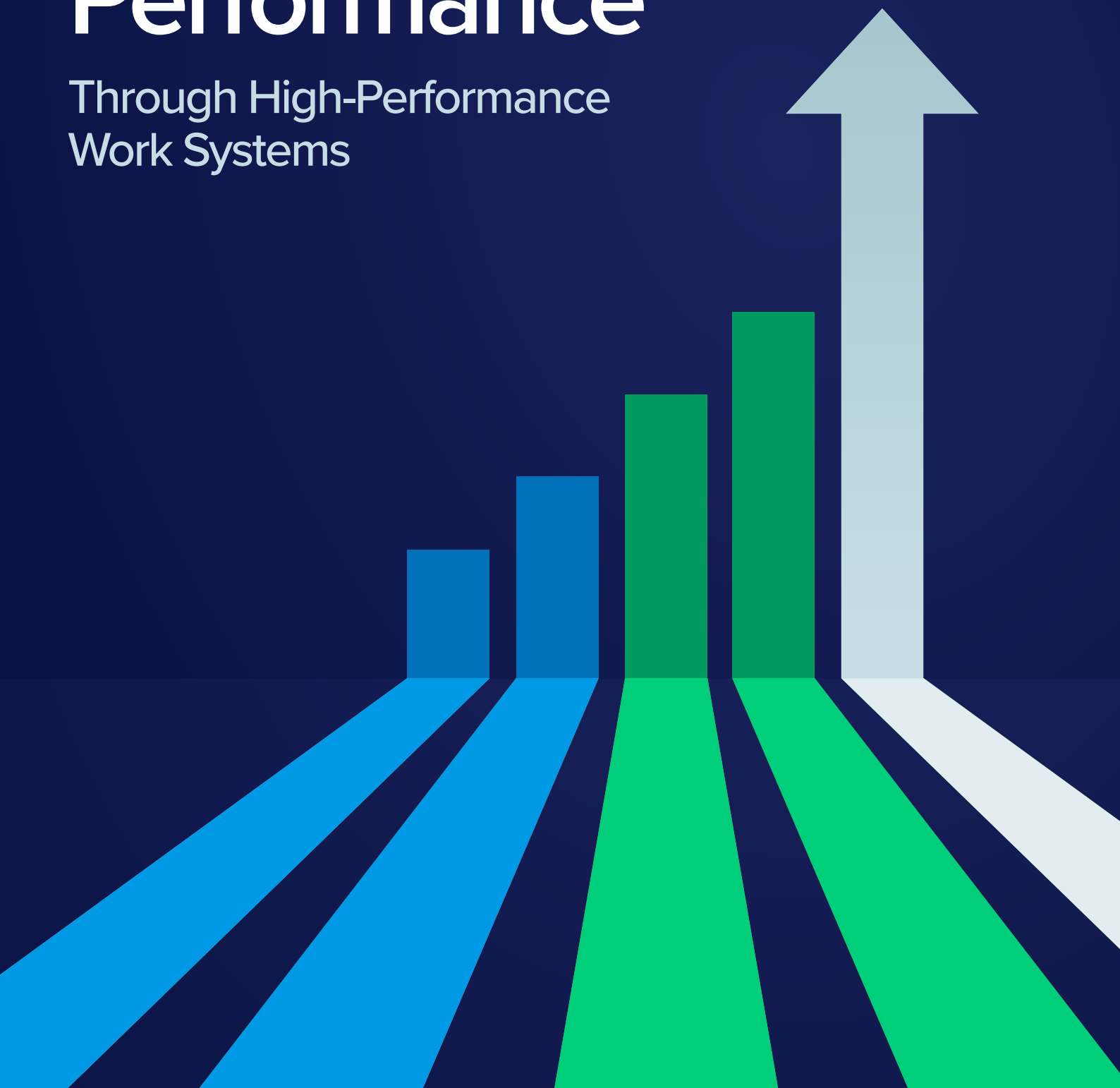


Improving Organisational Performance

Through High-Performance
Work Systems



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Foreword

High-Performance Work Systems (HPWS) have attracted considerable attention internationally over the last 10-20 years, with evidence showing a positive relationship between the adoption of HPWS, and employee performance and organisations' financial outcomes.

Despite the compelling business case for HPWS, there is relatively little information on the extent to which they have been adopted by Australian organisations. A 2019 OECD report (see Annex 1) shows that while Australian workplaces rate highly for making intensive use of skills in the workplace, they fare less well when it comes to designing workplaces that use skills effectively. This is important because raising skill levels alone does not automatically lead to an improvement in workplace productivity.

This report, which is based on a survey of 600 Australian employers and senior HR

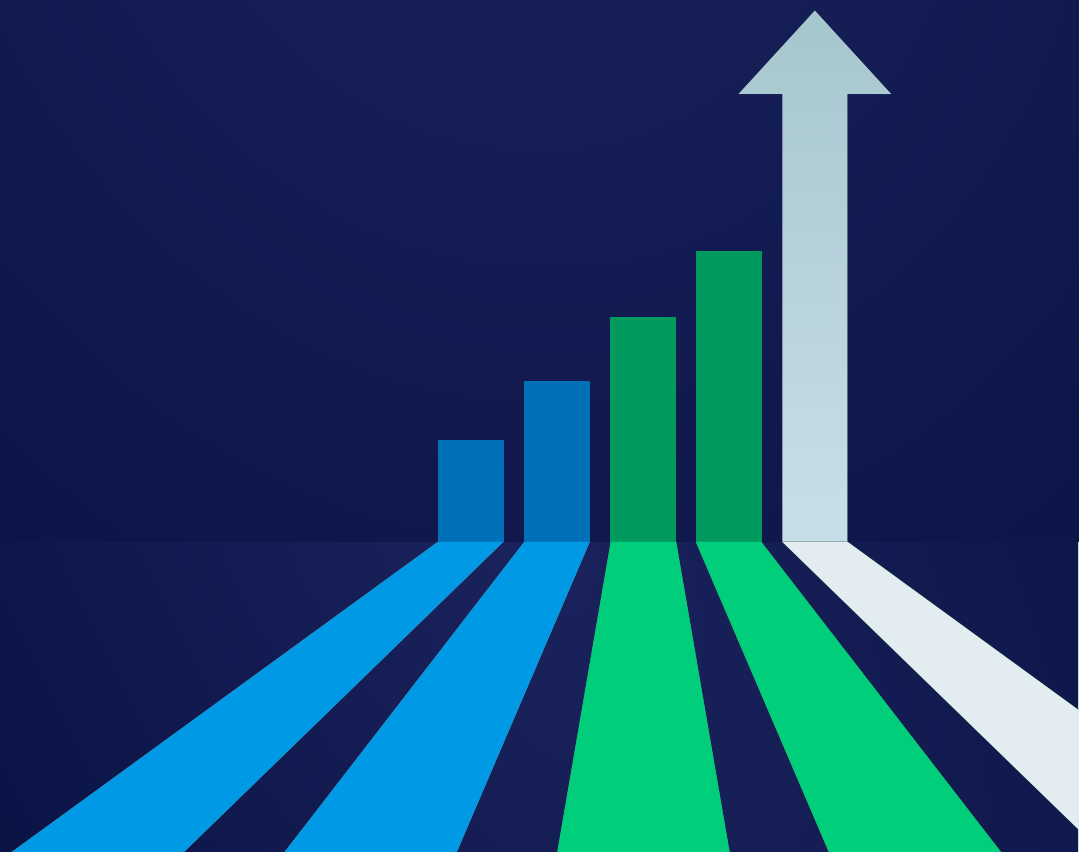
practitioners, examines the adoption of HPWS in Australian workplaces. It also captures simple data on the relationship between the adoption of HPWS and organisations' financial performance.

