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# High Performance Work Systems for Online Education

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## Abstract

The purpose of this paper is to identify the key elements of a High Performance Work System (HPWS) and explore the possibility of implementation in an online institution of higher learning. With the projected rapid growth of the demand for online education and its importance in post-secondary education, providing high quality curriculum, excellent instructors, quality customer service with user-friendly technology, and competitive prices distinguishes one online institution from another. The implementation of High Performance Work Systems (HPWSs) should be considered by online institutions as research results reveal positive outcomes in areas such as revenue, innovation, quality, productivity, and customer service. Organizations of all sizes and across all industries can implement HPWSs if there is a compelling need to change and organizational support for implementation.

## Introduction

More than ever before organizations today are facing increased competitive challenges due to globalization, rapid technological advances, an increased emphasis on accelerated change and innovation, demands for higher quality and customer service, and the risks and rewards of managing a diverse workforce. To meet these challenges and sustain a competitive advantage, organizations must combine human resource (HR) practices into an overall High Performance Work Systems (HPWS) that enhances employee involvement and performance. According to Datta, Guthrie & Wright, organizations that use HPWSs or systems of HR practices designed to enhance employees' competencies, motivation, and performance is associated with lower employee turnover, higher labor productivity and improved overall company performance (2005).

The majority of both current and past HPWS research findings available for the manufacturing sector generally neglect the service sector as a stand-alone entity. However, cross-industry HPWS research is available that includes the service sector as referenced throughout this paper. With the service sector now accounting for 78 percent of gross domestic product (GDP) in the United States, which serves as a key economic health indicator (World Factbook, 2007), additional research is recommended to examine the effects and benefits of HPWSs in the new service economy.

One entity that can benefit from HPWSs is online education. Due to the growth in online education and its increasing importance--both to institutions of high education as well as to students--it is necessary that educational institutions provide quality online programs (Kim & Bonk, 2005) while at the same time managing "virtual" faculty. Implementing HPWSs in online learning can provide greater opportunities for educational institutions to capture additional market share as well as improve the overall performance of

the organization.

### **Key Elements of HPWSs**

HPWSs are a combination of HR practices such as skill training, compensation policy, and workforce participation that complement organizational work structures and processes in order to maximize the competencies, commitment, flexibility, and adaptability of employees (Bohlander & Snell, 2010). HPWSs focus on systemization of the interrelated parts of an organization that complement one another to accomplish the goals of the organization.

In order to be successful, the content of work systems must be driven by a particular organization's business strategy such as differentiation through service excellence. An organization with service excellence as a strategy must align HR practices in recruitment, performance management, training, employee involvement, and rewards to support the strategy. This was emphasized by Liao, Toya, Lepak & Hong (2009): "This strategically focused approach is consistent with the argument that to be effective, work systems should achieve horizontal fit among various HR practices, such that these practices complement and are aligned with each other and achieve vertical fit, such that the work systems are aligned with the organization's strategy" (p. 372). Rust, Moorman and Dickson (2002) also found that the HPWS service firms that adopted revenue expansion through customer-oriented quality improvements as a strategy performed the best in terms of profitability and stock prices.

### **Principles of HPWSs**

In addition to business strategy, the principles or values that provide the underlying support for HPWSs include egalitarianism and engagement, shared information, knowledge development, and performance-reward alignment (Bolander & Snell, 2010). These four principles are the building blocks for successful implementation of HPWSs.

Egalitarianism is realized when the power distance between top management and front-line staff is reduced and the work environment is more team-based and collaborative in nature. This principle intends to satisfy employees' needs to feel more connected and a greater sense of belonging to an organization. In an egalitarianism culture, employees work more cooperatively as a team toward a common purpose for the good of their organization. Productivity can improve if employees collaborate at all levels in a more cooperative way (Bohlander & Snell, 2010). Taller organizations, on the other hand, with a large hierarchy of jobs are not supportive of an egalitarianism culture and are less likely to support a HPWS.

