

Influence of Organizational Flexibility in High Performance Work Practices

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Abstract High-performance work practices (HPWP) can help to create an organizational effectiveness and therefore a sustainable competitive advantage in firms. Literature shows considerable evidence that these practices are associated with firm performance. Besides, organizational flexibility may moderate the relationship between HPWP and firm performance, and also has a more positive effect on firm performance. Our study proposes a research model which analyzes the relationships between performance practices, organizational flexibility and firm performance. We also try to study the determinants of organizational flexibility as the key to compete in turbulent and dynamic environments.

1 Introduction

Research focusing on the firm-level impact of HRM practices has become popular in recent years (for reviews, see [1–5]). In general, Researchers have reported positive associations between measures of firm-level systems of human resource management and organizational performance [3, 4, 6–9].

In addition, the literature includes studies that focus on the performance effects of specific HRM practices, such as training [10, 11] and information sharing [12, 13], and research that examines the influence of systems of such practices on organizational outcomes [3, 4, 8, 9]. Although many studies have reported a

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positive association between various HRM practices and objective and perceptual measures of firm performance, some authors [5, 14] have expressed concern that results may be biased because of methodological problems. In addition, the absence of a widely accepted measure of the “high performance” HRM practices construct makes it difficult to compare findings across studies (for examples of different approaches, see [1, 3, 4, 7, 9]).

A conceptual work has also argued that complementarities, or synergies, both among a firm’s HRM practices and between a firm’s HRM practices and its competitive strategy, can have an additional and positive effect on firm performance [15, 16].

2 Objectives

- To analyze the importance high performance practices and a positive association between various HRM practices and firm performance
- To study the determinants of organizational flexibility
- To check the association with high performance practices, organizational flexibility and firm performance.

3 Determinants of Organizational Flexibility

Flexibility is the ability of a firm to respond to various demands from its dynamic competitive environment [17].

But what determines whether or not an organization is flexible?

It is possible to talk about flexibility in various concepts: numerical flexibility [18]. Functional flexibility [19, 20], flexible workforce [21], flexible manufacturing systems [9] and organizational flexibility [22].

Research into a firm’s organizational flexibility suggests at least two possible sets of determinants of flexibility: first, those determinants concerning a flexible structural design [23]; and second, those regarding new managerial capabilities required in a flexible firm [24].

Flexible structural design means attaining a structure that allows the flexible organization to succeed under environmental pressure and unpredictability [25–27]. Krijnen [28] and Overholt [29] point out that a flexible structure requires decentralization in decision-making, low levels of formalization, a high degree of permeability of boundaries, collaborative partnerships, delayering of business units and autonomy [30].

The second set of determinants indicated in the literature on organizational flexibility are those concerning the new managerial capabilities needed to succeed in fast-changing environments. Volberda [24] assert the importance of a broad knowledge base and a broad scope of managerial expertise in order to devise appropriate responses. The heterogeneity in backgrounds and experiences needed

in a flexible firm is related to the need to face competitive environments. More heterogeneous managerial expertise may enhance the absorptive capacity of the organization for recognizing the need for change [24, 31].

Finally, Sanchez [17] notes that there are two basic types of flexibility: resource flexibility and coordination flexibility. Resource flexibility refers to the extent to which a resource can be applied to a larger range of alternative uses, the costs and difficulty of switching the use of a resource from one alternative use to another, and the time required to switch from one use to another.

Coordination flexibility consists of the extent to which the firm can resynthesize the strategy, reconfigure the chain of resources, and redeploy the resources. These types of flexibility are particularly applicable for exploring the concept of flexibility in strategic HRM. Wrigth and Snell [32] apply concepts of resource and coordination flexibility to HRM practices, employee skills, and employee behaviors. In essence, we can broadly conceive of flexibility in strategic HRM as the extent to which the firm's human resources possess skills and behavioral repertoires that can give a firm options for pursuing strategic alternatives in the firm's competitive environment, as well as the extent to which the necessary HRM practices can be identified, developed, and implemented quickly to maximize the flexibilities inherent in those human resources.