The research data shows that just under half of Australian workplaces have adopted HPWS. It also points to a relationship between the adoption of HPWS and improved financial performance. Together, these data points indicate that by not adopting HPWS, many Australian businesses are limiting their potential to improve their financial performance.

AHRI hopes that this report encourages more employers and policymakers to consider the positive impact that HPWS could make to Australian organisations as well as the wider economy.

About High-Performance Work Systems

This section defines HPWS and how they can improve employee and organisational performance.



What are High-Performance Work Systems?

High-Performance Work Systems (HPWS) refer to the implementation of a combination of strategic HR practices, often called High-Performance Work (HPW) practices, that align with the organisation's strategy and improve employee engagement and organisational performance.

What makes the HPWS approach distinctive is that it promotes greater employee autonomy and involvement in decision-making.

HPWS give managers and employees the skills and autonomy to manage their own work practices and behaviours in a way that aligns with the organisation's objectives and values. The result is that employees are more empowered, motivated and upskilled, which in turn leads to better organisational performance.

There is no definitive list or combination of HPW practices that should be combined into a HPWS. The combination of HPW practices for an individual organisation is highly dependent on its strategic goals, and its internal and external environment. The strategic challenge for HR practitioners is therefore to select the right 'bundle' of practices for their organisation and make them flexible enough to adapt to changing circumstances.

However, research does show that the HPW practices that make up a HPWS tend to have

four dimensions:

1. Employee involvement and autonomy in decision-making
2. Support for employee performance, e.g. learning and development
3. Rewards for performance
4. The sharing of information and knowledge.

The value of HPWS therefore does not stem from the adoption of any single or prescribed group of HR practices. It stems from the strategic and deliberate groupings of HPW practices that are best suited to the organisation's environment and strategy, and that will enhance the discretionary effort of employees, and enable them to expand and fully utilise their skills.

Do High-Performance Work Systems improve organisational performance?

The majority of evidence suggests that HPWS improve the financial performance of organisations. Wright and Ulrich (2017) analysed the evidence and concluded that it supported this. Similar conclusions were reached by Jewell et al (2022), who clarified that "the accumulated evidence is now very strong that firms with more HPWS practices have higher business performance". See *the Literature Review for more detail*.

Consistent with this research, the findings from the AHRI survey also show that those organisations that have implemented HPWS are more likely to report higher profitability.

Key Findings

High-Performance Work Organisations

Organisations that have adopted at least five of the eight HPW practices to either a large or a very large extent are classified as HPW organisations. Almost half (48%) of organisations are identified as HPW organisations. Large organisations (60%) are far more likely to be classified as HPW organisations than small organisations (33%).

Common HPW Practices

The most common HPW practices utilised by employers are information sharing (55%), flexible work arrangements (54%) and performance management (53%).

Other Benefits

Other perceived benefits of introducing HPWS include improved quality of service (cited by 50% of employers), improved customer feedback (44%) and increased productivity (43%).

Challenges

Time constraints are identified by survey respondents as the most common challenge when implementing HPWS. This is cited by over a third (36%) of employers who have adopted HPWS. Other challenges include insufficient training for managers (24%), difficulty deciding which practices to adopt (24%), difficulty proving organisational benefits (23%), and a lack of integration with other systems (23%).

Financial Performance

The survey data suggests that there is a relationship between the use of High-Performance Work Systems and financial performance, even when controlling for the size of the organisation.

More than three-quarters (76%) of HPW private-sector organisations report a better-than-average financial performance for their sector. By comparison, only 43% of private-sector organisations that are non-High-Performing Work organisations report a better-than-average financial performance.

Effectiveness of Individual HPW Practices

The three most effective HPW practices are perceived to be flexible work arrangements (45%), learning and development (44%), and employee involvement and participation (42%).

High-Performance Work Systems in Australia

This section explores the adoption of High-Performance Work Systems (HPWS) and practices in Australian workplaces via AHRI’s survey of more than 600 employers, conducted in July 2024.

As discussed earlier in this report, HPWS are strategic and deliberate groupings of HPW practices that motivate, empower and upskill employees, driving successful organisational outcomes. The HPW practices explored in this research are:

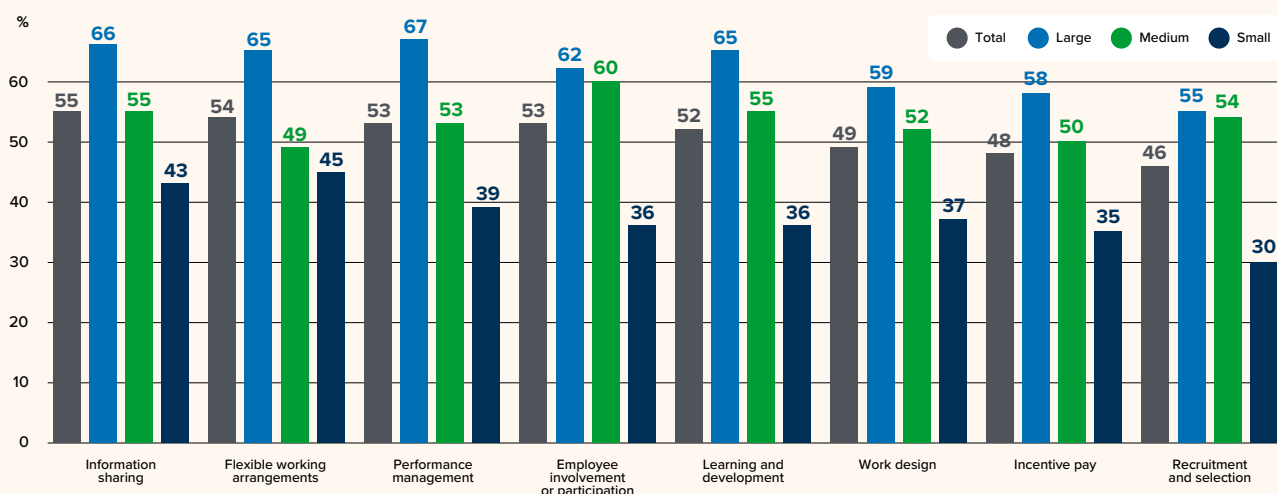
- Recruitment and selection
- Performance management
- Learning and development
- Incentive pay
- Work design
- Employee involvement
- Information sharing
- Flexible work arrangements.

