

# HIGH PERFORMANCE WORK PRACTICES - EVIDENCE FROM ROMANIAN COMPANIES

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## *Abstract*

*The current economical background raises the challenge for an enhanced level of performance among the companies. Various studies present in the specialised literature have proven that the human resources management practices deployed by the companies have a positive influence on the organizational level of performance. These practices were identified as **high performance work practices**.*

*This paper intends to investigate the presence of the high performance working practices in case of Romanian companies, using the results provided by an empirical study. The analysis aimed to establish the level of development of such practices in the studied organizations. Another objective was to determine the potential correlation between these practices and the size/specific economic sector of the studied companies.*

**Key words:** *human resources management, high performance working practices, organizational performance*

**JEL Classification:** M52, M53, M54

## **1. Introduction**

The topic of human resources management was debated by many specialized studies. One of the issues related to this research domain was the one concerning the contribution of human resources management practices to the organizational level of performance.

The human resources management practices are considered to exert an important influence over the company's performances and its capacity to survive and develop within its specific market place. The relationship between these practices and organizational performance was intensely debated by different specialists. A proper use of these specific practices provides a company a superior level of performance compared with the competition. The analytical processes have lead to a new concept defined in various specialized studies - the high performance working practices (HPWP). The theoretical background of this concept will be approached in the next section of this paper.

In this paper we intend to analyze the presence of these practices associated with a high level of performance in case of the Romanian companies, based on the results of an empirical study.

This paper is structured as follows: first a review of the HPWP concept as it is reflected in the specialised literature, the next section presenting the results of previous studies on this topic that are used to expose the level of development of such practices within Romanian companies, than the section presenting the research methodology, followed by another section reserved for data analysis and interpretation.

## **2. The concept of high performance working practices**

This concept was intensely debated by the specialists and for a better understanding of it we consider that a brief presentation of the most important points of view related to it is necessary and appropriate.

The correlation between the human resources management practices and the performance level was approached by different researchers from various perspectives, ranging

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from a list of specific indicator such as absenteeism or personnel turnover to some indicators that explain the organizational overall performance (for example: productivity or profit).

The causal relationship between these practices and the performances achieved at organizational level could be explained by the results generated by those specific practices. The category of human resources management practices refers to: recruitment and selection, human resources planning, reward practices, employees training and development etc.

As results of these practices it could mentioned: employees' satisfaction, motivation level, employee involvement, social climate within the organization (management-employee relations), low absenteeism rate etc.

Performance indicators were considered: profit, market value, increased sales, quality of products / services, labour productivity etc.

The concept of high performance working practices was mentioned for the first time by some researchers that analyzed the strategical approach in human resources management. Their studies concluded that such an approach enable the development of specific practices that are positively associated with the organizational level of performance. The human resources management practices are considered directly connected with the performance level based on the conclusion that a series of specific practices such as recruitment, personnel appraisal, human resources training or employees' promotion could determine an enhancement of work efficiency, a reduction of costs and therefore a growth of company's results.

In the following paragraphs we will present the most relevant opinions regarding the concept of high performance working practices.

In Way's opinion (2002) these high performance working practices represents a set of individual human resources management practices that are interconnected and enable a company to recruit, select, develop, motivate and retain the most valuable employees.

One of the first researchers that has approached this subject was Pfeffer (1998). His research analyzed some practices such as selectivity of the recruitment and selection process, work place safety, organizing autonomous teams, the correlation between payment and individual performance level, employees' training. The conclusions have indicated that the organizational performance was positively influenced by these practices.

Other specialists have reached the conclusion that the organizations that use such practices are committed to important investments in their human resources field in order to insure well prepared personnel that has the proper abilities and necessary empowerment required by the specific activities of their jobs (Becker and Huselid, 1999).

Approaching this concept of high performance working practices implies some clarifications regarding the measurement level of performance, the categories of practices and the systemic effect of such practices (Boxal and Macky, 2007).

