees can perform their tasks. If the technology reduces its users to its mere extension, employees are restricted in the way they work. But when the technology can be mastered by its users and leaves room for autonomous intervention, it leaves more space to decide how workplaces will be designed.

Work organisation

Throughout the decision sequence described above, the organisation will have already made many structuring decisions. What is left is the way workplaces themselves will be designed. It is still necessary to make clear what is expected from the people allocated to a given workplace. This grouping of tasks into workplaces is called 'work organisation'.

It is important to determine this grouping according to two general dimensions. One is the width of the tasks allocated to the workplace. Should a company opt for small specialised workplaces or broad workplaces encompassing many tasks? The other dimension is the composition of the workplace. Is it a singular workplace specialised in value-adding activities, or should a company choose a multiple composition which includes preparatory, supporting and regulatory tasks?

Organisations and the employment relationship

Imagine a person whose favourite pastime is making furniture. At weekends, this person invites a couple of friends to help with wood processing, assembly and decorating. While this is an enjoyable activity for all concerned, no one would think of calling the group ‘an organisation’. Yet if these people carried out exactly the same activities within a work plant, they would be working in an organisation. It is therefore obvious that something does not fit in our statement that ‘an organisation is a structure of the division of labour’. Or rather that it is incomplete. Of course organisations have a structure of division of labour in the same way as they have a name and an address. But organisations are not structures of division of labour.

Neither the activities we do nor how we do them determine whether or not we are dealing with an organisation. The difference lies in the work contract we have when working in the furniture plant. This work contract specifies a number of aspects in our relationship, especially regarding pay or working times, but remains open as far as the tasks to be performed are concerned. These tasks are specified during the contract. The fact that what you are required to do is somewhat imprecise is not a deficiency, it is the very essence of a work contract because this is an authoritarian relationship. By signing the contract, you promise to obey orders. In case of changes, no new contract is signed because the work contract is a relationship of authority. The pay you receive is not so much a compensation for a given task but rather a compensation for your promise to be available and, within certain limits, execute orders. As the tasks to be done can be changed without disrupting the work contract, this allows organisations to adapt to changing circumstances. This is different from relationships concluded on the market. As there is no authoritarian relationship between, for example, an organisation and a subcontractor, agreements on what should be delivered are specified in great detail.

An organisation therefore delimits itself by selecting with whom to sign a work contract. There is at the same time a decision to engage in certain activities while other activities will be bought on the market.

The promise to obey orders after signing a work contract has certain limits. When those limits are surpassed, people may refuse to carry out an order or even quit the organisation. But however dramatic this may be, the organisation does not cease to exist. Although the work relationship is with a person, it cannot be reduced to that. If an organisation ends the agreement with one person and replaces them with another person, no change has occurred from the viewpoint of the organisation. What is at stake is the kind of decisions the organisation takes in starting up, continuing and finishing work relationships. Just as in the case of the structure of division of labour, it is irrelevant whether the person carrying out the tasks of a workplace is person X, Y or Z. We do not look at people and their characteristics, but to organisations and their characteristics.

It should be clear now that organisations are organisations because they take on people by means of work contracts and put them to work in the production process. In order to realise this, organisations need to take a number of interrelated decisions. We call these decisions the ‘employment relationship’.

Recruitment process

In deciding to recruit people, an organisation not only decides the activities to be carried out but also which capacities will become available. Skills are at the disposal of the organisation. Specialised qualifications can be looked on as management skills, problem-solving skills, social skills and so on. An organisation may look for skills that are immediately usable or which will require additional training. An organisation can also choose to recruit people with skills that are not yet required but may be necessary in the future due to, for example, planned investment in technology.

There are a number of factors to be considered during recruitment.