To what extent are Australian workplaces embracing High-Performance Work practices?

The survey shows that the most commonly used HPW practices in Australia in 2024 (Figure 1) are information sharing (55%), flexible work arrangements (54%), and performance management (54%).

The results show a correlation between the adoption of HPW practices and the size of organisation (Figure 1). However, some HPW practices are more popular with medium-sized organisations (employee involvement)

Figure 1: Employer adoption of High-Performance Work Practices by size



Base: All employers n=609 (small: n=217; medium: n=158; large: n=234)

How many Australian employers are High-Performance Work organisations?

or participation) and others (flexible work arrangements and information sharing processes) are more frequently adopted by small employers.

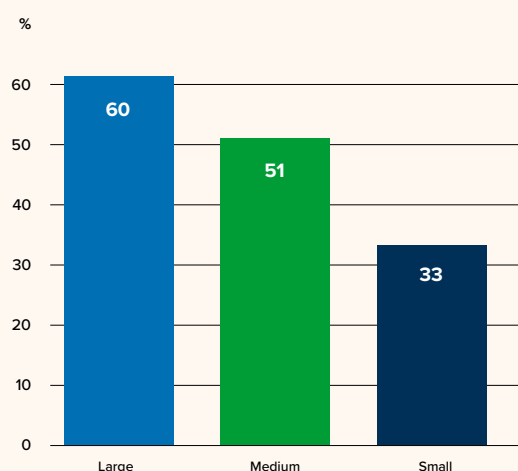
The relatively low adoption of many of the HPW practices among smaller employers may be driven by a lack of or a very small human resources function, and the low expertise, time or budget to implement these practices.

There is also some variation across sectors, with public-sector employers more likely to adopt certain practices than private-sector employers. More than three quarters (76%) of public-sector employers say that they have adopted recruitment and selection processes to either 'a large extent' or 'a very large extent' compared with just 39% of private-sector employers. Meanwhile, almost three quarters (72%) of public-sector employers say that they have adopted learning and development activity to either 'a large extent' or 'a very large extent' in their organisation compared with just forty-seven per cent of private-sector employers.

Consistent with other research on HPW, AHRI categorised organisations that had adopted at least five of the eight HPW practices to either 'a large extent' or 'a very large extent' as HPW organisations. Using this definition, almost half (48%) of Australian organisations are HPW organisations and just over half (52%) only utilise HPW practices moderately, minimally or not at all. These organisations are described as non-HPW organisations.

The profile of HPW organisations varies considerably in terms of size of organisation (Figure 2).

Figure 2: Employer adoption of five or more High-Performance Work practices



Base: All employers n=609
(small n=217; medium: n=158; Large: n=234)

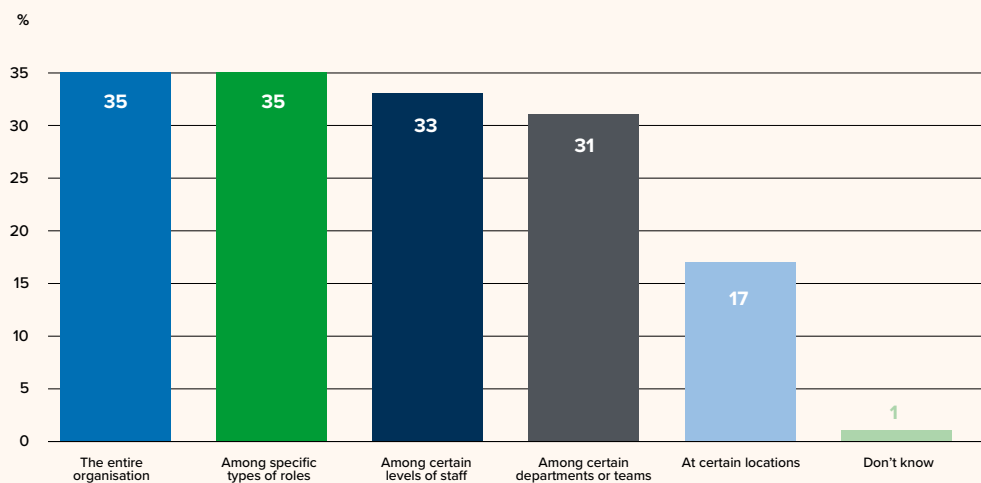
AHRI categorised organisations that had adopted at least five of the eight HPW practices to either ‘a large extent’ or ‘a very large extent’ as HPW organisations. Using this definition, almost half (48%) of Australian organisations are HPW organisations.

As many as 60% of large employers reported adopting at least five of the eight practices to either ‘a large extent’ or ‘a very large extent’. By contrast, only a third (33%) of small employers, those that have between two and 19 employees, are HPW organisations.

There is also potential to further maximise the benefits of HPW practices among those organisations that use them, as only just over a third (35%) of employers that utilise any HPW practices say that their implementation extends to all employees (Figure 3).

There is also some variation across sectors. Sixty-nine per cent of public-sector employers report adopting at least five of the eight practices to either ‘a large extent’ or ‘a very large extent’. By comparison, 44 per cent of private-sector employers are HPW organisations.

Figure 3: High-Performance Work practices coverage within organisations



Base: All employers who utilise any High-Performance Work practices n=596 (private: n=458; public: n=110; not for profit: n=28)

Do High-Performance Work Systems improve financial performance?

The survey data suggests that there is a positive relationship between the use of HPWS and financial performance.

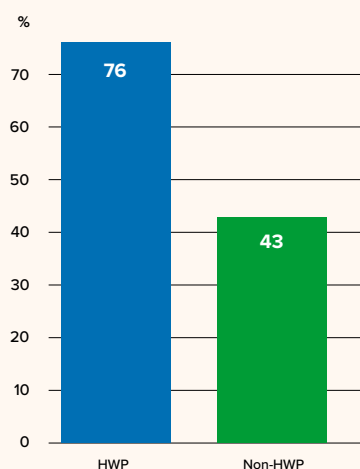
As noted earlier, AHRI has classified organisations that have adopted at least five of the eight HPW practices identified in this survey to either 'a large extent' or 'a very large extent' as HPW organisations. More than three quarters (76%) of private-sector HPW organisations report a better-than-average financial performance for their sector. In comparison, only 43 per cent of private-sector organisations that are

not classified as HPW organisations (non-HPW organisations) report a better-than-average financial performance for their sector.

The use of statistical analysis on the AHRI survey results confirms that there is a moderately strong positive correlation between the adoption of HPWS and financial performance (See Annex 2).