HR practices that solicit input from employees through surveys, suggestion systems, and focus groups also assist with moving power down in organizations (Bohlander & Snell, 2010). Involving employees in decision-making and giving them the power to act, coupled with organizational support increases employee engagement. Employee engagement refers to how committed workers are to their organization, and how much extra effort they are willing to put forth on the job. Employee engagement is one of the top priorities for HR leaders in 2010 in order to attract, retain and motivate top talent as the economy recovers (Frauenheim, 2009). A recent Gallup study reported organizations with top quartile engagement scores had 18 percent higher productivity and 16 percent higher profitability compared to those in the bottom quartile of engagement scores (Frauenheim, 2009).

The most common step to bolster engagement is to increase communication by sharing timely information about business performance, plans, and strategies. This fundamental shift to increase communication represents movement from the command and control philosophy to building relationships between the employer and employees. Consulting firm Towers Perrin found in the second quarter of 2009 improved communication resulted in 83 percent of employees having a clear understanding of their company's goals, an increase from 69 percent in the first quarter (Frauenheim, 2009).

Jobs today require a greater degree of knowledge and skill. As organizations attempt to compete through their employees, they must invest in continuous knowledge development. Practices such as extensive training reflect the organization's commitment to invest in its employees. As employees acquire more knowledge, skills, and abilities relevant to their jobs, they become "more psychologically empowered to

appreciate the significant meaning in the tasks, feel the competence and control they have in performing the task, and see the impact they can make on organizational success” (Liao, Toya, Lepak & Hong, 2009, p. 387). One example of this organizational success occurred when one company simply doubled training hours per employee to 30 hours per year, resulting in a 7 percent reduction in scrap, which far exceeded the training investment factor (Kling, 1995).

Pay and performance is also directly linked in HPWSs to create incentives for employees to work towards the outcomes beneficial to themselves, their team, and the organization. A performance-reward linkage increases employee effort and aligns employees with the long-term interests of the organization resulting in better communication, increased product or service quality, longer job tenure, and greater acceptance of technological change (Kling, 1995). A majority of statistical tests in another study of 112 manufacturing companies showed a significant positive correlation between profit sharing and gain sharing to productivity with varied average increases between 5 and 25 percent (Kling, 1995).

### **Key Elements of HPWSs**

In addition to the fundamental principles required for HPWSs, the work structures, HR practices, and management processes must be aligned to maximize employee performance and well-being. The design of the work itself, leadership, HR practices, and information technologies are the key elements that influence the successful implementation of HPWSs. A system or set of management practices including these key elements are considered to be more difficult for competitors to imitate than individual practices (Flood, 2008 et al).

HPWSs focus on key business processes instead of individual jobs that drive customer value resulting in new work designs and structures within a team-based environment to accomplish the work outcomes (Bohlander & Snell, 2010). For example, drivers at Federal Express are no longer narrowly defined to only make deliveries. Equipped with advanced problem-solving skills, drivers worked to redesign their jobs in order to more fully meet customer needs. They are now responsible for scheduling their own routes and informing customers of new services, based on their extensive knowledge of the company and of their customers. Focusing on business processes to change the design of their jobs appears to have benefited the drivers and Federal Express by converting ordinary and routine responsibilities into jobs that require higher skills and improving customer service (Kling, 1995).

Work redesign alone doesn't constitute a HPWS. Work structure redesign must be combined with HR practices in order for organizations to more fully realize higher levels of employee performance and satisfaction. A growing body of research suggests that the use of a set of HR practices, including comprehensive employee recruitment and selection procedures, compensation and performance management systems, information sharing, and extensive employee involvement, and training, can improve the acquisition, development and retention of a talented and motivated workforce (Flood, 2008 et al.). Careful planning is required to ensure these HR practices fit together with the overall strategic goals of the organization.

