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Knowledge as a key in the relationship between high-performance work systems and workforce productivity

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ABSTRACT

Drawing on the knowledge-based view of the firm, we develop and test a theoretical model linking high-performance work systems (HPWS) and workforce productivity via employee exchange and combination of knowledge. A test of our model in a sample of junior enterprises in Germany supports the proposal that knowledge exchange and combination plays a mediating role. However, knowledge-management effectiveness interacts. That is, knowledge exchange and combination mediates the relationship between HPWS and workforce productivity only when knowledge-management is effective at medium and high levels, but not at low levels.

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1. Introduction

In human resource management research, the strategic human resource management (SHRM) paradigm emerges as most productive, emphasizing that human resource (HR) management contributes to achieving strategic goals (Becker & Huselid, 2006; Wright & McMahan, 1992). The research has substantially supported that high-performance work systems (HPWS) – systems of mutually reinforcing HR practices including training, selective staffing, participation, performance appraisal, and clear job descriptions (Sun, Aryee, & Law, 2007; Wright & Boswell, 2002) – are positively related with various organizational performance measures (Combs, Yongmei, Hall, & Ketchen, 2006). Recent reviews, however, have articulated several research gaps (e.g., Becker & Huselid, 2006; Kaufman, 2010; Werner, 2011).

First, Werner (2011) called for studies using unprecedented samples in a new context to consider whether HPWS are globally applicable. Kaufman (2010) challenged the global applicability hypothesis and argued that HPWS benefit some firms but yield no or even negative effects for others. By using samples of larger firms, researchers may have found consistently positive HPWS–organizational performance associations only because those firms have dominant market positions and economies of scale that allow them to benefit from HPWS. Second,

although research assumes that HPWS do not influence organizational performance directly (Collins & Smith, 2006), the link between both variables remains more or less a “black box” (Becker & Huselid, 2006). Despite recent research that somewhat illuminates the “black box” (Chiang, Shih, & Hsu, 2014; Shih, Chiang, & Hsu, 2013), renowned scholars in the field still bemoan the lack of studies on the underlying mechanisms explaining the relationship between HPWS and performance (Werner, 2011). Finally, SHRM research lacks a solid theoretical foundation. Although the resource-based view of the firm (Barney, 1991) underpins most SHRM research, it fails to offer specific guidelines for empirical research (Becker & Huselid, 2006).

Considering those limitations, we investigate the processes that explain HPWS impacts on organizational performance using data from junior enterprises in Germany to test knowledge exchange and combination as a mediator in the relationship between HPWS and workforce productivity. Our study contributes to the SHRM literature in three specific ways.

First, we respond to Werner's (2011) call for HPWS research on HPWS in “a new context” by examining the validity of the HPWS–organizational performance relationship in a unique set of organizations that contrast sharply from the large professional firms that mostly have been the source for evidence in HPWS research. We focus on junior enterprises (JEs), student-run organizations that undertake widely varying consulting project services including market, IT/social media, and strategy projects—and serve widely varying clients, from start-ups, to family-owned businesses, to multinational enterprises. However, in contrast with large professional companies typically studied in HPWS research (Kaufman, 2010), JEs are small and run exclusively by

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short-term, non-professional part-time university students only loosely tied to the JE and mostly organized in quasi-independent consulting project teams. Furthermore, JE members are motivated by desires to gain job experience and improve their CVs in contrast with professionals who are motivated to earn income and advance their careers. By using JE settings, we can examine previous arguments (e.g., Collins & Smith, 2006; Sun et al., 2007) focusing on HPWS as a characteristic of large professional firms signaling long-term investments in employees and motivating employees to act in firms' best interests.

Second, we follow recommendations (e.g., Werner, 2011) to investigate mediating variables of the HPWS–performance relationship and to illuminate the “black box” between HPWS and organizational performance. We find that when individuals of different knowledge levels teach one another—a process called knowledge exchange and combination—they connect previously unconnected elements of specialist knowledge or find new ways of combining those elements. The process of knowledge exchange and combination then mediates the HPWS–performance relationship, thereby illuminating the “black box” between HPWS and organizational performance.

Third, we investigate a potential intra-organizational boundary condition for the impact of knowledge exchange and combination on productivity. Specifically, we test whether knowledge management can strengthen the impact of knowledge exchange and combination on workforce productivity.

Rather than relying on the dominant resource-based view of the firm as a theoretical framework (Wright, Dunford, & Snell, 2001), we draw on a spin-off, the knowledge-based view of the firm, which focuses on individual knowledge as an organization's primary source of sustainable competitive advantage (Grant, 1996). The resource-based view all-inclusively defines *firm resources* as the main construct, making it difficult to empirically test the theory's validity (Kraaijenbrink, Spender, & Groen, 2010), but the knowledge-based view focuses narrowly on knowledge-related resources, providing a clearer direction for identifying factors that relate to inter-organizational performance differentials.

