



Management practices and sustainable organisational performance: an analysis of the European Company Survey 2009

Executive summary

Introduction

This report is based on secondary data analysis of Eurofound's recent European Company Survey (ECS) 2009. It explores the links between a broad range of workplace practices and sustainable organisational performance, building on the survey report. The report develops a theoretical and analytical framework against which questions from the ECS are mapped and then subjected to a range of multivariate analyses.

The framework used to explain the link between high-performance work practice (HPWP) and organisational performance is based on the ability, motivation and opportunity (AMO) model. It proposes that HPWPs achieve their results by increasing employees' discretionary effort.

Policy context

Sustainable high-performance work practices have been presented as key to sustaining manufacturing jobs in the face of competition from cheaper labour overseas (Appelbaum et al., 2000), improving the quality of work, and for raising general economic performance (Belt and Giles, 2009). In the wake of the global economic crisis, it is also increasingly evident that emerging economies can outperform many European countries in their production of low-value-added goods and services, but equally that there is growing demand for upmarket Western exports from emerging economies. To exploit competitive potential, firms therefore need to be prepared to move up the value chain, but to do so is likely to require approaches to people management that provide workers with higher levels of skills and the ability to unlock their discretionary effort. This is reflected in the European Union's 2020 strategy, which aspires to 'smart growth' based on competitive strategies founded on continuous development of knowledge and innovation, and a commitment to improving competitiveness through higher

productivity. Improving quality and quantity of employment through advancing workplace practices relate closely to these aims. They are necessary to expand the proportion of people who have high-quality employment and to contribute to aspirations for a higher value-added competitive strategy for European organisations.

Key findings

There is consistent evidence across all the results that use of HPWPs are associated with improved performance outcomes for both employees and the workplace.

Practices associated with good employee-performance outcomes

Practices associated with reducing employee-absence levels are: reviews of staff training needs, (extensive) profit-sharing, share-ownership, autonomous teamworking, the presence of flexible working and its take-up by at least a fifth of employees.

Practices with beneficial links to reducing employee-motivation problems are: reviews of staff training needs; giving staff training for new tasks and time off for training; profit-sharing; the presence of teamworking and autonomous teamworking; the take-up of flexible working by at least a fifth of employees.

Practices with beneficial links to reducing employee-retention problems are: autonomous teamworking and formal employee representation.

Practices associated with good organisational performance outcomes

Practices with beneficial links to above average productivity are: all training, performance pay and teamworking practices, and all flexible working practices and ad hoc consultation where there is no formal employee representation.

Practices with beneficial links to improved productivity over the past three years are: training, team work and social dialogue practices, all flexible working practices, the presence of profit-sharing and the presence and coverage of individual incentive pay for at least 25% of employees.

Practices with beneficial links to a good work climate are: all training practices and all team work practices, and ad hoc consultation where there is no formal employee-representation.

Practices with beneficial links to a good economic situation of the firm are: all training practices, all pay practices and all teamworking practices, as well as ad hoc consultation where there is no formal employee representation.

The results show that HPWPs may achieve their effects on organisational performance through improving employee performance, rather than simply acting directly on operational and organisational outcomes. They provide evidence to emphasise the contribution employees may make to organisational performance and add weight to the case for firms to invest in appropriate HPWPs.

Good employee outcomes are associated with good organisational outcomes. Management and employee representatives making sincere efforts to solve common problems is positively associated with all organisational outcomes, including higher productivity and improved productivity in recent years, a good workclimate, a good economic situation and absence of industrial action in the past year. Low motivation, high absenteeism and retention problems are all negatively associated with higher-than-average productivity and improved productivity, a good workclimate and a good economic situation. This is consistent with a lack of worker effort affecting productivity. Low motivation and high absenteeism are also associated with industrial action in the last year.

There is some evidence to suggest that most HPWPs and combinations of them have a significant and positive relationship for both the highest performing and the lowest performing firms. However, there is a much stronger positive link for individual HPWPs and combinations of HPWPs and performance in poorer

performing firms. This would suggest, if such a link were causal, that poorer performing firms may stand to gain greater benefits from the application of HPWPs.

Policy pointers

The incidence of employee complaints about lack of career development opportunities and rejected requests for training is higher among firms with higher skilled staff and those that provided training. This suggests firms may need support in managing the expectations of staff and in considering how to develop internal labour markets that can meet staff desires for career progression.

Similarly, firms that provide training are more likely to receive complaints about pay. This suggests a need to support firms in integrating pay and training practices and in managing staff expectations about rewards for skills acquisition and deployment.

Firms that provide flexible working hours, have at least 20% of staff making use of flexible working and part-time working, and managerial staff working part-time, are more likely to experience higher levels of discontent about career development possibilities. This points to a continuing need to support and encourage organisations to enable them to provide equality of opportunities to staff using different modes and forms of working time.

Firms with lower levels of performance may stand to gain greater performance improvements from implementing HPWPs than those with higher levels of performance. Policy support should therefore provide a continued focus on enabling the diffusion of HPWPs across firms where their sectors and business strategies may benefit from these practices.

There is mixed evidence concerning the impact of formal employee representation; however, joint efforts by managers and employees to solve problems and good quality working relationships are associated with beneficial performance outcomes. This suggests that enabling social partners to work together effectively and supporting firms to realise the benefits of collaboration between social partners is worthy of continued policy attention.

Further information

The report *Management practices and sustainable organisational performance: an analysis of the European Company Survey 2009* is available at <http://www.eurofound.europa.eu/publications/htmlfiles/ef1148.htm>

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