4 High Performance Work Practices: Dimensions

High performance practices [33–35] or high involvement practices [3], are also known by some authors as 'soft' management models of human resources [36, 37]. These terms essentially refer to the planning of human resources management oriented towards the commitment of the employees, involving the active participation of these in decision making and providing the necessary organization support and resources [38]. It stems from the idea that the effect produced between capabilities and motivation has a multiplying effect on the value created in the organization [39].

There are two principal advantages for organizations in implementing systems of human resources management oriented towards performance: firstly, it enables the organization to be more effective [33] and secondly, it increases the social acceptance of this model in comparison with the traditional Taylorist style based on strict control and subordination of the employees [40].

Researchers have attempted to determine which best human resources practices have generated the best results by grouping non-traditional practices that have been increasingly used in companies. Ichniowski et al. [41] cite work flexibility, teamwork, contingent remuneration, empowerment, job security, etc., as practices that generate the greatest level of commitment among employees.

Marchington and Grugulis [42] presented a model based on the seven practices identified by Pfeffer [43] as generating success: job security, selective contracting of personnel, teamwork, contingent compensation, extensive training, reduction of status differences and transfer of information.

Table 1 Determinants of organizational flexibility

Flexible structure—"loose structure"	<ul style="list-style-type: none"> • Decentralization in decision-making • Low levels of formalization • High degree of permeability of boundaries and collaborative partnerships • Delaying of business units • High levels of individual and team level • Autonomy
New managerial capabilities	<ul style="list-style-type: none"> • Heterogeneity • Broad managerial mindsets
Employee flexibility	<ul style="list-style-type: none"> • Behavior flexibility • Skill flexibility

Source authors

Implementing all of these human resources practices has a profound impact on the employees and the teams because it increases his/her potential, motivation and commitment to the company [17], all of which are fundamental elements for improving innovation.

The commitment generated within the company makes the employee act in a positive manner, which translates into an effective way of achieving organizational objectives and leads to improved business results [49, 51, 56]. HR Practice flexibility are significantly associated with an index of firm performance Besides, Literature in HPWP shows considerable evidence that these practices are associated with organizational performance [1, 3, 6, 9, 10, 55] because they render higher levels of motivation, satisfaction, commitment, and production in the employees and promote a more effective firm.

5 Effects of Organizational Flexibility Between High Performance Practice and Performance

Many scholars agree that moderators and mediators exist between HRM practices and firm performance. In a meta-analysis, findings by Combs et al. [59] suggest that organizational strategy and context may moderate the relationship between HRM and firm performance (Tables 1, 2, 3).

Hage [60], Hage and Aiken [61, 62], Perrow [63], Lawrence and Lorsch [64], all of them pointing to the arousal of flexible structures with fuzzy roles and horizontal communication channels (hence, HR practices) whenever the environment is sufficiently uncertain and unpredictable.

In one empirical study, Youndt et al. [46] find that organizational manufacturing strategy, such as cost strategy, quality strategy, and flexibility strategy, moderates the HR practices and firm performance relationship. Combs et al. [59] also suggest that employees' knowledge, skills, and abilities (KSAs) and the social structure act as mediators between high performance work practices and organizational performance. Guest [36] shows that strategic HRM (SHRM) improves firm performance by enhancing employees' skills and abilities.

