

BEST PRACTICE APPROACH TO HUMAN RESOURCE MANAGEMENT

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Abstract

Based on summarizing the results of the author's empirical survey on the application of best practices in human resource management, the goal of the paper is to summarize the theoretical basis of the best practice approach to human resource management and to present the author's model of human resource management in organizational management that supports the strategic and systemic approach to human resource management and demonstrates what best practices in human resource management organizations should apply to achieve expected employee and organizational performance. The author's empirical survey was conducted from February to May 2014. The tool used for data collection was an electronic and paper questionnaire. The questionnaire was distributed to HR directors, HR managers and HR specialists of well-known and successful organizations in the Czech Republic. The relevant data were obtained from eighty organizations.

Key words: best practice, human resource management, performance

JEL Code: M12, M50

Introduction

Human resource management refers to practices that enable any organization to attract, employ and develop enough capable and motivated employees, including such practices as job design and analysis, human resource planning, employee recruitment and selection, performance management and appraisal, employee compensation, employee training and development or employee care. These practices enable any organization to achieve expected organizational performance by achieving desired employee performance.

Human resources management is usually ensured by line managers, in some organizations, mostly in organizations with a greater number of employees, normally with conceptual, methodological, analytical and administrative support of specialized human resource professionals. Line managers are responsible for managing and leading other

employees to successfully perform agreed work, achieve desired performance and meet the strategic objectives of the organization. The successful fulfilment of this task differentiates successful and unsuccessful organizations.

The research on the relationship between human resource management and organizational performance has continued worldwide since the early eighties and the fundamental results of this research are summarized both in scientific literature (e.g., Armstrong, 2006; Larsen & Mayrhofer, 2006; Marchington & Wilkinson, 2005) and academic journals (e.g., Delery & Doty, 1996; Guest, 2011; Paauwe & Boselie, 2005). There is considerable evidence that employees represent a critical source of any organization (e.g., Bušina, 2014; Fučíková & Šikýř, 2013; Kucharčíková, 2014) and many researchers have demonstrated the positive impact of various practices in human resource management on employee performance and so on organizational performance (e.g., Huselid, 1995; Rizov & Croucher, 2009; Schuler & Jackson, 1987). If organizations apply appropriate practices in human resources management, they can positively influence organizational performance through influencing employee performance. It supports the assumption that the positive impact of human resource management on organizational performance is based on application of proven best practices in human resource management that help to achieve expected organization's results through achieving desired employees' abilities, motivation, results and behaviour.

1 Goals and methods

The goal of the paper is to summarize the theoretical basis of the best practice approach to human resource management and to present the author's model of human resource management in organizational management that supports the strategic and systemic approach to human resource management and demonstrates what best practices in human resource management organizations should apply to achieve expected employee and organizational performance.

Achieving the goal of the publication is based on both the analysis of available scientific literature focused on human resource management and the results of the author's empirical survey carried out in order to verify in practice the theoretical basis of the importance of human resources and human resources management in the organization, the relationship between human resource management and organizational performance and the application of best practices in human resource management.

The author's empirical survey was conducted from February to May 2014. The tool used for data collection was an online questionnaire. The questionnaire included eleven multiple choice questions focused on: 1) the value of employees, 2) the conditions under which an employee can be considered as the most valuable source, 3) the approach to human resources management, 4) the conditions that affect human resource management, 5) the role of line managers, HR professionals and outsourcing in human resource management, 6) the impact of human resource management on organizational performance, 7) the results achieved through human resource management, 8) the existence of best practices in human resources management, 9) the potential best practices in human resource management, 10) the application of best practices in human resource management, 11) the benchmarking in human resource management. The questionnaire was distributed by email to HR directors, HR managers and HR specialists of well-known and successful organizations in the Czech Republic. The relevant data were obtained from eighty organizations.

The respondents were characterized by gender (41% male, 59% female), education (5% secondary school graduates, 4% higher technical school graduates, 6% bachelor's degree graduates, 74% master's degree graduates, 11% Ph.D. degree graduates), years of experience (6% less than 5 years, 15% 5–10 years, 23% 11–15 years, 20% 16–20 years, 36% more than 20 years), and actual position (65% HR directors, 21% HR managers, 14% HR specialists). The organizations were characterized by number of employees (5% less than 50 employees, 10% 50–99 employees, 9% 100–249 employees, 16% 250–499 employees, 19% 500–999 employees, 41% 1000 and more employees), and type of business (36% manufacturing industry, 3% energetics, 11% construction, 8% wholesale and retail trade, 6% transport, 20% information and communication technologies, 10% banking and insurance, 3% education, 3% other activities).

2 Results and discussion

The results of the authors' empirical survey are summarized, discussed and applied in three parts, focusing on 1) the importance of human resources and human resources management, 2) the link between human resource management and organizational performance, and 3) the application of best practices in human resource management.

