

# BEST PRACTICES IN HUMAN RESOURCE MANAGEMENT: THE SOURCE OF EXCELLENT PERFORMANCE AND SUSTAINED COMPETITIVENESS

Šikýř, M.

Based on summarizing the results of the global research on human resource management and the author's dissertation research on best practices in human resource management, this paper attempts to explain the essence of the positive relationship between best practices in human resource management and organizational performance and competitiveness. It supports the assumption that the essence is the optimal system of human resource management, based on proven best practices in job design, employee selection, performance management, employee compensation or employee training, that enables managers to achieve expected organizational performance and competitiveness by achieving desired employee abilities, motivation and performance. The author's dissertation research verified the theoretical assumptions about application of best practices in human resources management and, through a questionnaire survey, examined the views of executives and HR managers from Czech TOP 100 companies and the best employers in the Czech Republic.

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## Introduction

The results of global research on human resource management confirm that employees (for their abilities and motivation to work) represent a critical resource of any organization and demonstrate the positive impact of various practices in human resource management on organizational performance and competitiveness (Armstrong, 2007, p. 40–41). It is obvious that organizational performance and competitiveness are determined by employee performance. If organizations apply appropriate practices in human resources management, they can positively influence organizational performance and competitiveness through influencing employee performance.

## Organizational Performance and Competitiveness

Organizational performance refers to results of an organization, including operating results (productivity, quality, efficiency, etc.), market results (sales, market share, customer satisfaction, etc.) and financial results (costs, revenues, profits, etc.). Organizational competitiveness refers to an organization's ability to gain and maintain market share in its industry and satisfy the needs of important stakeholders, especially stockholders – who want a return on their

investment, customers – who demand a quality product or service, and employees – who desire interesting work and reasonable compensation for work done (Noe et al., 2008, p. 4). In this context, there is considerable evidence that organizational performance and competitiveness are determined by employee performance.

## Employee Performance

Employee performance refers to employees' results and behavior, determined by employees' abilities and motivation, which enable organizations to achieve expected goals. A natural goal of any organization started and operated in order to assess investments is to gain and maintain regular and satisfied customers by producing and distributing demanded products and services and so achieve expected outputs or results (Drucker, 2007, p. 29). Achieving this goal is conditioned by the ability and motivation of organizations to optimally use and develop the necessary and available resources. They include material, finance, information and employees that are fundamental to the success of any organization (Koubek, 2007, p. 13).

Employees' abilities (knowledge and skills to perform agreed work), motivation (willingness to perform agreed work) and

performance (working results and behavior) enable organizations to produce and distribute demanded products and services, gain and maintain regular and satisfied customers and achieve expected outputs or results. Organizations that want to achieve excellent performance and sustained competitiveness must ensure that individual employees achieve desired performance and contribute to achieving excellent performance and sustained competitiveness of the organization. In other words, organizations must pay particular attention to human resource management.

### **Human Resource Management**

Human resource management refers to practices that influence employees' abilities, motivation and performance (Noe et al., 2008, p. 4). Human resource management enables organizations to achieve expected organizational performance and competitiveness by achieving desired employee performance (Armstrong, 2007, p. 30). Successful human resource management differentiates successful organizations from unsuccessful organizations (Marchington and Wilkinson, 2005, p. 3).

It is obvious that applied practices in human resource management affect the ability of any organization to achieve expected performance and competitiveness through achieving desired employee performance. Any organization seeking to achieve excellent performance and sustained competitiveness should therefore systematically compare its actual performance and competitiveness with the performance and competitiveness of the best organizations in a specific sector or region to apply appropriate best practices in human resource management.