The indicators used to measure the organizational performance were of different types. For example, in the study undertaken by Huselid (1995) it was analyzed the correlation between different working practices and some indicator of performance such as employees' turnover, productivity and financial performance of the companies. A significant influence was revealed by the results obtained. Other researchers (Delerey and Doty, 1996) studied, in the banking sector, the influence of some human resources practices and profitability as an indicator of the performance level.

In other studies (Applebaum et. al., 2000).were used indicators of performance both at organizational level and individual.

From another perspective the high performance working practices have proved to be correlated in a positive and significant manner with the employees' involvement. In the same time a similar association was positively tested between the involvement level and some performance indicators, for example: company's profitability or operational expenses (Wright, Gardner and Moynihan, 2003).

This high performance working practices generates some specific results that are positively related with the organizational level of performance. Such an approach was deployed by Ahmad and Schroder (2003) that analyzed in their study de positive influence o such specific practices on the operational performance of the studied companies through employees' level of involvement. Similar results were obtained by Benson and Lawler (2003) that proved that the use of these practices induces an enhanced level of involvement that generates an increasing level of performance.

Some practices such as training assessment, employee's empowerment and rewards are generating an increased level of involvement which is positively associated with the individual performance This conclusion was reached by a study undertook by Karatepe (2013) in the tourism industry.

Other researchers have identified some differences between companies of different sizes regarding the use of these high performance working practices. Kroon et. al.(2013) have discovered that the small companies were using few or none of these practices. Such situation could be explained by the strategic decisions made by the business' owners or the reduced availability of resources in case of these companies. This situation presents a particular interest for our research.

In this section we tried to briefly present the most important issues related with the concept of high performance working practices.

The next section is dedicated to a presentation of the most relevant results of some specialized studies that have approached the subject of these specific practices in case of the Romanian companies.

### **3. High performance working practices in Romanian companies**

The topic of human resources management practices in local companies was approached in different studies undertook by researchers or studies developed by consulting companies.

The analysis of these specialized studies enables us to better understand the issues regarding the human resources management practices in Romanian companies on a general perspective and in particular the development of those practices related with the high performance.

We have to indicate from the beginning that the subject concerning the high performance working practices was approached in an indirect manner by the most of the analyzed studies. However, we considered that the information provided by these studies were sufficient to assess the level of development of these specific practices in local companies.

A clear image on this topic could be provided by a synthesis of the results of the analyzed studies as it is presented in the table below (table no.1).

<b>Analyzed study</b>	<b>The high performance working practices</b>
Romanian Human Resources Outlook (2011 edition)	<ul style="list-style-type: none"> <li>• the human resources department budget had a little part of it oriented toward the performance management activities, meanwhile the part targeted for personnel training and development was higher;</li> <li>• training activities were based on the use of e-learning platforms for an important number of the studied companies;</li> <li>• such technologies enable a better assessment of the quality of the training programs;</li> <li>• the increased decisional power that determines the empowerment level of the employees, the flexible working time arrangements were still used by a reduced number of the studied companies.</li> </ul>

Analyzed study	The high performance working practices
Ensign Management Consulting (2012, 2014 editions)	<ul style="list-style-type: none"> <li>• an increasing number of companies are seeking to ensure a correlation between personnel' payment with the performance achieved;</li> <li>• the both edition of the analyzed study indicated some specific areas that need improvement such as career management, competencies management and performances management.</li> </ul>
European Company Survey (2013)	<ul style="list-style-type: none"> <li>• the flexible working time arrangements were indicated by a reduced number of the studied companies and only for a limited number of their employees;</li> <li>• the use if supplementary payment associated with performance level was limited to a reduced number of enterprises.</li> </ul>
AON România, 2013	<ul style="list-style-type: none"> <li>• the managers indicated on large scale that their organizations provided to their employees the career opportunities, meanwhile the employees perceived those opportunities on a reduce scale;</li> <li>• the benefits provided for the employees were considered as appropriate ones by the managers, meanwhile the employees appreciated in a lower proportion that the company provided them such benefits.</li> </ul>

Table no.1 Presence of the high performance working practice in local companies  
(Source: Authors' analysis of data from the mentioned studies)

The results of the analyzed studies presented above indicate that these practices associate with high performance need serious improvements in the Romanian companies.