- **Duration of work relationship.** The contract offered to new members of an organisation is determined by the law. Yet the organisation needs to specify many other conditions. One is the intended period of the membership. Is a membership intended to be of indefinite duration or a definite duration for a given task? Which mix of those options is intended?
- **Pay.** In work contracts, arrangements on pay are usually specified in great detail. Different options that may be combined are possible. Next to fixed pay, remuneration may be based on performance according to different criteria such as output, quality and innovation. Variable pay may be linked to performance of the individual, of groups or the organisation as a whole. Within the organisation, different pay levels may be introduced according to age, experience, level of education, seniority or an internal classification of workplaces.
- **Working times.** The organisation needs to make it clear when activities need to be performed. Although there are numerous regulations that need to be followed, the organisation has considerable leeway between the minimum and maximum hours allowed, their variation and to what extent flexible working hours are expected.
- **Allocation.** Workplaces are ‘packets’ of tasks that are the result of decisions regarding the structure of division of labour. A person can be allocated to a single workplace or subsequently to different workplaces, for example, to achieve some level of polyvalence (that is, the capacity to carry out more than one task). The rotation between workplaces may be on a daily basis, weekly or even longer periods of time. Next to ‘horizontal’ rotation, employees can also move upwards or downwards. Workplaces in an organisation are ordered hierarchically according to certain criteria, for example, according to the power to regulate or the skills required to perform the tasks. However, it is important to specify the criteria for vertical mobility.
- **Training.** Recruitment will have provided the organisation with a number of skills at its disposal, but these skills are unlikely to fulfil all the skills it requires. This imbalance can be remedied through training. Training, however, is not confined to the initial period within the organisation. Skills may need updating after a while, especially when there is horizontal or vertical mobility. The organisation needs to decide on the nature and level of such training.
- **Industrial relations.** The relationship between workers and the organisation has an important collective dimension. The agreements about the conditions under which work is performed are negotiated on a collective basis. Equally, even though the work contract is an acknowledgment to obey orders, these may be resisted collectively. To avoid negotiations with (and protests from) all individual employees separately, organisations channel these negotiations through consultative bodies. The organisation needs to define the coverage of collective bargaining, the themes that can be discussed and the level of say these bodies have.

Hamburger model

The decision on the production concept (the top half of the hamburger) leads to workplaces with certain characteristics such as stress risks or learning opportunities during work. Eventually, of course, ‘real’ people will be allocated to these workplaces. Only then it will become clear to what extent these workplace characteristics with their risks and opportunities will lead to real consequences for the people involved, such as psychological well-being, health and job satisfaction.

Similarly the decision on the employment relationship (the bottom half of the hamburger) leads to membership sets with certain characteristics, such as career opportunities, possibilities to defend interests, risks of precariousness. But only when real people are allocated to these membership sets does it become clear to what extent these membership sets lead to real consequences for people such as job insecurity, skill acquisition and job tenure.

The choices made in both halves of the hamburger not only have consequences for employees but also for organisations and their performance. They will influence the extent to which organisations are able to meet demands from their environment in terms of productivity, quality, flexibility, innovation, sustainability and so on.

Throughout this description we talk about choices. But choices are restricted, especially when other choices have already been made. As in a chess game, at the start many choices are open. But once decisions have been made and pieces moved, the following choices must be made within the framework of the choices already made. Although a broad range of options remains, the choices already made must be taken into account.

Similarly, the hamburger model points out that choices made in one dimension restrict the available space of selection for other decisions, but without determining these. In particular, the model points to the mutual dependency between the upper and lower half of the hamburger. This is a major reason why changes are often difficult and slow in organisations. To perform well, changes in one aspect may need changes in other aspects, but as all changes are difficult to push through simultaneously, some choices may slow down the possibilities for change in other dimensions.

What is a high performance work system?

Central features

Organisations do not have to start from scratch to make all the decisions indicated above. There are certain patterns in the choices many organisations make, patterns that evolve over time. Such models have received many labels such as Taylorist, Fordist, lean production, sociotechnical, business process re-engineering, and high performance work system (HPWS). Common to all these labels is that they all represent certain choices in the hamburger model, even though different models may emphasise certain dimensions as most important. We do not need to ask different questions to investigate whether an organisation can be given such or such a label. The dimensions to be investigated remain the same, only the result of the choices made will determine to what extent a given organisation deserves a certain label.

The same holds true for a high performance work system. The conceptual model provides us with the concepts to describe the high performance work system model. Although the label is used to refer to a wide range of organisational choices, it is important to gain a clearer picture of:

- the common themes between these features;
- the criteria by which a high performance work system can be identified;
- how these criteria are linked to each other.

Below we identify the criteria that are part of a high performance work system as a step towards establishing indicators with which to identify them.

