

CHAPTER 2

LITERATURE REVIEW

2.1. High-Involvement Work Systems

High-Involvement Work Systems (HIWS), also referred to as high-involvement organizations, high performance work systems and high performance organization represent an organization design perspective that has attracted the attention of human resources practitioners and researchers in recent years. The foundational concept was developed by Hanna (1998) and Lawler (1996). Subsequent refinement was done by Farias and Varma (1998), distinguishing several interrelated core features of such work systems that is, involvement, empowerment, trust, goal alignment, development, teamwork, performance-enabling work structures and performance-based rewards. The term HIWS is often used loosely to describe a set of work innovations that include autonomous work teams, socio-technical systems, open systems planning, new plant designs and other similar innovations (Farias and Varma 1998). While Hanna (1988)

suggests that organization design is an important determinant of the organizational culture, which in turn has an impact on the business results obtained, he also argues that an organizational strategy must be developed taking into consideration an organization business situation and the gap between the desired results and the actual results obtained by the organization.

There is a fair degree of consistency in these prescriptions, although the authors do adopt a contingency perspective suggesting that the HIWS design must be tailored to an organization's specific situation. For instance, two common underlying themes of these design principles are the concepts of employee involvement and empowerment. Indeed, employee empowerment is the key value that governs HIWS design. The implementation of an HIWS often signifies a shift in emphasis toward employee commitment and away from employer control.

Nevertheless, Gephart (1995) argues that in order to be successful, HIWS should focus on self-managing teams, quality circles, flatter organizational structures, new flexible technologies, innovative compensation schemes, increased training and continuous improvement.

Several key design principles were also suggested since the introduction of HIWS. One of the design principles introduced by Nadler and Gerstein (1992) would help organizations establish successful HIWS. They place emphasis on the importance of information sharing and access, in addition to the notion of multi-skilling. Figure 2.1. presents a detailed list of the 10 design principles proposed by Nadler and Gerstein.

Overall, work sites designed around HIWS reported improved financial performance, improved workplace behaviours (e.g. absences, employee turnover and safety) and improved quality of work life for employees. Drawing from the repeated suggestion in the HIWS literature that employee involvement was a key to high performance, Ledford and Mohrman (1993) specifically adopted “employee involvement practices” as a means to improve overall performance. Similarly, Huselid (1995) took a systems view of high performance work practices, arguing that organizations implementing high performance work practices in conjunction with one another would perform better than organizations adopting individual practices. Huselid (1995) performed a survey over 1000 firms in the United States and found significant support for his hypothesis. Specifically, he found that the use of high performance work practices could lead to significant decrease in employee turnover,

increase in productivity and improved corporate performances. Hence, Huselid's support for the importance of the complementary nature of HIWS from a holistic perspective.

Figure 2.1.
HIWS – Key Design Principles

- A design focused on the customer and the organization's external business environment. Clear link to organization's competitive strategy.
- Empowered and autonomous units at different levels of analysis (work site, teams). These units are designed around whole pieces of work. Teams are the basic building block of HIWS design.
- Clear vision, mission and goals that create the boundaries within the autonomous work units operate with a great degree of latitude and make decisions to achieve their goals.
- Control of variance at source – empowered units have the authority to ensure quality. The detection and prevention of errors as they occur makes the whole process more effective.
- Integration of social and technical systems, based on socio-technical principles (Trist 1981). HIWS design optimizes the needs of the people in the organization as well as demands of the technical system.
- Information sharing and information access – the empowerment of the work units as a corollary. They must have information to take effective decisions.
- Multi-skilling enables team members to rotate jobs. The redundancy of functions (Trist 1981) (in contrast to redundancy of parts in traditional design) equips team members to do all the work around which the team is designed. From the organization's perspective greater flexibility is introduced, as individual employees have multiple skills.
- Human resource practices that support empowerment (selection, pay-for-skills/ versatility, team-based rewards).
- An empowering management structure. The implementation of HIWS in a work unit of a larger organization needs to be nurtured by the management of the company.
- Capacity to reconfigure and renew. HIWS organizations are designed to detect misfits and environmental changes and respond to them. These organizations have the flexibility to adapt quickly.

While in the service sector, Beatty and Varma (1997) conducted a survey on 39 organizations to assess the effectiveness of HIWS initiatives. It was discovered that organizations that concentrated on changing the internal work culture and human resource practices as part of the HIWS design reported significant improvements in operational and financial performances. However, they also found that the implementation of teams toward the HIWS effort had no significant impact on the outcomes.