However, the survey does come with some limitations. Firstly, the survey data is based on organisations' perceptions of profitability rather

Figure 4: Proportion of private-sector organisations that report higher-than-average financial performance by High-Performance Work System adoption



Base: All private-sector employers n=471 (HPW firms: n=210; non-HPW firms: n=261)

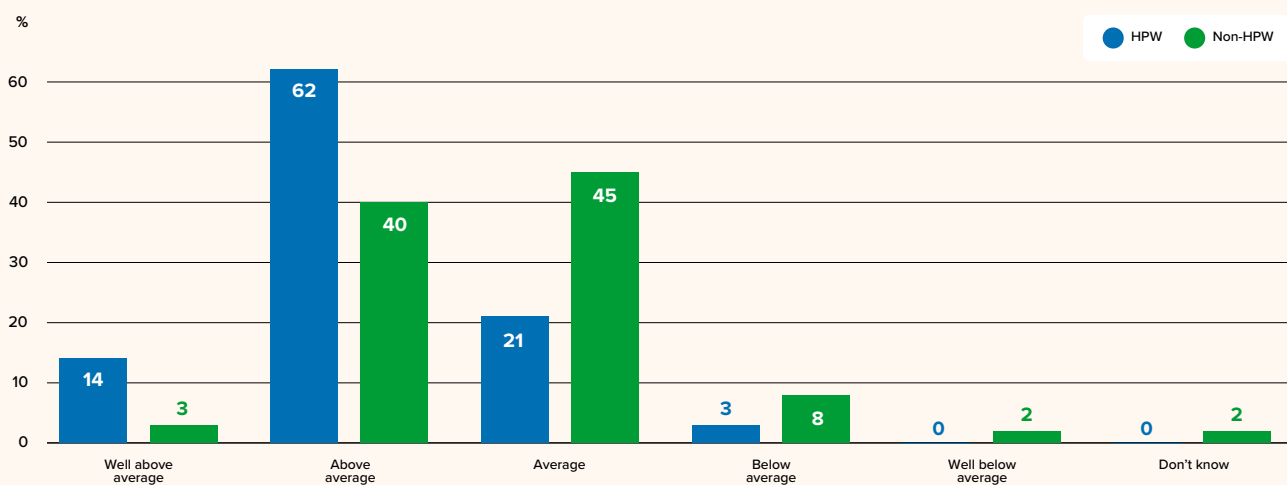
than actual financial data. It is also worth noting that the correlation between the adoption of HPWS and higher-than-average financial performance does not necessarily mean that the relationship is causal.

This relationship between the adoption of HPWS and financial performance also exists for small employers (see Figure 6). Almost two thirds (63%) of small HPW private-sector organisations that employ between two and 19 employees report a better-than-average financial performance for their sector.

In comparison, just over a quarter (28%) of small non-HPW private-sector organisations say that they have a better-than-average financial performance for their sector.

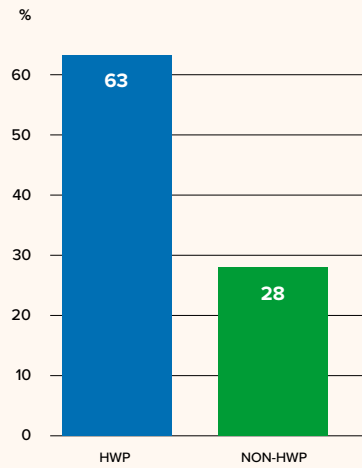
This is important because, as discussed earlier in this report, small employers are much less likely to adopt HPWS and practices than large employers. This finding shows that the adoption of HPWS can also result in higher-than-average financial performance for smaller organisations.

Figure 5: Employer perceptions of financial performance by High-Performance Work System adoption



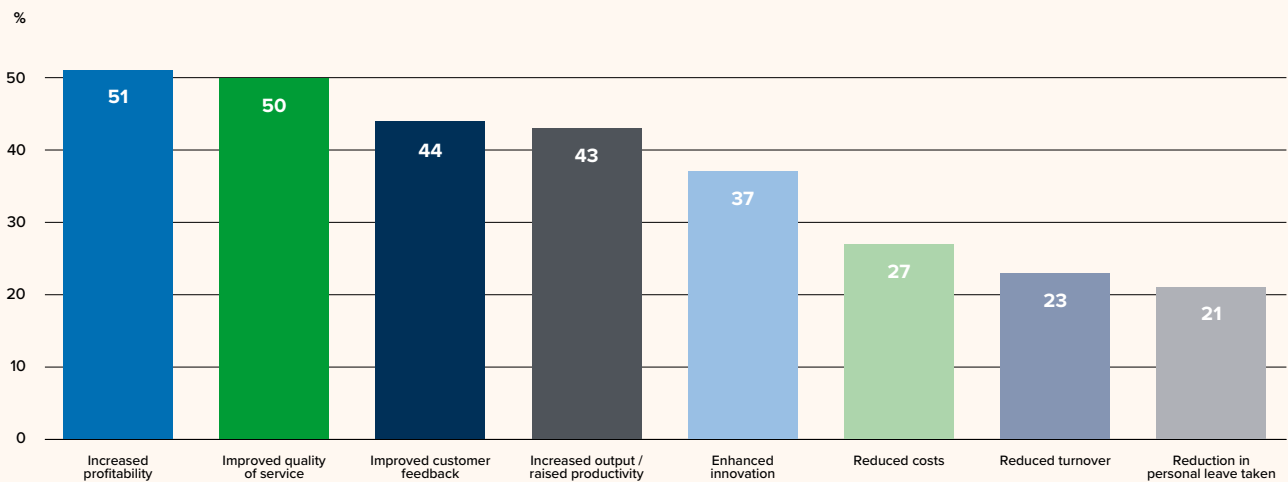
Base: All private-sector employers n=471 (HPW firms: n=210; non-HPW firms: n=261)

Figure 6: Proportion of small private-sector organisations that report higher-than-average financial performance by High-Performance Work Systems adoption



Base: all private-sector small employers that employ between two and 19 employees n=197 (HPW firms: n=62; non-HPW firms: n=135)

Figure 7: Outcomes achieved through the adoption of High-Performance Work Systems



Base: All employers who utilise any of the HPW practices n=596 (private: n=458; public: n=110; not for profit: n=28)

Do High-Performance Work Systems generate other positive outcomes?