First of all, the description ‘work system’ refers to a number of specific interrelated ‘work practices’. Although a work system can be broken down into a number of work practices, its outcomes are chiefly determined by their integration in a coherent bundle or cluster. This is because complementarities and synergies exist among work system practices themselves, often referred to as a ‘horizontal match’ (Appelbaum et al, 2000).

In general, a high performance work system is characterised by a production concept that allows for extensive employee involvement in operational decision-making as a means of harnessing people’s potential more effectively and of improving the organisation’s performance. Workers in a high performance work system experience greater autonomy

over their tasks and methods of work, and have higher levels of communication about work matters with other workers, functional specialists, managers and, in some instances, with vendors or customers.

Choices regarding the employment relationship are also important. Workers in a high performance work system require more skills to do their jobs successfully and many of these skills are company-specific. It is vital to provide workers with incentives to invest in obtaining additional skills and to engage in activities, such as problem-solving, in which the effort is difficult for managers to specify. Job security provides workers with a long-term stake in the company and a reason to invest in its future. Together with incentives, pay motivates workers to make an extra effort in developing skills and participating in decisions.

A production concept with choices as broader job definitions, team production and responsibility for quality, linked to an employment relationship that provides increased training, job security and pay incentives, should lead to better performance by those organisations. This is in accordance with the need for a 'horizontal fit' in work practices in which the coherence between production concept and employment relationship is stressed (MacDuffie, 1995).

In both domains, the common theme is one of greater involvement, that is, greater involvement on the part of 'frontline' workers (for example, in the tasks and responsibilities taken on by workers resulting from another division of labour). To support this, however, means also greater involvement on the part of the organisation towards its workers (for example, with the aim of establishing a long-term relationship with workers by providing maximum job security). Thus the label 'high performance work system', which as such does not refer to the nature of the work system itself other than saying that it performs well, can be replaced by 'high-involvement work system', referring to the higher involvement of workers as well as organisations. Whether such a high-involvement work system does indeed perform more effectively remains to be investigated (Pil and MacDuffie, 1996). However, due to its more common label, we will continue to apply the label 'high performance work system' in this paper.

Production concept in a high performance work system

Over the past century the emphasis in the division of labour was on **standardisation**. Functional specialists had to determine scientifically the best way of working, while line managers had to make sure these standards were meticulously applied. In terms of our concepts, this orientation implies that the performance of work is being separated from its support and preparation. The same is true for the control and steering of the process. The collection of information, control by means of pre-established norms, intervention in the event of deviations and the assurance of lasting coordination between tasks are assigned to line management in order to allow the workers to execute their tasks independently.

The second central feature of the traditional division of labour is **specialisation**. When work can be divided into as many pieces as the production volume allows, important efficiency improvement can be reaped. The emphasis on specialisation is reflected in the way the tasks are divided. This can be either by grouping the same kinds of tasks into departments or groups, or by linking these tasks sequentially in a line structure in which all tasks are confined to the execution of a fragmented and distinct part of the process. The emphasis on specialisation can also be seen in the separation between the preparation, support and steering of the process in which specialists take on distinct parts of each of these domains.

Moreover, the features of specialisation and standardisation reinforce one another. As work is fragmented into partial tasks, workers are unable to have an overview of the whole process and are therefore unable to take on fully the preparation and support linked to this whole. This is also true of the steering of the process because splitting up performance into fragmented parts creates a greater need for mutual coordination. A weighty hierarchy then becomes necessary to retain the process within the prescribed goals.

A high performance work system will avoid such extensive specialisation and standardisation of tasks because this gives way to much rigidity and endangers the efficient control of the process. As organisations face increasing turbulence in their environment, it is crucial not to design a production concept that reinforces this turbulence within the organisation. More complete parts of the process need to be allocated to groups of workers who together make a product or deliver a service. In such a configuration, these groups can also be entrusted with responsibility for the support and preparation linked to this process as well as the responsibility for controlling and steering the process as a semi-autonomous group.

Possible indicators of a high-involvement work system, relating to the production concept, can be summed up as follows.