We also consider useful to present the results provided by the studies undertook by different Romanian researchers related with the topic of the high performance working practices in local companies.

First we have to mention that some recent studies have identified an increased preoccupation within Romanian organizations in relation with selectivity of the recruitment and selection process. Thus, Ilieș et. al. (2014) have identified in their study on human resources management practice in companies form the textile industry a more rigorous approach in the recruitment and selection process that enable the companies to hire a more qualified personnel. These researchers have also identified in their study an increased level of importance granted to the employees' training in order to enhance productivity and reduce personnel turnover.

The same results were obtained by Novac and Ciochină (2016) that reached the conclusions that the studied companies are paying more attention in their recruitment and selection process. They discover also on enhancement of training activities.

Based on the information presented above we consider that the study of high performance working practices represent a topic that need to be analyzed in case of the local companies.

The next section of this paper will present the methodology used to develop our empirical study dedicated to this subject.

#### **4. The methodology**

This empirical study is aimed at presenting the development level of high performance working practice in local companies. It represents part of an ampler research that was focused on investigating the human resources management practices.

The main research tool was a questionnaire divided in different sections that aimed to retrieve data on the studied companies (general information), on strategical approach in the field of human resources and also on the specific human resources management practices within the company. The questionnaire was distributed to human resources managers or those in charge with human resources field from companies located in Constanta County. The survey took place between January – April 2017.

From a total number of 220 questionnaires distributed, 115 were returned filled in. A number of 100 questionnaires have been validated and were analyzed by using SPSS (Statistical Data Analysis, version 21).

In our study we analyzed the results concerning the high performance working practices in the studied companies. We choose to investigate in a more detailed manner those specific practices regarding the selectivity of recruitment and selection process, the importance granted to employees' training and the use of supplementary payment associated with both individual and collective performance.

For the evaluation of each of the considered practices we used a five point semantic differential (from 1- the least important, to 5 – the most important or from -1- total disagreement to 1-total agreement).

We analyzed the perceived importance granted by the respondents to the specific practice s regarding the recruitment and selection, training and incentive payment. Each of those three variables was composed by several items.

The first variable that reflects recruitment and selection selectivity consisted of several items that were investigating the perceived importance of the selection criteria use in the studied companies and also the importance granted to different recruitment sources and selection methods used for both operative and management staff.

For the second variable that express the importance of training practices we considered several items that investigated the importance of the investments in personnel training, the number of the participants to the training programs in the last year and also the opinion regarding the impact of such programs over the individual performance.

The last variable considered was based on two items that reflected the opinion of the respondents towards the usage of supplementary payment formulas in relation with both individual and collective performance.

Forwards we will present the structure of analyzed sample based on the activity domain and company' size criteria.

The distribution of the studied companies by the activity domain criteria is the following:

- 87% are active in the service field;
- 3% are industry based companies;
- 5% of the companies are active in constructions field ;
- 5% of the analyzed companies have agriculture as main object of activity.

We can notice that the most of the companies that have participated in the study are form the service sector, situation which is consistent with the official statistical data that reveal the predominance of these companies in Constanta County.

The structure of the analyzed sample based on the number of employees reflects the following situation:

- 45% of the companies have between 0 and 9 employees;
- 36% of them have between 10 and 49 employees;

- 10% have between 50 and 249 employees;
- 9% are large companies with over 250 employees.

The small and medium companies are prevalent, the same situation being reflected by the statistical data available for the region where the study was deployed.

## 5. The results

In case of the first variable that reflects the selectivity of the recruitment and selection practices used by the participating companies, the obtained results indicated a medium value for the collected answers of 3.02, expressing a medium level of importance granted to this types of practices. From the total number of answers 55% indicated **medium level** of importance, 22% reflected the **important level** and only 3% corresponded to **maximum level of importance**.