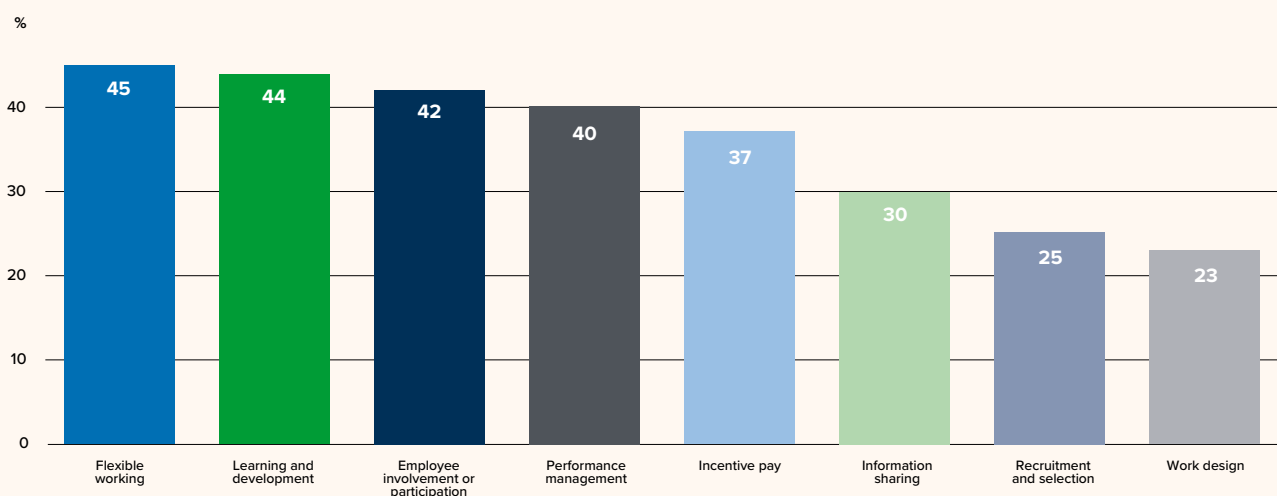
The survey also suggests that the introduction of HPWS can generate other additional benefits alongside the increased profitability reported by 51 per cent of organisations. These include improved quality of service (cited by half of employers), improved customer feedback (44%), increased productivity (43%), enhanced innovation (37%), and reductions in turnover (23%) and personal leave (21%).

At the same time, the main drivers for employers introducing HPWS include improving performance (49%), profitability (43%) and productivity (43%). Boosting the morale and

engagement of staff was identified as the fourth most frequent driver for introducing HPWS, which is cited by 39% per cent of survey respondents.

Survey respondents were also asked which three of the HPW practices were most effective in their organisations in improving organisational performance (Figure 8). The three most effective practices were cited as flexible work arrangements (45%), learning and development (44%), and employee involvement or participation (42%).

Figure 8: Most effective High-Performance Work Practices



Base: All employers who utilise any of the HPW practices n=596 (private: n=458; public: n=110; not for profit: n=28)

Key challenges in implementing High-Performance Work Systems

Unsurprisingly, time constraints are identified by survey respondents as the most common challenge when implementing HPWS. This is cited by over a third (36%) of employers who have adopted HPWS. Other challenges include insufficient training for managers (24%), difficulty deciding which practices to adopt (24%), difficulty proving organisational benefits (23%), and a lack of integration with other systems (23%).

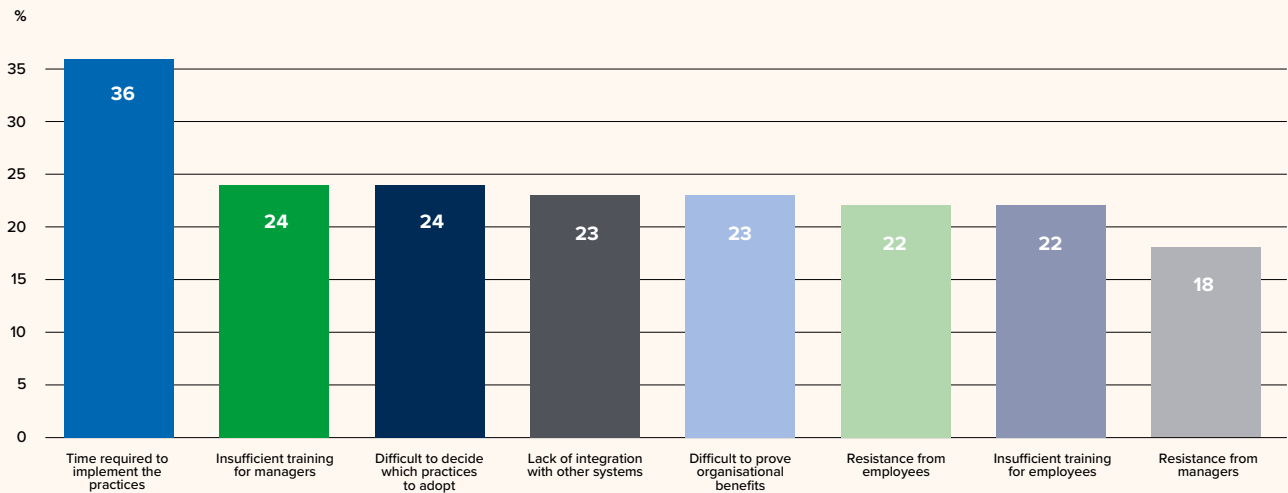
However, it seems that there is a strong and active commitment from senior management to the implementation of HPWS. Three quarters (75%) of organisations that have adopted HPWS say that the senior leadership team at their organisation has been actively involved in driving HPWS. This is important because the

chances of implementing HPWS successfully are enhanced by support from senior leaders and managers.

Survey respondents who say they do not plan to introduce or adopt more HPW practices in the future were asked why. The survey data points to four clear reasons to explain the lack of take-up;

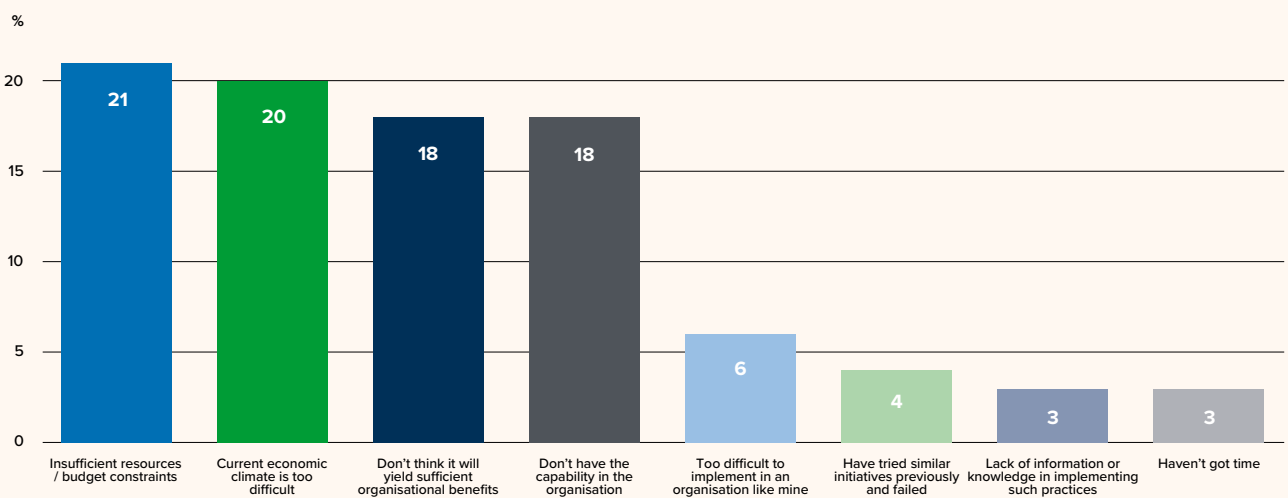
1. Insufficient resources and budget constraints (21%),
2. The difficulty of the current economic climate (20%),
3. Some scepticism about the potential benefits to the organisation (18%) and
4. A lack of organisational capability (18%).