- **Market-focused or process-oriented business units or divisions:** An organisational structure moves away from a line or functional structure to create business units that concentrate on distinct parts of the market or critical processes in order to achieve a better customer focus and greater accountability of the workers involved.
- **Semi-autonomous teams:** Workers are grouped into teams in which they work together on a complete (part of the) product or service and are collectively responsible for a maximum amount of preparation, support and steering of this process.
- **Reduction in the number of functional specialists:** Instead of maximum functional specialisation, the tasks of functional specialists are integrated within the tasks of the team members actually adding value to the product or service.
- **Reduction in layers of management:** The delegation of control and steering capacity to those actually adding value to the product or service provides them with the necessary autonomy to respond to changing circumstances. Compared with a traditional division of labour, this leads to ‘flatter’ organisations where line managers are involved in facilitating and coaching rather than steering and controlling.
- **Quality management, total productive maintenance, continuous improvement programmes:** Programmes set up to involve workers in improving the process, empowering them to make a contribution outside their routine job. For functional specialists this leads to closer involvement and coordination with those actually making the product or providing the service.

Employment relationship in a high performance work system

The changes outlined above in the production concept allocate more tasks and responsibilities to those actually adding value to the product or service and require greater involvement by these workers. The organisation expects more from its workers than the mere performance of standardised and specialised tasks.

However, a mere change in the production concept is not sufficient to achieve such involvement. To ensure that workers actually take on the greater tasks and responsibilities allocated to them by the new division of labour and to ensure that the autonomy provided is also exploited in the interest of the organisation (‘responsible autonomy’), the organisation has to underpin this involvement with an appropriate employment relationship. In this policy, the required involvement from workers is reciprocated by greater involvement on the part of the organisation towards its workers.

This is expressed by reinforcing the internal labour market in the organisation. Organisations with a strong internal labour market are characterised by the internal filling of vacancies, with a concentration of external recruitment through the ‘doors’ at the lower end of the promotion scale and ample promotion possibilities within the organisation. The internal mobility of workers within the organisation is more important here than the influx and outflow of workers. This is illustrated by a number of features of the employment relationship linked to the aforementioned changes in the division of labour.

Flexible allocation

Flexible allocation refers to forms of rotation in which workers regularly change between workplaces as well as transfer between departments in a longer-term perspective, for example, as part of career development. This flexibility is linked to the ‘de-specialisation’, which is also inherent in the production concept of a high performance work system. The traditional policy of binding workers to one specific job – ‘the right man in the right place’ – in order to achieve fast routines and efficiency is relinquished. Equally, within a career development perspective, the transfer of workers between departments is intended to avoid excessive focus on specific occupational qualifications and the accompanying barriers to cooperation between different departments and specialists. Whereas in a traditional work system workers almost ‘own’ their jobs, their loyalty in a new work system is directed towards the organisation. This implies that they are also willing to be allocated to those jobs in the organisation where the organisation has the most urgent need.

An indicator of a high performance work system is job rotation and multiskilling of workers. The traditional boundaries between job categories are removed and employees are encouraged to widen their skills and to work in a more flexible way.

Pay and vertical mobility

As a consequence of the increased flexibility of workers, the traditional basis for determining wages has to shift as well. If workers are no longer linked to a given job, their remuneration cannot be based exclusively on the characteristics of that specific job. Other wage criteria then become important such as the degree of polyvalence of the worker or the qualifications obtained. In this case, workers are not merely paid on the basis of what they do, but on the basis of what they can do, that is, their skills.

This does not necessarily imply a flattening of the wage structure. Workers can have different wages, even when they perform similar tasks because wages also reflect worker characteristics, not merely workplace characteristics. As the loyalty and involvement of workers are central in a high performance work system, issues as the degree of polyvalence, the number of improvement proposals delivered, and the attitude and commitment towards the organisation as evaluated by superiors become more important wage criteria and appraisal criteria with respect to promotion.

In this perspective, variable pay components are introduced, that is, variable in as much as wages are linked to individual skills and performance. However, given the involvement of the workers within groups and, ultimately, with the organisation, their pay will also reflect more closely the ‘ups’ and ‘downs’ of the organisation as a whole.

From the perspective of the organisation, the intention to engage in a long-term relationship with workers will also be reflected in its wage and promotion policy. A broad wage span within the organisation needs to be established with ample promotion possibilities, not necessarily as ‘vertical’ promotion between job categories but also as ‘radial’ promotions within job categories. In addition, other secondary advantages should be linked to the affiliation of the worker to the organisation such as hospital insurance, pension funds and capital participation to reinforce the internal labour market and make the ‘exit alternative’ for workers less attractive.