Here, we are presented with overwhelming view that HIWS create positive outcomes. However, it is important to present some words of caution. According to Farias and Varma (1998), there 3 main issues governing HIWS initiatives. They are:

1. There is possibility of positive reporting biasness in the published works of HIWS initiatives. Modest success stories or failures are likely to go unreported. Thus, creating a biased view of the HIWS phenomenon.
2. While HIWS place emphasis on employee involvement and empowerment, it should also be noted that the debate on the utility of these practices are still imperative. For instance, Wagner (1994) has argued that the marginal effects of employee involvement are too small to justify the high costs involved in its implementation. However,

Ledford and Lawler (1994) challenges this notion stating that there are different levels of participation, and only those that involve holistic changes are related to positive improvements in their performances.

3. Organizations which have implemented employee involvement take form in a variety of ways. Quality circles and self-directed work teams are two of the possible forms. A key issue in the choice of form is the decision making power that employees have. Employee involvement is effective when employees are empowered to make decisions, not merely suggestions. This implies a flatter organization structure which results in decision making at lower levels and a reduced need for supervision.

2.2. Employee Satisfaction

Much of today's business focus on maximizing shareholder value through customer satisfaction, outsourcing and reengineering in the quest to utilize plant and human resources more effectively. In this, it is often employees (including managers) that either have the most to gain or lose in such an environment. The challenge here is maintaining a workforce that can adapt, change and thrive amidst all the chaos. This can only happen providing companies have a systematic means to ensure that employees,

especially the most called, can translate their own satisfaction to the satisfaction of those they serve.

Morris (1996) stated that satisfied employees can be the catalyst for alignment. Within the organization, employees are the ones who deliver satisfaction to customers. They are the senses for shifting customer expectations, enablers of the organization's strategies and synthesizers of knowledge, experience and application of the company's business processes, products and policies to generate satisfaction in the marketplace.

As such, organizations may want to add measures of employee satisfaction to their data bases. In understanding employee satisfaction, there are several elements to consider:

1. The job itself – task characteristics, variety, training, decision-making authority.
2. Supervisor relationship – respect, recognition, feedback, fair evaluations.
3. Management beliefs – information sharing, trust, expressed value of employees.
4. Future opportunity – career advancement, job security.

5. Work environment – physical workplace and available resources.
6. Pay, benefits and rewards – compensation and rewards systems.
7. Co-worker relationships – teamwork, communication, co-operation.

By measuring the above elements, managers will be able to have access to information about employee attitudes and behaviours. In return, this can provide valuable input into the human resource planning process with regard to compensation and rewards, employee involvement, training, performance and recognition as well as employee well-being. In view of managing employee satisfaction, there must be some form of action taken on employee priorities. For managers, this information can easily be understood by combining the performance impact / satisfaction ratings, obtained into a simple-two dimensional matrix. This matrix is represented in Figure 2.2. by Morris (1996).

As Morris (1996) points out, the matrix suggests that priorities that require attention do have an impact on the overall satisfaction. Some of this information, especially in the area of career opportunity and advancement, can serve as an early-warning indicator of potential employee loyalty or attrition. By heeding such signs, management gain credibility and employee commitment to the organization.