Table 2 Principal high performance human resources practices

High performance practices	Description	Principal authors
Creating positions with wide scope	Jobs with a wide scope, low horizontal and vertical specializations	Schuler and Jackson [44], Capelli and Crocker-Hefter [45]
Selective recruitment	Defined recruitment and selection criteria appropriate to the demands of the position. Analysis of past, present and future conduct	Guest [36], Arthur [6], Pfeffer [43], Huselid [3], Youndt et al. [46], Roche [47], Bayo and Merino [48], Ordiz and Fernández [49], Céspedes et al. [50], Beltrán et al. [51], Wood and Menezes [52]
Fixed contracting	Job stability to avoid temporary work	Pfeffer [43], Bayo and Merino [48], Ordiz and Fernández [49], Wood and Menezes [52]
Extensive training	Great importance and investment in the training and development of the employee. Continuous and evaluated training of all employees. Incentivise skill acquisition	Schuler and Jackson [44]
Performance evaluation	Evaluation schemes based on results	Guest [36], Pfeffer [43], Huselid [3], Huselid et al. [8], Capelli and Neumark [53], Bayo and Merino [48], Richard and Johnson [54], Guthrie et al. [55], Roca et al. [38], Mohr and Zoghi [56], Beltrán et al. [51], Wood and Menezes [52]
Contingent compensation	Salary policies based on individual and group results. Reward above the market average. Tangible, intangible and flexible incentives	Guest [36], Arthur [6], Pfeffer [43], Huselid [3], Roche [47], Bayo and Merino [48], Capelli and Neumark [53], Guthrie et al. [55], Ordiz and Fernández [49], Céspedes et al. [50], Zatzick e Iverson [57], Beltrán et al. [51], Wood and Menezes [52]
Greater discretion	Award the position and all its responsibilities to the employee in order to evaluate conduct and norms in the job. Decentralization and less vertical specialization	Schuler and Jackson [44, 58], Arthur [6], Pfeffer [43], Huselid [3], Roche [47], Bayo and Merino [48], Richard and Johnson [54], Guthrie et al. [55], Ordiz and Fernández [49], Roca et al. [38], Mohr and Zoghi [56]
Internal promotion	Provide opportunities for professional development in the company through a formal system of professional careers	Arthur [6], Pfeffer [43], Huselid [3], Roche [47], Bayo and Merino [48], Richard and Johnson [54], Guthrie et al. [55], Roca et al. [38], Ordiz and Fernández [49], Mohr and Yoghi [56]

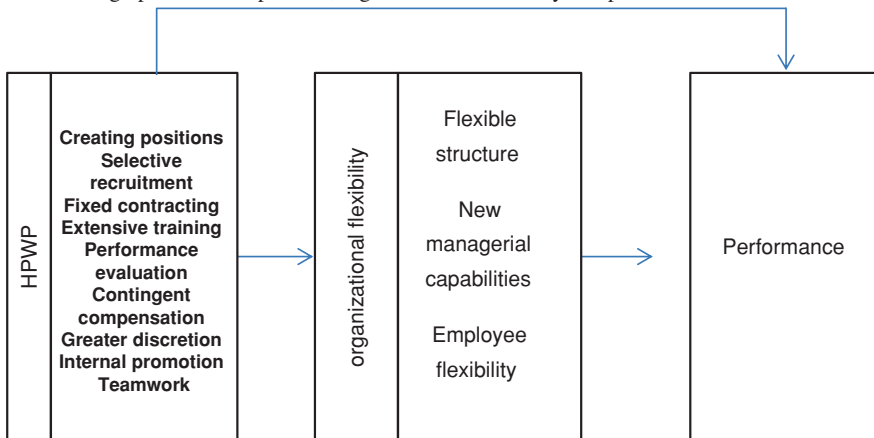
(continued)

Table 2 continued

High performance practices	Description	Principal authors
Teamwork	Incentivize and promote teamwork, employee commitment and Little job rotation	Arthur [6], Pfeffer [43], Huselid et al. [8], Bayo and Merino [48], Capelli and Neumark [53], Richard and Johnson [54], Guthrie et al. [55], Zatzick e Iverson [57], Mohr and Zoghi [56]
Shared information	Open and shared information systems for all members of the organization	Guest [36], Arthur [6], Pfeffer [43], Huselid et al. [8], Roche [47], Capelli and Neumark [53], Bayo and Merino [48], Richard and Johnson [54], Guthrie et al. [55], Ordiz and Fernández [49], Roca et al. [38], Zatzick e Iverson [57], Mohr and Zoghi [56], Wood and Menezes [52]
Job security	High levels of job security. Specialized staff to improve job security	Schuler and Jackson [44, 58]

Source authors, based on Martí [69]

Table 3 High performance practice, organizational flexibility and performance



Source authors

Other researchers have shown that flexibility in other functional areas of the firm, such as operational flexibility, product customization, and resource flexibility is related to increased firm performance [9, 65–68], HR flexibility and its possible contribution to firm performance and competitive advantage.

Our proposal is that further organizational flexibility, has a moderating role and also has a more positive effect on firm performance.

6 Conclusions

Literature suggests that HR flexibility is a dynamic capability facilitating a firm's rapid response to changing environments. High performance practices are positively related to firm performance. Flexible structure or "loose structure", new managerial capabilities and Employee flexibility has a moderating role and also has a more effect on firm performance.

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