Indicators of a high performance work system include:

- greater use of profit-sharing, bonuses and share schemes in which part of the wage is related to the performance of (part of) the organisation;
- variable individual pay components based on seniority, the acquisition of skills, participation in problem-solving and so on;

- new performance measures and more open communication about performance involving use of external sources to measure performance as customer satisfaction or benchmarking, new criteria for evaluating performance (that is, based on objectives for teams and individuals) and more open information flows from management to workers about performance to enable teams and individuals to take appropriate decisions;
- small wage gaps between job categories but large wage gaps within job categories;
- promotion criteria based on seniority but also on individual performance instead of bureaucratic rules;
- an emphasis on internal promotion to supervisory jobs instead of external recruitment.

Numerical flexibility: Contractual versus temporal flexibility

The increased flexible allocation in a high performance work system requires a greater willingness by workers to adapt. However, the possibility of relocating workers between workplaces according to needs provides the organisation with an additional tool for ensuring job security. As long as workers are tied to one specific workplace which they ‘possess’ and are entitled to a number of rights associated with this workplace, organisational restructuring is more difficult to implement. Once again, the relationship between worker and organisation is central in a high performance work system. Workers receive more guarantees about job security but not about the workplace to which they will be allocated within the organisation.

Contractual stability is therefore an essential feature of a high performance work system, at least with regard to its core workers. Indeed, the production concept is such that workers are not as easily interchangeable with workers from the external labour market. In addition, workers have to cooperate and the lack of complete standardisation implies that workers are expected to apply their personal skills and knowledge in their work. Teamwork is difficult to combine with a high turnover.

The required flexibility will therefore be achieved using the available workforce. Next to functional flexibility, temporal flexibility will also be used to adjust capacity in order to cope with fluctuations in demand. The involvement of workers is reflected in a willingness to be allocated to those workplaces and at the times the organisation requires. For its part, the organisation commits itself more strongly to employment security and contractual stability.

Indicators of a high performance work system include:

- high level of job tenure and limited use of short-term contracts;
- more flexible working hours such as annualised working hours, overtime or temporary unemployment which enable organisations to adapt to seasonal changes and irregular surges in demand using the available workforce.

Recruitment and selection

The changes in the production concept require greater skills from frontline workers. They have to be able to fulfil more tasks and responsibilities, possess the communication skills required to cooperate with others and be able to take the initiative in order to exploit the autonomy provided. Moreover, in view of the functional flexibility of workers, selection is not oriented so much towards an examination of the necessary skills for a specific workplace, but rather to the willingness and capacity for acquiring skills within the organisation as a whole. In addition, ‘soft’ qualifications such as being able to learn and cooperate with others are more important in terms of selection criteria. This does not imply that selection procedures are less stringent. On the contrary: given the desired long-term relationship, the organisation wants a guarantee, through an elaborate selection procedure, that newly hired workers have the desired skills. However, these skills are more concerned with attitude and capacity than precisely defined occupational qualifications.

In view of the stronger internal labour market in a selection, recruitment intensity will be weak and aimed at filling vacancies at the bottom end of the organisation. Organisations will not compete solely with each other on the basis of wage levels but using the image of a 'good employer' offering job security and ample promotion opportunities.

Indicators of a high performance work system include:

- elaborate selection procedures (also for frontline workers) including group interviews or exercises;
- emphasis in selection procedures on attitude and abilities rather than occupational qualifications, with recruitment criteria placing less emphasis on previous experience in a similar job or specific technical experience, and more on willingness to learn new skills and to work with others.

Training policy

Given the higher skills required to function in a high performance work system, the organisation is obliged to invest in appropriate training. This need is reinforced by the flexible allocation of workers, in which they have to continue to learn in different workplaces. Due to the long-term relationship between workers and the organisation, the willingness to invest in training will be much higher on the part of the organisation. From the worker's point of view too, the willingness to acquire skills is greater as this acquisition is reflected in pay as well as in promotion opportunities.

The possibilities for acquiring skills in a high performance work system are not only better due to formal training, but perhaps also most of all because the workplaces designed in the production concept offer more learning opportunities for workers in and through work itself. These workplaces, which make high demands on workers but where workers also possess the autonomy needed to tackle these demands, offer the best learning opportunities.