### **Best Practices in Human Resource Management**

Best practices refer to those that are applied by the best organizations operating in similar conditions and pursuing similar goals (Wagner, 2009, p. 69). They are applied to achieve continuous improvement of organizational performance and competitiveness by critical assumption of conceptual and system practices in management of the best organizations in a specific sector or region. Using best practices allows implementation of significant changes on an easier, faster and cheaper basis (Axson, 2007, p. 34). Their application is based on benchmarking, a systematic process of comparing organizational performance and competitiveness with the performance and competitiveness of the best organizations in a specific sector or region. The purpose of benchmarking is to understand why comparable organizations are better, how they have become the best in their sector or region and then take advantage and implement the necessary changes to improve organizational performance and competitiveness according to one's own conditions (Dvořáková et al., 2004, p. 6).

The application of best practices in human resource management is associated with the global research on human resource management. The approach based on application of best practices in human resource management is one of the alternative approaches to research the link between human resource management and organizational performance and competitiveness (Delery and Doty, 1996, p. 802). The approach based on application of best practices in human resource management assumes that there are universally applicable practices in human resource management that positively influence organizational performance and competitiveness more or less regardless of the conditions of their application. In contrast, the approach based on best fit in human resource management assumes that no practices in HRM can be applied universally but rather should always be applied with regard to the conditions of a particular organization ((Harris, Brewster and Sparrow, 2003, p. 56–57).

The explanation of the positive impact of human resource management on organizational performance and competitiveness as well as the validation of the application of best practices or best fit in human resource management are fundamental goals of the ongoing global research on human resource management. Although many researchers apply different conceptions of human resource management as well as different conceptions of organizational performance and competitiveness (Boselie, Dietz and Boon, 2005, p. 71–77) and achieve different results about the relationship between human resource management and organizational performance and competitiveness (Marchington and Wilkinson, 2005, p. 72), they demonstrate the positive impact of various practices in human resource management on organizational performance and competitiveness (Armstrong, 2007, p. 39–40). Their results support the idea that assumptions of both approaches – best practices and best fit – are valid and crucial in explaining the essence of the positive effect of human resource management on organizational performance and competitiveness (Larsen and Mayrhofer, 2006, p. 191–193). In other words, in human resource management, there are universally applicable best practices that positively influence organizational performance and competitiveness, but their application requires best fit to the conditions of the organization that determine the positive effect of applied best practices in human resource management on achieved organizational performance and competitiveness.

### **Goal**

There is considerable evidence that organizational performance and competitiveness is determined by applied practices in human resource management and many researchers have demonstrated the positive impact of various best

practices in human resource management on organizational performance and competitiveness, but they have failed to satisfactorily answer the principal questions concerning the successful application of best practices in human resource management (Armstrong, 2007, p. 39–40):

What is the essence of the positive relationship between best practices in human resources management and organizational performance and competitiveness?

What best practices in human resource management should be applied to achieve expected organizational performance and competitiveness?

The goal of the paper is to provide satisfactory answers to these questions by 1) explaining the essence of the positive relationship between best practices in human resource management and organizational performance and competitiveness and 2) demonstrating what best practices in human resource management organizations should apply to achieve excellent performance and sustained competitiveness.

## Methods

Achieving the goal of the paper is based both on the results of the global research on human resource management, described in available literature, and on the results of the author's dissertation on best practices in human resource management.

The goal of the author's dissertation research was to verify the theoretical assumptions about successful application of best practices in human resources management. The research examined the views of executives and HR managers from companies that have achieved great results both among Czech TOP 100 companies and among the best employers in the Czech Republic. The concept of the research was qualitative. The main tool used for data collection was a structured questionnaire. The data collection was conducted from October 2009 to March 2010. The questionnaire included fifteen closed questions with the option to add comments. The questions were focused on applied human resources management systems and application of best practices in human resource management. The questionnaire was distributed by email to 50 executives and HR managers. Finally the questionnaire was completed by 30 respondents. The respondents were characterized by gender (37% male, 63% female), education (16% bachelor's degree graduates, 67% master's degree graduates, 17% Ph.D. degree graduates), years of experience (7% less than 4 years, 30% 5–9 years, 33% 10–15 years, 23% 16–19 years, 7% more than 20 years) and actual position (10% HR managers, 77% senior HR managers, 13% executive managers). Statistical analysis of the collected data was performed using Microsoft Excel (interpretation of relative frequencies).