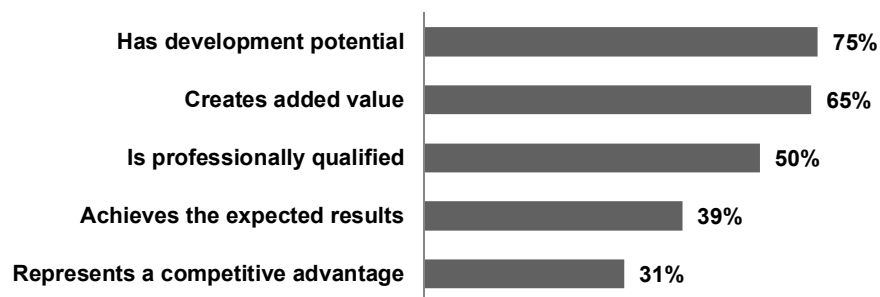
2.1 The importance of human resources and human resources management

Human resources are usually valued as the most important source of any organization. Each organization also needs other resources, i.e. material, finance, or information, but capable and motivated employees are indispensable to achieve expected organizational performance.

Organizational performance refers to an organization's results, including operating results (productivity, quality, efficiency, etc.), market results (sales, market share, customer satisfaction, etc.) and financial results (costs, revenues, profits, etc.). There is considerable evidence that achieving expected organizational performance is determined by achieving desired employee performance that refers to employees' working results and behaviour, determined by employees' abilities (knowledge and skills to perform agreed work) and motivation (willingness to perform agreed work), which enable an organization to achieve expected goals.

According to the author's survey results, 76% of respondents strongly agreed, 20% of respondents agreed and 4% of respondents disagreed that employees are valued as the most important source in their organizations. According to the respondents, an employee may be considered as the most valuable source if he or she has development potential and creates added value to the organization (fig. 1).

Fig. 1: An employee as the most valuable source



Source: author

2.2 The link between human resource management and organizational performance

Human resource management has an impact on organizational performance through having an impact on employee performance. The essence of the positive impact of human resource management on organizational performance is an effective and efficient system of human

resource management that enables an organization to attract, employ and develop enough capable and motivated employees and achieve expected organizational performance by achieving desired employee performance.

According to the authors' survey results, 66% of respondents strongly agreed, 28% of respondents agreed and 6% of respondents disagreed that human resource management positively influence results of their organizations, including results related to both individual employees (expected satisfaction and motivation of employees, necessary number and structure of employees, required knowledge and skills of employees, desired results and behaviour of employees, etc.), as well as the entire organization (good employer's reputation, required labour productivity, desirable quality of products and services, expected business results, adequate customer satisfaction).

The positive impact of human resource management on organizational performance is usually influenced by many external and internal conditions. According to the respondents, essential external conditions include difficult economic situation (loss of contracts), complicated legal environment (chaotic legislation) or unfavourable demographic trends (labour shortages), and essential internal condition include economic performance (profitability), strategy, culture, type of business, size (number of employees) or organizational structure.

In this context, the majority of respondents confirmed that in their organizations, they regularly analyse the strengths, weaknesses, opportunities, and threats, as well as they regularly evaluate the level of human resources and human resource management, which is important for the successful implementation of HR strategies and policies to meet the strategic objectives of the organization.

2.3 The application of best practices in human resource management

Best practices in human resource management refer to practices that are applied by the best organizations operating in similar conditions and pursuing similar goals. They are applied to achieve continuous improvement of organizational performance by critical assumption of strategic and systemic practices in human resource management of the best organizations in specific sector or region. Their application is based on benchmarking, systematic process of comparing organizational performance with the performance of the best organizations in 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 necessary changes to improve organizational performance according to one's own conditions.

The relationship between various best practices in human resource management and operating, market or financial results of an organization is mediated by abilities, motivation and performance of employees and influenced by internal and external conditions of the organization. Various best practices in human resource management affect employees' abilities, motivation, results and behaviour to provide products and services that are valued by important stakeholders, especially by customers. Among potential best practices in human resources management that demonstrably enable managers to influence employees' abilities, motivation, results and behaviour are proven practices in job design, human resource planning, employee recruitment and selection, performance management and appraisal, employee compensation, employee training and development or employee care. These best practices help to deal with the performance and competitive challenges. They serve to optimize the system of human resource management. They help to change the philosophy and style of management and leadership of employees.