The second variable that we analyzed was the one regarding the training practices. In this case, the medium value of response was 2.97, indicating the same medium level of importance. The most frequent answers were indicated for the **medium level** (43%), followed by 29% of the answers corresponding to the **important level**.

The variable concerning the use of incentive payment has registered a medium value of responses of 1.27 that is equivalent of opinion reflecting agreement.

### *Testing the hypotheses*

H1. There is a significant and positive association between the selectivity of recruitment and selection practices and the size of the company

The Spearman' correlation was selected in order to test this hypothesis. The selection of this test was based on the result of the Shapiro-Wilk test ( $p < 0.05$ ). It proved that the two considered variables do not have a normal distribution.

The result obtain for the Spearman' correlation test was  $r_s = .250$ ,  $p = .006$ . It indicates that there is a positive and significant association between the two considered variables. Therefore we can retain the alternate hypothesis and reject the null one.

We can assume that the practices that indicate the selectivity of recruitment and selection process are positively associated with the size of the company. The attention paid to these specific practices increase along with the number employed by the company.

H2. There is a significant and positive association between the variable expressing the training practices and the size of the company

A test aimed to determine the Spearman' correlation coefficient was conducted. The value of the Shapiro-Wilk test ( $p < 0.05$ ) proved that the two considered variables do not have a normal distribution.

The result for the Spearman' correlation test was  $r_s = .192$ ,  $p = .028$ . It indicates that there is a positive and significant association between the two considered variables. Therefore we retain the alternate hypothesis.

This result enables us to conclude that in the studied companies the variable that express the training practices that are oriented to high performance levels, are positively associated with the size of the company.

H3. There is a significant and negative association between the variable expressing the use of incentive payment and the size of the company

The Spearman' correlation coefficient was determined. The choice for this test was influenced by the result of the Shapiro-Wilk test ( $p < 0.05$ ). It demonstrates that the two considered variables do not have a normal distribution.

The result obtain for the Spearman' correlation test was  $r_s = -.205$ ,  $p = .020$ . It proves that there is a negative and significant association between the two considered variables. Therefore we retain the alternate hypothesis and reject the null one.

In case of the studied companies the variable reflecting the use of incentive payment is negatively correlated with the size of the company.

## 6. Conclusions

The specialised literature gathers numerous studies aimed to investigate the human resources management practices and their influence over the level of organizational and individual performance. One topic studied by the researchers is the one concerning the high performance working practices.

These practices are human resources specific practices that enable a company to enhance the individual and the general level of performance. Therefore, the study of this subject proves to be an important and actual subject.

This paper intended to analyze the presence of the high performance working practices in Romanian companies based on the results of an empirical study in which have participated companies located in Constanta County.

Based on the literature review that included both national and international studies, we identified the main practices associated with a high level of performance and selected three of them in order to analyze through the result provided by our study.

These three variables referred to the selectivity of the recruitment and selection process, importance granted to the training practices and the usage of incentive payments in the studied companies.

The results provided by the study proved that for all the analyzed variables a medium level of importance was granted. This leads to the general conclusion that these high performance working practices can be further developed in the local companies.

We tested there hypothesis in order to determine if there were any association between these three considered variables and the respondent companies' size.

The results proved that for the selectivity of the recruitment and selection process and also for the training practices were registered positive and significant associations with the size of the company. Therefore we can conclude that the larger the company will be the greater will be the attention granted to these practices.

A negative association between the usage of incentive payments and the company' size was determined in case of the third hypothesis. This leads to the conclusion that the small and medium enterprises are more interested in applying such reward practices in order to maintain their employees.

As future research directions on this topic of high performance working practices we consider the analysis of these specific practices in case of the same size class of companies through different activity domains. Another useful possibility that can be considered is to extend the number of participating companies in future studies.

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