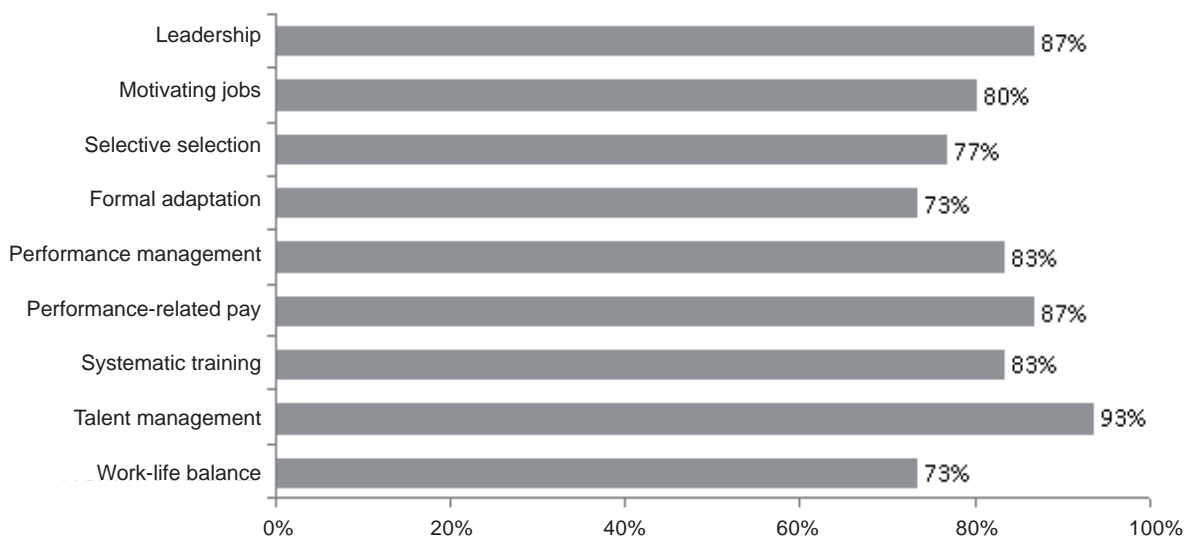
## Results

The theoretical concepts of human resource management are based on application of so-called best practices in human resource management that are applied by the best companies (Dvořáková et al., 2012, p. 4) and many researchers have demonstrated the positive impact of various best practices in human resource management on organizational performance and competitiveness (Armstrong, 2007, p. 40–41). Also the author's research results show that addressing representatives of Czech TOP 100 companies and the best employers in the Czech Republic confirm application of different best practices in human resource management to achieve excellent performance and sustained competitiveness.

According to the research results, 57% of respondents strongly agreed and 40% of respondents somewhat agreed that in human resource management, there are universally applicable best practices that positively influence organizational performance and competitiveness; however, they also confirmed that successful application of best practices requires best fit to conditions of the organization that determine the positive effect of applied best practices on achieved organizational performance and competitiveness.

As figure 1 shows, according to respondents, commonly applied best practices in human resource management include talent management (attracting, selecting, training, developing, and retaining employees with high performance and development potential), leadership (influencing employees to achieve organizational goals), performance-related pay (rewarding employees related to their results and behavior) performance management (managing and leading employees to achieve desired abilities, motivation and performance), systematic training (teaching employees how to perform their jobs and preparing them for the future), motivating jobs (designing of complex, various, significant and autonomous jobs, satisfying needs of both employees and organizations), selective selection (choosing employees applying specific criteria and methods related to job requirements), work-life balance (creating conditions for achieving a balance between work and lifestyle of employees) or formal adaptation (ensuring professional and social integration of new employees into the organization). Generally, these are practices that enable to positively influence the abilities, motivation and results of employees to achieve expected results of the organization.