Aligned with the knowledge-based view, we propose that HPWS encourage employees to combine and exchange their knowledge, which in turn enhances workforce productivity. We follow the argument that HPWS influence the quality of social relations among employees (Evans & Davis, 2005), which then allows and motivates them to exchange and combine knowledge (e.g., Cabrera, Collins, & Salgado, 2006; Hansen, 2002; Mooradian, Renzl, & Matzler, 2006; Reagans & McEvily, 2003). Other studies have mostly examined the validity of that argument (e.g., Kacmar, Andrews, Van Rooy, Steilberg, & Cerrone, 2006; Sun et al., 2007), but we focus on knowledge exchange and combination processes as the mediating mechanism in the HPWS–productivity relationship.

Extending the knowledge-based framework, we further examine an organization's knowledge-management effectiveness as an intra-organizational boundary condition. Effective knowledge-management ensures that employees receive and understand the knowledge they need to perform best (Sabherwal & Becerra-Fernandez, 2003), so we test whether knowledge-management effectiveness controls the impact of knowledge exchange and combination processes on workforce productivity. In summary, we examine a moderated mediation model linking HPWS to workforce productivity via knowledge exchange and combination, and investigate knowledge-management's role in moderating the relationship between knowledge exchange and combination and workforce productivity.

Next, we develop and discuss theoretical arguments about the HPWS–workforce productivity relationship in light of the results of our empirical study. We first explain knowledge exchange and combination as it mediates the HPWS–workforce productivity relationship. Then we show how knowledge-management effectiveness controls the impact of knowledge exchange and combination on workforce productivity. In the method section, we explain our procedures for testing

our hypotheses, and then present the results. In the concluding section, we discuss theoretical and managerial implications. Fig. 1 shows a summary of our research model.

2. Theoretical background

2.1. High-performance work systems and knowledge exchange and combination

SHRM proponents hold universalistic, contingency, or configurational viewpoints (Delery & Doty, 1996). The universalistic view holds that specific HR practices generate higher organizational performance across all organizations. The contingency perspective suggests that a third variable, such as business strategy, moderates the relationship (Kaufman, 2010). The configurational view builds on the concept of equi-finality: that many unique patterns of complementary HR practices are equally effective (Lepak & Snell, 2002). Although proponents continue to debate the three views, empirical findings mostly support the currently dominant universalistic view including the effectiveness of HPWS (Becker & Huselid, 2006; Kaufman, 2010).

However, few agree on an exact definition, the associated practices, and even the labeling of HPWS (Boxall & Macky, 2009). The extensive research taking a universalistic view has used multiple labels other than HPWS, such as high-involvement work systems, high-commitment work systems, and high-performance HR practices (Gittell, Seidner, & Wimbush, 2010). Adding to the ambiguity of the HPWS construct, a wide range of HR practices has been associated with HPWS (Combs et al., 2006).

Common to all approaches is that HR practices form a coherent and integrated “system of complementarities whose effect is greater than the sum of its parts” and the assumption of an “underlying, causal link flowing from HR practices to organizational performance via the responses of employees” (Macky & Boxall, 2007: 537). Sharing those assumptions, we focus on complementary HR practices, particularly training, selective staffing, participation, performance appraisal, and clear job description to reflect the constructs commonly associated with HPWS (Sun et al., 2007).

Huselid's (1995) seminal article advocating a universalistic view showed HPWS to be related to lower turnover, higher productivity, and better financial performance in organizations of different sizes and from a broad range of sectors. Since then, several studies have investigated the relationship between HPWS and organizational performance. A meta-analysis of 92 studies revealed that systems of HR practices are more effective than single HR practices and that HPWS and organizational performance are significantly related both statistically and practically (Combs et al., 2006).

To explain the empirical link between HPWS and organizational performance, researchers have most often used the resource-based view of the firm as a theoretical framework (Wright et al., 2001) suggesting that organizations need resources that are valuable, rare, imperfectly imitable, and non-substitutable to achieve sustainable competitive

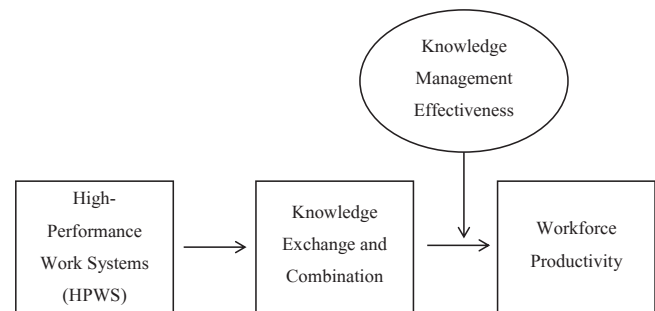


Fig. 1. Hypothesized processes linking high-performance work systems to workforce productivity.

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