The acquisition of skills is therefore more company-specific compared with the occupational skills as taught by external training institutes. This strengthens the internal labour market since the skills acquired are of less value outside the organisation and diminishes the 'exit alternative' for workers.

Indicators of a high performance work system include:

- training is not confined to the skills needed to a specific workplace but extends to interpersonal skills, teamwork, problem-solving methods, statistical process control and so on;
- extensive training, not merely for skilled workers and managers, but also for frontline workers;
- ample opportunities to learn from work itself and from others you are collaborating with at work.

Labour relations

In a traditional work system, the defence of worker rights is exercised through the precise codification of fragmented tasks on the basis of which workers have specific rights. In collective bargaining, an elaborate job classification is specified, with much attention devoted to the requirements of each job and the procedures for the transfer of workers, their promotion or dismissal.

Such protection of workers based on narrowly defined job descriptions is incompatible with the flexible allocation in a high performance work system. The associated dismantling of such job control mechanisms entails a weakening of union influence. Moreover, the flexible allocation of workers to jobs in the organisation undermines the identification of workers with a specific job and therefore also the solidarity with a specific occupational group. The interests of the worker are linked more to the organisation as such, which is more compatible with company unions and a decentralisation of collective bargaining at company level.

The protection of worker rights should not be limited to job control mechanisms. Other bargaining topics can emerge in a new work system, for example, the training of workers and strategic decisions for the organisation. Moreover, as autonomy is allocated to frontline workers, the organisation becomes more dependent on the involvement of workers. The new work system is therefore also 'fragile', potentially giving workers (and their representatives) greater bargaining power.

However, this bargaining power may be weakened by the less attractive exit alternative for workers. In addition, the long-term relationship between workers and the organisation prevents unions from abusing their bargaining power at the expense of the organisation's survival. But at the same time this long-term relationship will prevent organisations basing their competitive edge primarily on low wages and poor labour conditions. Labour relations are therefore characterised by a more cooperative attitude between both partners. Not surprising, high performance work systems are also labelled as 'high-trust' organisations.

An indicator of a high performance work system is a worker/management relationship based on mutual interests and a cooperative approach to problem-solving, which avoids defining the relationship in terms of extensive rules.

Is a high performance work system necessary?

Considerable evidence is available to show that product and technological life cycles have shortened and that the variety of products has expanded significantly. The marked increase in the number of automobile models over the past few decades, the acceleration of fashion seasons in clothing, the proliferation of services provided by banks, and the sharp increases in the numbers and varieties of products available in supermarkets all suggest that companies that focus on producing huge numbers of only one product style will be in trouble. The development of microprocessor-based information and computer technologies has also boosted the proliferation of products and the shortening of product life cycles. In this environment, moving quickly down the learning curve in providing new generations of products and services, and getting them to the market quickly, can be an important competitive advantage (Appelbaum et al, 2000).

These changes in the essential performance criteria for organisations have caused a wide variety of sectors to rethink:

- the role of workers in the production process;
- the contribution that a skilled and motivated workforce can make to performance.

A more skilled workforce can reduce the time involved in learning to produce new products or services and can deliver a more substantial contribution to solving problems. A high performance work system can help organisations to improve their innovative capacity by:

- achieving faster development cycles;
- widening the product range;
- responding more rapidly to changing customer needs;
- adding value to existing products and services;
- upgrading products more rapidly.

The need for a transition to this type of new work system will be more urgent as such demands are made by an organisation's environment. There must be a 'vertical match' between organisational characteristics and the external environment, including company strategy. Traditional work systems can also perform and have performed very well in the past, although in an environment in which organisations competed mainly on the basis of price and pursued economies of scale. In this environment, managers viewed labour as a cost to be minimised rather than as an asset that could provide the company with an advantage over its competitors. Labour in these organisations was fragmented into simple, repetitive tasks that involved little employee discretion. The emphasis was on individual efficiency and mastery of easily learned jobs. Motivation was assumed to be based solely on individual financial incentives and workers were not expected to contribute ideas.

A high performance work system does not claim to be the ideal option for all organisations in all circumstances. However, the increasing levels of uncertainty and change in the environment of many organisations create powerful incentives to move to a new work system based on employee participation. To what extent organisations have really implemented such a high performance work system and to what extent this implementation also leads to better performance are issues to which the third European Company Survey in 2013 (ECS-3) should be able to contribute.

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