According to 83% of respondents, their organizations are managed in accordance with known best practices (including best practices in human resource management) and 63% of respondents confirmed that their organizations systematically compare their organizational performance with the performance of the best organizations in the specific sector or region to apply appropriate best practices (including best practices in human resource management).

**Figure 1: Commonly applied best practices in human resource management**

Source: author

Based on the results, it is possible to answer these questions:

1) What is the essence of the positive relationship between best practices in human resource management and organizational performance and competitiveness? The essence of the positive relationship between best practices in human resource management and organizational performance and competitiveness is the optimal system of human resource management that enables to employ and develop capable and motivated employees and achieve expected organizational performance and competitiveness by achieving desired employee performance. The relationship between various best practices in human resource management and operating, market and financial results of an organization is mediated by abilities, motivation and performance of employees and influenced by environmental conditions. Various best practices in human resource management affect employees' abilities and motivation to provide products and services that are valued by important stakeholders, especially by customers. In human resource management, there are useful best practices that positively influence organizational performance and competitiveness, but their application requires best fit to environmental conditions (political, economic, legal, technical, cultural, social, etc.) that determine the positive effect of applied best practices in human resource management on achieved organizational performance and competitiveness.

2) What best practices in human resource management should be applied to achieve expected organizational performance and competitiveness? Among proven practices in human resources management that demonstrably enable one to influence employee abilities, motivation and performance are best practices in job design, employee selection, performance management, employee compensation or employee training. These best practices help managers deal with the performance and competitive challenges, but do not solve partial problems related to organizational performance and competitiveness. They serve as a guide to optimize the existing system of human resource management in the organization. They help managers to change the philosophy and style of management and leadership of employees.

### Managerial Implications

There is no doubt that managers who want to achieve excellent performance and the sustained competitiveness of their organizations must pay attention to management and leadership of employees because their abilities, motivation and performance determine organizational performance and competitiveness. Managers need the optimal system of human resource management based on proven practices in job design, employee selection, performance management, employee compensation or employee training that will enable them to employ and develop enough capable and motivated employees and to achieve expected organizational performance and competitiveness by achieving desired employee performance.

### **Job Design**

Job design is the process of defining main tasks and grouping them together to form needed jobs in the organization. In view of optimal management and leadership of employees, it is important to design jobs that will satisfy the needs of both employees and organizations. Managers have to design motivating jobs, i.e. complex, various, significant and autonomous jobs using regular feedback. A complex job is integrated and meaningful, with visible output. A variable job makes it possible to do various activities and use various practices and so use and develop one's own knowledge and skills. A significant job gives certain influence on the internal and external conditions of the organization. An autonomous job makes it possible to control one's own work and act relatively independently. Using regular feedback about actual performance and working conditions from managers to employees and from employees to managers enables managers and employees to improve performance and working conditions. Motivating jobs evoke the sensation of usefulness, importance, responsibility, fellowship and make it possible to use and develop employees' knowledge, skills and motivation.

### **Employee Selection**

Employee selection is the process of identifying the probably best applicant who has the required abilities and motivation to successfully perform in the job. In view of the optimal management and leadership of employees, it is important to pay special attention to employees' personal characteristics. Employees must be capable and motivated to cooperate and communicate and use and share their knowledge and skills to perform the necessary work and achieve the desired results of the organization. To assess the required personal characteristics of applicants, managers can use various interviews, tests or assessment centers. Employees' knowledge, skills and motivation to cooperate and communicate create and improve conditions for voluntary and mutual sharing and use of employees' knowledge and skills in the organization. Performance Management