**Figure 2.2.
Employee Satisfaction Matrix**

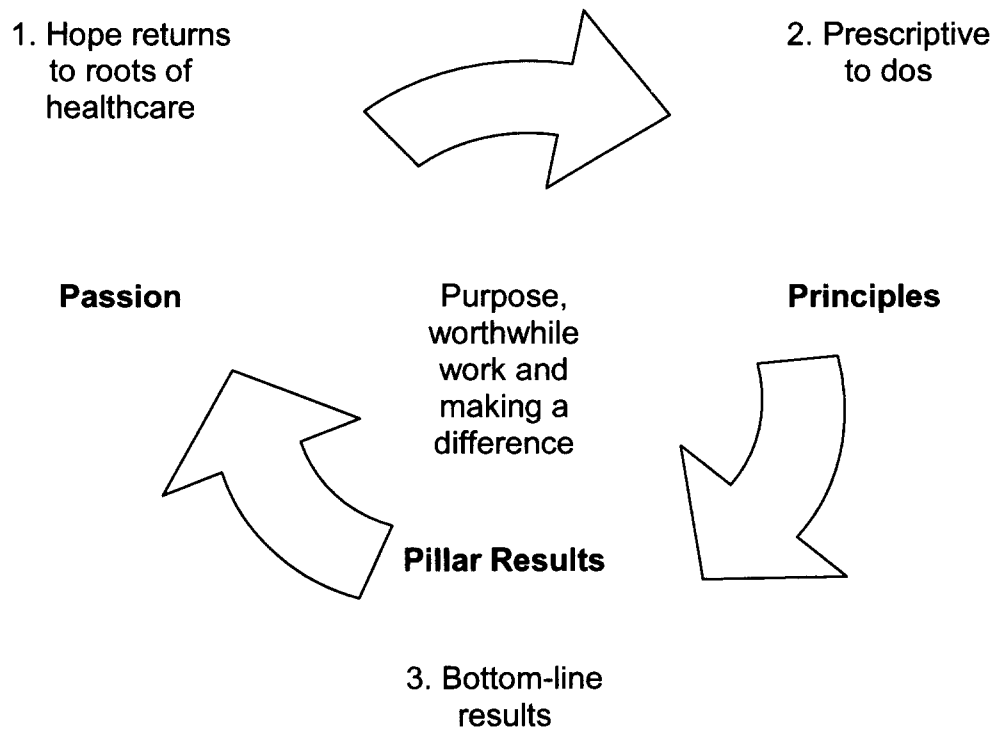
<p>High</p> <p>Impact on overall satisfaction (based on employee responses)</p>	<p align="center">“Must fixes” High impact, low satisfaction</p> <ul style="list-style-type: none"> • Work/ job itself • Future opportunity 	<p align="center">“Real strengths” High impact, high satisfaction</p> <ul style="list-style-type: none"> • Supervisor relationship • Pay, benefits, rewards • Co-worker relationships
	<p align="center">“Opportunities” Low impact, low satisfaction</p> <ul style="list-style-type: none"> • Work environment 	<p align="center">“Maintenance” Low impact, high satisfaction</p> <ul style="list-style-type: none"> • Management beliefs

Low _____ Satisfaction rating _____ High

Healthcare centres also harness the power of passion of its workforce by implementing some key prescriptive practices that guide them in achieving a culture of excellence within the organization. With this in mind, Collins (2001) first introduced the flywheel effect (Figure 2.3.) to help organizations understand the three-phase journey toward creating great places for employees to work, physicians to practice and patients to receive care. This was also supported by Studer (2003).

At the hub of the flywheel are the organization's sense of purpose, worthwhile work and making a difference. Passion amongst employees will be the first factor in creating movement. Then, as the wheel begins to move, the prescriptive "to dos" (Figure 2.4.) will be implemented to achieve results. Hence, the flywheel turns. It is during the third phase of the process when organizations begin to see results under the five pillars of people, quality, service, growth and financial stability.

**Figure 2.3.
Collin's Healthcare Flywheel**



**Figure 2.4.
Prescriptive To Dos**

1. Commit to excellence
2. Measure the important things
3. Build a culture around service
4. Create and develop leaders
5. Focus on employee satisfaction
6. Build individual accountability
7. Align behaviours with goals and values
8. Communicate at all levels
9. Recognize and reward success

The flywheel concept is also supported by Weisman and Nathanson (1985) who suggest that employee attitudes and behaviours affect quality of service. They also place importance on the extent that the workplace environment affect employees' attitudes. Just like Fitzsimmons and Fitzsimmons (2004) suggests, satisfied, committed, capable and productive employees create service value for the healthcare center.

2.3. HIWS and Employee Satisfaction

In the service sector, Hallowell, Schlesinger and Zornitsky (1996) made the connection of both employee and customer satisfaction to internal service quality – enhancing such practices advocated in HIWS such as information sharing, teamwork, management support, goal alignment, training and communication. Although it is one of the few empirical research on HIWS which directly examines employee satisfaction, there

are other extensive literature on key HIWS components such as participation, environment, trust and autonomy.

For example, Weisman and Nathanson (1985) talks about work environment and employee satisfaction and Blegan (1993) revealed that nurses' job satisfaction and commitment to the organization are positively correlated with autonomy, relationship with supervisors, peer communication and fairness. Research has also linked employee dissatisfaction with increased stress (Cooper, Dewe and O' Driscoll 2001) while Koberg et al (1999) noted that hospital staff who felt empowered are more satisfied, less likely to quit and more productive. Similarly, empowering employees helps them take ownership of their jobs so they have a personal interest in improving performance (Heizer and Render 2000).

In sum, practitioners must fully understand the context of HIWS and the fit into the healthcare centre. The overwhelming emphasis on the holistic nature of HIWS designs make implementation interesting. With proper implementation, the benefits of HIWS such as employee satisfaction can be sustained to achieve competitive advantage.