Like any other change initiative HPWSs require evaluation to determine the effectiveness of the change. Managers in HPWS organizations need to measure the key elements of work structure, HR practices, management processes and technologies of the HPWS to ensure the elements are working together at cross purposes. The HR Scorecard is an example of an evaluation tool that assists with determining if the key elements are enabling employment stability, team-based behaviors, strategy-focused behaviors, and high-talent staffing levels that drive the strategic goals of the organization such as revenue growth, productivity improvements, and customer service focus (Bohlander & Snell, 2010).

### **HPWSs and Online Learning Institutions**

HPWSs can be implemented by small, medium, and large organizations across all industries if there is a compelling business reason to transition an organization's management practices. “Given the rapid growth of online education and its importance for postsecondary institutions, it is imperative that institutions of higher education provide quality online programs” (Kim & Bonk, 2005, para. 1). Growth projections for online learning and the emphasis on quality programming, coupled with the challenges of managing

virtual teams of faculty, are compelling business reasons to implement HPWSs in online learning institutions. HPWSs will provide greater opportunities for online learning institutions to capture additional market share and improve overall organizational performance. Market share growth according to Allen and Seaman in the 2009 Learning On Demand Survey found that online enrollments have continued to grow at rates far in excess of the total higher education population and this trend is expected to continue in the foreseeable future before stabilizing. Over 4.6 million students were taking at least one online course during the fall 2008 term, which represents a 17 percent increase over the number reported the previous year (2010, p. 5). While the online industry remains in a growth mode, now is the time to determine if work structures, HR practices, and technologies are serving cross purposes in online institutions of higher learning.

Online institutions of higher learning are at an advantage when it comes to integrating advanced technology into the key elements of a HPWS. Just as the efficient use of technology is applied to online learning, this same platform can be used to communicate the plan of implementation for the HPWS. Employees should receive ongoing communication and training about the goals, plans, and strategies of the institution in order to fully understand how they contribute to the success of the organization. At any given time, each employee should be aware of enrollment numbers, retention rates, student outcomes, success stories, and other key metrics of the institution. On-going training should be provided to support staff and faculty to continuously update their skills. Compensation policies must also be established to reward both individual and organizational success.

The number of new institutions entering the online learning area is slowing and most institutions that plan to offer online education are already doing so. Future growth in online enrollment will likely come from those institutions that are currently the most engaged because they enroll the most online learning students and have the highest expectation of growth (Kim & Bonk, 2005).

## **Conclusion**

Many organizations have implemented at least some high performance work practices and overall organizations look upon high performance practices as having been successful. However many organizational initiatives are piecemeal rather than systematic. The existing evidence suggests that it is the use of comprehensive HPWSs that is most clearly associated with stronger organizational performance (Kling, 1995). "A study by Mark Huselid of 962 firms in multiple industries showed that HPWSs resulted in profits of more than \$3,800 per employee and One Valley Bank reduced turnover by 47 percent, productivity increased by 24 percent, return on equity grew by 72 percent and profits jumped by 109 percent in three years" (Bohlander & Snell, 2010, p. 733 ).

While there is an absence of research dedicated to HPWSs in an online higher learning environment, research evidence presented throughout this paper reinforces the possibility that any size and type of organization can implement a HPWS with a commitment to improving organizational effectiveness through an environment of high employee involvement. It is possible and recommended that online higher learning institutions competing for market share and top rankings should consider the implementation of HPWSs.

It is recognized that the most competitively positioned online universities will capture the largest share of the market. HPWSs can correlate to greater efficiency, effectiveness, and customer experience and to capitalize on this potential for revenue growth. The most successful higher education on-line universities will aspire to implement HPWSs to sustain a competitive advantage.

Institutions of higher learning need to consider whether they are ready to meet growing learner demands in the coming years. Integrating the key elements of HPWSs with an increased emphasis on employee involvement in online learning institutions will likely result in increased revenue, stimulate innovation, improve quality of programming and customer satisfaction, attract the best instructors, and reduce costs to sustain a competitive advantage during the growth phase of online learning.

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