Performance management refers to the management and leadership of employees to achieve the desired performance (results and behavior). The process of performance management has usually three repeating stages through which managers ensure that employees' abilities, motivation, results and behavior are consistent with expected goals of organizations. The first stage – performance agreement – includes a written or verbal agreement between a manager and an employee about particular aspects of performance that are relevant to the requirements and objectives of the job and the organization. For optimal management and leadership of the employee, it is important to agree also on development

of employee's knowledge and skills necessary for successful performance in his or her job. The second stage – performance management – means daily management and leadership of the employee to meet the given requirements and achieve the expected goals of his or her job. For optimal management and leadership of the employee, it is important to lead the employee to effective and efficient cooperation and communication and voluntary and mutual sharing and use of his or her knowledge and skills in the organization. The third stage – performance appraisal – provides the necessary feedback from the manager to the employee and conversely from the employee to the manager through the appraisal interview at the end of the agreed period. The purpose is to appraise employee's performance, find a way to solve eventual problems and agree on performance requirements for the next period. For optimal management and leadership of the employee, it is important to evaluate the actual level of his or her knowledge and skills necessary for successful performance as well as his or her abilities and motivation to cooperate and communicate. The process of performance management is essential for efficient and effective management of employees' abilities, motivation, results and behavior in the organization.

### **Employee Compensation**

Employee compensation is the process of offering compensation to employees for work done. A modern compensation system includes both monetary compensations (wages and salaries) and non-monetary compensations (benefits like mobile phones, notebooks, cars, flexible hours, home working, housing, insurance, sick leave, medical and dental care, vacation, holidays, leisure activities, training, etc.). In view of optimal management and leadership of employees, the applied compensation system would have been fair and stimulating to find, employ and keep capable employees and motivate them to cooperate and communicate and use and share their knowledge and skills in the organization. The fair and stimulating monetary and non-monetary compensations should motivate employees to permanent and systematic improvement and development of their abilities, motivation, results and behavior.

### **Employee Compensation**

Employee training is the process of learning knowledge and skills that enable employees to successfully perform in their jobs and to meet changes in conditions and requirements of their jobs. The process of employee training must be permanent and systematic. In view of optimal management and leadership of employees, it is important to motivate employees to permanent and systematic training of their knowledge and skills. Employees who have some specific



knowledge and skills should be involved in the process of training as trainers and mentors. It increases the motivation of employees and improves the conditions for voluntary and mutual development, sharing and use of abilities, knowledge and skills in the organization.

## Conclusion

Organizational performance and competitiveness are determined by employee performance. The essence of the positive relationship between best practices in human resources management and organizational performance and competitiveness is the optimal system of human resource management that enables to employ and develop capable and motivated employees and achieve expected organizational performance and competitiveness by achieving desired employee performance. The relationship between various best practices in human resource management and operating, market and financial results of an organization is mediated by the abilities, motivation and performance of employees and is influenced by environmental conditions. Among proven practices in human resources management that demonstrably enable to influence employee abilities, motivation and performance are best practices in job design, employee selection, performance management, employee compensation or employee training.

Managers who want to achieve excellent performance and sustained competitiveness of their organizations need to apply the optimal system of human resource management based on proven practices in job design, employee selection, performance management, employee compensation or employee training. Successful human resource management requires one to design motivating jobs that will satisfy the needs of both employees and organizations, to select employees by paying attention to their personal characteristics, to apply performance management that enables achievement of expected performance and competitiveness of the organization by achieving desired performance of employees, to apply fair and stimulating monetary and non-monetary compensation system that enables one to employ capable and motivated employees, and to apply systematic training of employees to teach employees to perform their jobs and prepare them for changes of their job. In human resource management, there are useful best practices that positively influence organizational performance and competitiveness, but their application requires best fit to environmental conditions (political, economic, legal, technical, cultural, social, etc.) that determine the positive effect of applied best practices in human resource management on achieved organizational performance and competitiveness.

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## Author

**Ing. Martin Šikýř, Ph.D.**

Assistant Professor

Department of Personnel Management

University of Economics, Prague

Winston Churchill Sq. 4,

130 67 Prague 3,

Czech Republic

sikyrm@vse.cz