Figure 9: Challenges to implementing High-Performance Work Systems



Base: All employers who utilise any of the High-Performance Work practices n=596 (private: n=458; public: n=110; not for profit: n=28)

Figure 10: Reasons for not introducing or adopting more High-Performance Work practices



Base: All employers whose organisation does not plan to introduce / adopt more High-Performance Work practices n=48 (private: n=46; public: n=2). *small base*

Employer Recommendations

The right 'bundle' of HPW practices

Introduce bundles of High-Performance Work (HPW) practices rather than introducing them in isolation.

Alignment with strategic goals

Ensure that the bundle of HPW practices are consistent, inter-related and aligned to the organisation's environment and strategy. Once introduced, the HPW practices require continuous refinement and regular evaluation as the internal and external environments, and strategic goals change.

Secure commitment from leaders

Elicit strong and active commitment from the organisation's leadership and senior management. As HPWS often require a change in the basis of control, with less reliance on top-down management and more on the involvement and commitment of employees, it is important that leaders and senior managers support and enable this shift.

Crucial role of line managers

Take deliberate action to strengthen the skills of line managers to support the implementation of HPWS. HPWS require managers to relate to their workers in a different way, gaining their commitment rather than relying on command and control. This can be achieved by allowing employees space to do their job, coaching, providing regular communication about the organisation's values and goals, and encouraging employees to be more involved in decision-making.

Role of HR

Ensure that HR practitioners act as strategic partners with the organisation's leadership. Key capabilities and skills from the Australian HR Capability Framework (ahri.com.au/ahrcf) required of HR practitioners involved in the implementation of HPWS will include business strategy (comprising business acumen, HR strategy and strategic leadership skills and knowledge), trusted partnership (comprising influence and impact, coaching and empowering, and employee relations skills and knowledge) and change management skills and knowledge.

Communication and understanding

Communicate the nature and benefits of HPWS frequently and comprehensively to ensure that they are widely understood by the organisation. A lack of employee understanding about their benefits could be a key barrier to successful implementation.

Learning and development

Ensure that the organisation's learning and development strategy is delivering the additional skills required for the successful implementation of HPWS and utilises HPW practices such as team-working, multi-skilling and information sharing, which will support a learning organisation.

Flexible working

Raise awareness of the different forms of flexible working and foster more positive employee attitudes by consulting with staff about flexible working provision through regular and open communication.

AI and other technologies

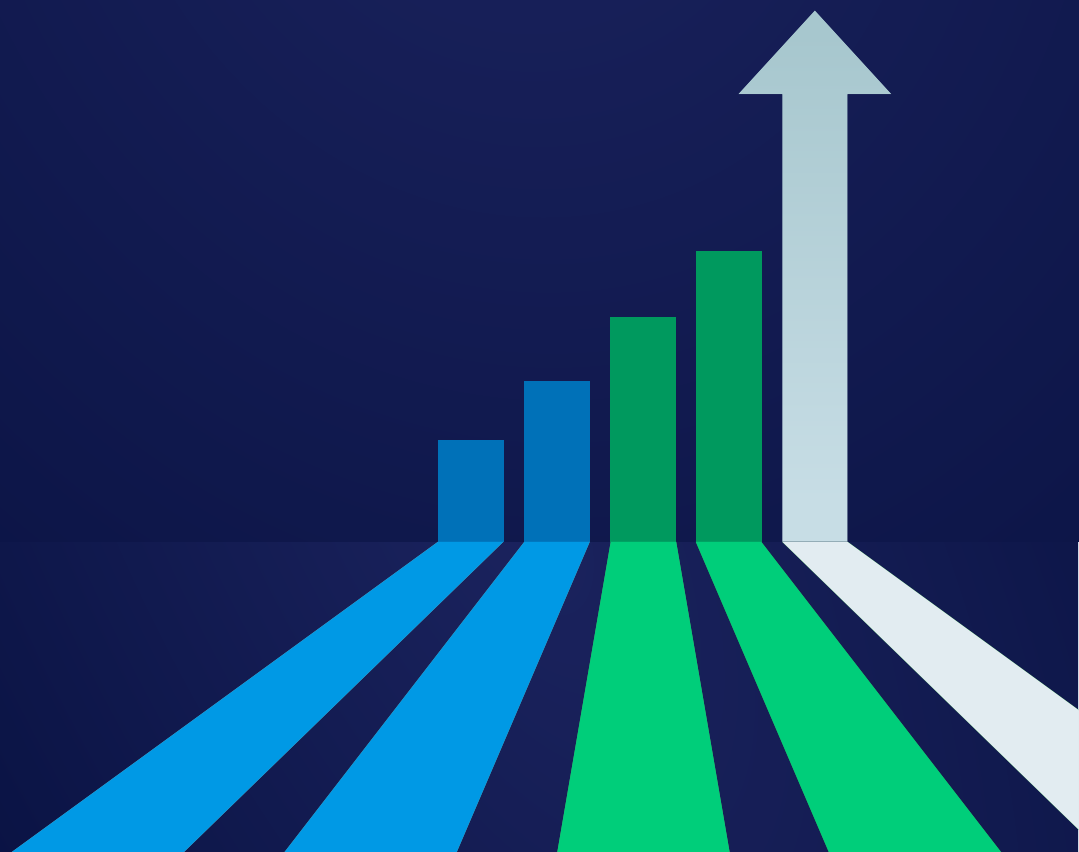
Consider using the HPWS approach for implementing AI and other technologies. Adopting certain HR practices simultaneously, including training, information sharing, employee involvement and empowerment can support AI or technology-related initiatives.

Be mindful of work intensification

Some of the global research suggests that while HPWS can bring benefits for employees in terms of increased job satisfaction, they can also increase employee workload and stress through expanded responsibilities. The research shows that line-management capability and other HPW practices such as learning and development, employee involvement in decision making and information sharing can reduce this risk.

Questions for HR Practitioners

The role of HR practitioners is critical to the successful implementation of High-Performance Work Systems (HPWS). There are therefore additional questions that HR practitioners should consider when implementing HPWS.