Fig. 2: Potential best practices in human resource management



Source: author

According to the authors' survey results, 39% of respondents strongly agreed, 55% of respondents agreed and 6% of respondents disagreed that in human resource management, there are universally applicable best practices that positively influence organizational

performance, however, they identified potential best practices in human resource management. According to the respondents, potential best practices in human resource management include (fig. 2): systematic training (forming employees' knowledge and skills to perform agreed work and achieve desired performance), performance-related pay (rewarding employees related to achieved results and behaviour), talent management (attracting, selecting, training, developing, and retaining employees with high performance and development potential), leadership (leading employees to perform agreed work and achieve desired performance achieve organizational objectives), regular performance appraisal (evaluating employees' abilities, motivation, results, and behaviour to perform agreed work and achieve desired performance), motivating jobs (maintaining and increasing employees' satisfaction and motivation through designing complex, various, significant and autonomous jobs), positive selection (choosing employees applying specific criteria and methods related to individual abilities and motivation), performance management (managing and leading employees to perform agreed work and achieve desired performance) or work-life balance (creating working conditions for achieving a balance between employees' work and life). Generally, these are practices that enable to positively influence employees' abilities, motivation, results, and behaviour to achieve expected organizational performance.

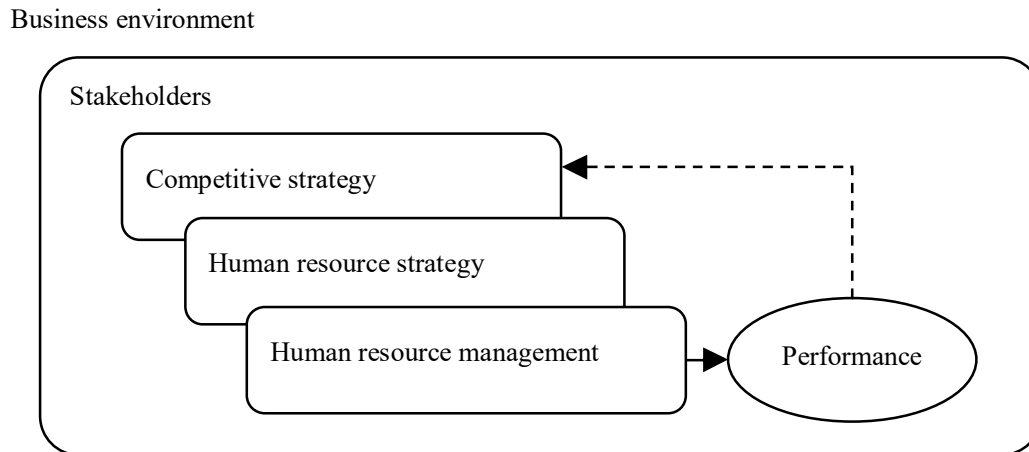
In this context, 40% of respondents strongly agreed, 51% of respondents agreed and 9% of respondents disagreed that their organizations are managed in accordance with known best practices in human resource management, and 39% of respondents strongly agreed, 31% of respondents agreed and 30% of respondents disagreed that their organizations systematically compare achieved performance with the performance of the best organizations in the specific sector or region to apply appropriate best practices in human resource management.

3 Implications and recommendations

In human resource management, there are useful best practices that positively influence organizational performance, but their application requires best fit to external and internal conditions that determine the positive effect of applied best practices in human resource management on achieved organizational performance. This is the basis of the author's model of human resource management in organizational management (fig. 3) that applies the strategic and systemic approach to human resources management, when the system of human resource management is seen as a subsystem of organizational management

that is created and implemented in accordance with the competitive strategy (cost, quality, innovation, etc.), with regard to the business environment (political, economic, legal, social, cultural, technological, demographic, etc.) and in the interest of stakeholders (stockholders, managers, customers, employees, unions, state, public, etc.).

Fig. 3: The model of human resource management in organizational management



Source: author

The objective of human resource management in the organization is to attract, employ and develop enough capable and motivated employees and through the effective and efficient use of their abilities, motivation, results and behaviour to produce and distribute demanded products and services, gain and maintain regular and satisfied customers and achieve expected organizational performance and competitiveness.

Any organization seeking to achieve excellent performance and sustained competitiveness must gain and maintain regular and satisfied customers, whose interest and satisfaction are fundamental to meet the needs of other stakeholders. In other words, any organization seeking to achieve excellent performance and sustained competitiveness must be a good employer to fulfil the potential of capable and motivated employees, as well as a good trader to fulfil the potential of regular and satisfied customers. The connection of capable and motivated employees and regular and satisfied customers through quality products and services leads to return on investment and satisfaction of important stakeholders, which is fundamental for achieving expected organizational performance and competitiveness.

Conclusion

Best practices in human resource management refer to practices that are applied by the best organizations operating in similar conditions and pursuing similar goals. The essence of the positive relationship between applied best practices in human resource management and organizational performance is the effective and efficient system of human resource management that enables to attract, employ and develop enough capable and motivated employees and achieve expected organizational performance by achieving desired employee performance. In human resource management, there are useful best practices that positively influence organizational performance, such as motivating jobs, positive selection, regular performance appraisal, performance-related pay or systematic training, but their application requires best fit to external and internal conditions that determine the positive effect of applied best practices in human resource management on achieved organizational performance. Best practices help to deal with the performance and competitive challenges. They serve to optimize the system of human resource management. They help to change the philosophy and style of management and leadership of employees.

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