- 1. Does the organisation have the right flexible work arrangements in place to attract and retain candidates with the positive attitudes associated with HPWS?
- 2. Does the organisation have a recruitment process in place that places high value on employee attitudes and positive work behaviours?
- 3. Has the organisation considered team or group-based reward and recognition systems alongside individual rewards to support increased teamworking?
- 4. Are learning and development activity and expenditure sufficiently distributed through the organisation to promote team-working, multi-skilling and empowerment across the organisation?
- 5. Does the work design (e.g. job variety and responsibility, skill utilisation and teamworking) improve operational efficiency, employee satisfaction and wellbeing, and productivity?
- 6. Do the organisation's performance management systems promote and support the values and positive work behaviours required for HPWS?
- 7. Do internal communications provide regular and comprehensive information sharing for employees, and adequately support the involvement of employees in decision-making?

Case Studies

To complement the survey data, two case study interviews were conducted to demonstrate how High-Performance Work Systems (HPWS) are implemented in Australian workplaces and identify some of the critical success factors.

A key aim of the case studies is to provide real-world examples for employers that are considering implementing HPWS.

Both case studies demonstrate that the best results can be achieved by introducing practices in self-supporting bundles that align with the organisational strategy and context.



CASE STUDY 1

Moving to High-Performance: Fair Work Ombudsman

Background

The Fair Work Ombudsman (FWO) is Australia's workplace regulator, operating under the Australian Public Service (APS). The FWO's purpose is to promote harmonious, cooperative, and compliant workplace relations in Australia, serving over 13 million workers and one million businesses.

This case study illustrates how the High-Performance Work Systems (HPWS) approach can help HR teams to deliver meaningful outcomes in a challenging operating environment. The case study also shows how an HPW practice (recruitment) can combine with other HPW practices and be tailored to the organisation's strategy. It explores how integrating practices such as targeted recruitment, employee involvement, information sharing and flexible work can combine to deliver an effective solution to real-world business problems.

Challenge

In 2022 the FWO faced increasing employee turnover and difficulty filling vacancies due to Australia-wide conditions of low unemployment, increased job mobility and high job vacancies. Hard-to-fill roles such as specialist IT and data analytics, as well as operational service roles, saw lower than average applicant numbers, with some recruitment processes being unsuccessful.

To address these challenges, the FWO developed an Employee Value Proposition (EVP) and improved the organisation's recruitment

capability with the aim of improving recruitment outcomes and better positioning the Agency to attract and retain candidates.

Recruitment

To achieve this aim, the FWO identified five key outcome areas:

- 1. Segmented service offering:** A tiered approach to recruitment was developed for general, operational, and critical vacancies, aligning HR service delivery with the organisation's strategic and business goals.
- 2. EVP strategy:** The FWO highlighted the unique benefits of a career with the agency – meaningful work in a supportive workplace with the flexibility to live a great life. They also partnered with business areas to develop role-specific EVPs that best communicated the value offered to employees in critical vacancies.
- 3. Candidate journey:** The candidate journey was mapped to streamline the application process, identify all candidate touch points, and enhance the candidate experience.
- 4. Effective recruitment marketing material:** Compelling recruitment material was developed to communicate the EVP throughout the candidate journey. This included redeveloping the career page to feature the EVP using media, employee experiences, and quotes, as well as embedding the EVP into all candidate touchpoints.

5. Recruitment performance framework: By combining online recruitment marketing analytics with internal recruitment data, the FWO was able to focus on high-performing recruitment material and the most effective recruitment channels to attract candidates.

Employee Involvement

The initiative used a human-centred design approach to engage employees extensively in the development of the EVP, ensuring it accurately reflected employees' experience of work with the organisation.

The team conducted workshops, surveys, and interviews with employees to understand why they initially joined the organisation, why they stay, and what they valued most about their roles. These insights, along with a review of the wider market offering, were fundamental to developing a compelling EVP that accurately reflects the realities of work at the FWO.

Information Sharing

To ensure employees and key stakeholders understood and supported the initiative, regular updates were provided through the Agency Consultative Forum and the project reference group. HR business partners met with senior executives and directors to provide updates and encourage leaders to communicate a consistent

message across the organisation. The initiative included a continuous cycle of engagement with employees and stakeholders and incorporated this feedback into the design of the EVP and recruitment strategies.

Outcomes

Implementing these HPW practices delivered significant and measurable improvements in recruitment outcomes across the organisation. For example, operational roles saw a 55% increase in application numbers, an 83% increase in the number of shortlisted candidates, and a 57% reduction in the cost per application. The project built trust between HR and business leaders by solving a real-world problem and built a sense of ownership across the Agency by engaging employees and key stakeholders in the development of initiatives.

Conclusion

The FWO's experience applying HPW practices to address a significant issue demonstrates how these practices can enable a strategic HR function to deliver improved business performance.

Involving employees in developing the EVP and ensuring that employees and key stakeholders understood the work led to significant improvement in recruitment outcomes. According to the organisation, the improvement was due to the trust developed with staff and business leaders through the implementation of HPW practices.

CASE STUDY 2

Moving to High-Performance Work: QBE

Introduction

QBE is a leading global insurer, with its head office based in Sydney, Australia. QBE's Australia Pacific (AUSPAC) division has aligned its strategic context with both global and regional priorities, under the guidance of AUSPAC CEO Sue Houghton and AUSPAC Chief People Officer Shiona Watson. The focus within the AUSPAC Division is closely integrated with the broader global priorities led by the QBE Group CEO Andrew Horton and Group Chief People Officer Amanda Hughes.

QBE's global vision is to be the most consistent and innovative risk partner. This is central to its approach for supporting customers; particularly in times of crises, such as natural disasters, where QBE plays a crucial role in helping customers recover.

As Shiona Watson puts it: "What our customers are looking for is someone to provide them with advice and support when they need it and to help them get on with their lives. Our role is to help them manage their personal or business risks and to do it in a way that's continually evolving. We are continually thinking about how we do that better."

The QBE People team seeks to align with the company's purpose and strategy through a focus on high performance. There has been a planned and sustained focus on continuous improvements to job roles and governance structures; and as an integral component of the process, a sustained effort to upskill the workforce. This includes a particular focus on leadership capability.

Learning and development

The company is undertaking several initiatives to upskill the workforce. First, there is a significant ongoing program to develop leadership capabilities that Watson believes are essential for both high performance and for delivering on the organisation's strategic priorities. Targeted at all 700 people leaders within the AUSPAC division, key priorities of the program include adaptive leadership, purpose-driven leadership, digital leadership, risk mindset, storytelling, and productivity.

Watson says: "We decided we wouldn't keep it just to the top leaders, but instead embed it right through the organisation. We picked the skills we believed were essential for high performance and for delivering on our strategic priorities. Our focus last year was on introducing those skills."

The program has now moved into the second phase, which aims to embed those skills. In this stage there will be collaborative learning, with work groups undertaking regular sprints to improve practices.

According to Watson, the program has been essential to driving high performance at the organisation. Indeed, 40 per cent of participants in a recent sprint said they had created additional capacity within their team as a direct result of the sprint.

Work design

According to Watson, job design has also been very influential in achieving high performance

and improving employee well-being, which has been a focus alongside the leadership development program.

As Watson explains: “So often, when people talk about wellbeing, they’re thinking about Employee Assistance Programs (EAP), which are really important. However, the most significant driver of wellbeing is job design. We have been very deliberate about constructing roles that allow people to operate at their best, feel effective and feel like they’re adding value.”

A key feature of the initiative has been to give people the right level of “in-role development”, alongside a focus on accountability, role clarity and more emphasis on personal collaboration.

Looking ahead, the organisation aims to link this activity with future workforce and skill needs, ensuring that employees are well-prepared for upcoming challenges and the evolving skill needs of their roles.

According to Watson, workers are more likely to be more satisfied, motivated and committed to the organisation where they find their job demanding or challenging.

Reward and incentive schemes

QBE has introduced a new global mechanism for rewarding employees, featuring an incentive scheme designed to balance reward outcomes beyond financial metrics. The scheme links incentives to people and culture, risk management and strategic priorities.

According to Watson, this approach ensures rewards are related to organisational performance, not just individual performance. This can in turn drive a strong positive impact on organisational commitment according to Watson.

Conclusion

QBE’s strategic focus on learning, reward, and work design has positioned it as an industry leader with a strong commitment to its employees and customers. Through innovative job design, leadership development programs, and a purpose-driven approach, QBE has become a firm that has adopted High-Performance Work Systems successfully through introducing a bundle of HPW practices, strategically aligned to the company’s environment and goals, and supported by senior leadership.

Literature Review

Background

There is considerable literature on High-Performance Work Systems (HPWS) and how they contribute to organisational performance. These papers also provide information on HPWS and their key characteristics.

Consistent with much of the literature, the OECD (2015) sets out the key aspects of HPWS. These include:

- Flexibility in working hours
- Training provision
- Teamwork
- Autonomy
- Task discretion
- Job rotation
- Applying new learning
- Bonus pay.

The literature reflects that one of the challenges with understanding HPWS is that there is no universal agreement about what the specific characteristics of HPWS are. For example:

- A UK study outlines 14 practices that include the existence of a training plan, formal assessment of employees' performance after training, and the gathering of teams of people who don't usually work together to work on specific projects (HM Government, 2012).

- Katou and Budhwar (2010) identify five bundles of HPWS with key characteristics including:

1. Recruitment,
2. Training and development,
3. Reward management and incentives,
4. Employee participation and
5. Job design.

However, what binds the research together is the principle of groups of strategic HR practices that boost organisational performance through channels such as greater employee involvement in decision-making, work design, teamworking, extensive communication and performance-related pay. This is summarised by the UK Commission for Employment and Skills, which defines HPWS as “a general approach to managing organisations that aims to stimulate more effective employee involvement and commitment in order to achieve high levels of performance”.

It should also be noted that much of the research on HPWS also uses different terminology for the set of strategic HR practices that HPWS comprise. High-Performance Work Systems are also sometimes referred as High-Performance Work Practices or High-Involvement Practices. AHRI has adopted the approach that individual strategic HPW practices are strategically grouped into a HPWS in an organisation.

Relationship between High-Performance Work Systems and organisational performance

Much of the literature draws heavily on a study on HPWS by Huselid (1995). The study examined whether a strategic grouping of HR practices and the degree of alignment between this grouping and the organisation's strategy had an impact on organisational performance. He concluded that HPWS give firms a more skilled, motivated, and empowered workforce, which in turn leads to higher productivity and profitability.

Huselid's suite of HR practices included the extent to which employers use:

- Information sharing
- Job analysis
- Promotion from within
- Attitude surveys
- Quality of work-life programmes
- Group incentives such as profit sharing
- Training
- Grievance procedures
- Employment tests
- Individual performance-based pay
- Formal appraisals
- Promotion on merit
- The extent to which organisations are selective in employee recruitment.

A significant body of research has subsequently reinforced how HPWS contribute positively to the financial performance and productivity of organisations. This includes research from the

OECD (2018) that shows that organisations that adopt HPWS tend to have higher productivity and better financial performance. Similar findings come from a survey of employers by the UK Commission for Employment and Skills (2015). These show that investment in HPWS and the skills associated with them impacts positively on the bottom line.

Several review articles also suggest that HPWS consistently improve organisational performance (Wright and Ulrich, 2017). However, as other review articles point out (Jewell et al, 2022), it is much less obvious what makes up the bundle of HR practices that improve organisational performance.

Outcomes for employees

Although the outcomes for employees have not been investigated as thoroughly as the impact on performance, the evidence base points to HPWS leading to higher job satisfaction and motivation (Guest, 2017).

However, as Kim et al (2023) point out, while HPWS deliver clear benefits to employee wellbeing, there is also some evidence that HPWS can have a negative impact on employee wellbeing due to work overload. In particular, the authors claim that by giving greater decision-making power to employees, HPWS can increase their sense of responsibility and stress, which in turn may increase their workload.

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Annexes

Annex 1: Share of organisations that make intensive use of skills in the workplace



Annex 2: Relationship between the adoption of High-Performance Work Systems and higher-than-average financial performance in the AHRI (2024) research

		Adoption of High-Performance Work Systems	Financial Performance
Adoption of High-Performance Work Systems	Pearson Correlation	1	0.348**
	Signature (2-tailed)		0***
	N	12697	12585
Financial Performance	Pearson Correlation	0.348**	1
	Signature (2-tailed)	0***	
	N	12585	12585

Pearson Correlation Coefficient analysis

Source: YouGov/AHRI

** Correlation is significant at the 0.01 level (2-tailed). The coefficient ranges from -1 to 1, with - indicating a negative correlation and + indicating a positive correlation between two variables. A value of +0.348 therefore indicates a moderate positive correlation.

*** The P value for this test is 0.000, which indicates that we can reject the null hypothesis i.e. no correlation between the two variables.

Research Methodology

All data, unless otherwise stated, are from YouGov Plc.

The total sample size for this survey was 609 senior business decision makers, including HR, from organisations with 2+ employees.

Fieldwork was undertaken online between 1 July and 11 July 2024.

The figures have been weighted by employee size, state and industry to reflect the latest ABS Industry Employment estimates.

Respondent profile

Breakdown of the sample, by number of employees per organisation:

Employer size band	Count
2-19	217
20-199	158
200+	234
Total	609

Breakdown of the sample, by sector:

Sector	Count
Private	471
Public	110
Not-for-profit	28
Total	609



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