Cornell University
ILR School

Cornell University ILR School
DigitalCommons@ILR

ILR Impact Briefs

Key Workplace Documents

June 2006

ILR Impact Brief - Pathways to Success: Human Resource Practices Do Matter

Christopher J. Collins
Cornell University, cjc53@cornell.edu

Ken G. Smith
University of Maryland

Follow this and additional works at: http://digitalcommons.ilr.cornell.edu/impactbrief

DigitalCommons@ILR is celebrating its 10th anniversary!
Please share your DigitalCommons@ILR story!

This Article is brought to you for free and open access by the Key Workplace Documents at DigitalCommons@ILR. It has been accepted for inclusion in ILR Impact Briefs by an authorized administrator of DigitalCommons@ILR. For more information, please contact hlmdigital@cornell.edu.

ILR Impact Brief - Pathways to Success: Human Resource Practices Do Matter

Abstract
[Extract] Most researchers agree that human resource (HR) practices affect attitudes and discretionary behavior on the job and that employee actions and motivations influence company performance. The academic literature also suggests that investing in employees, through high-commitment HR practices such as internal labor markets, selecting new employees who "fit" the company rather than a particular job, compensating employees on the basis of group and company results, and training and development programs that stress team building and long-term growth, are all indirectly related to organizational success. Missing from the literature is an exploration of the causal mechanisms that "mediate" between these HR practices and favorable outcomes for companies operating in dynamic environments; this research begins filling the void.

Keywords
human resource, ILR, Cornell, labor, labor market, job, compensating employees, growth, motivation, success, practice, research, industrial relations, education, employee, performance, employer, company

Comments

Suggested Citation
Collins, C. J., & Smith, K. G. (2006). *Pathways to success: Human resource practices do matter* (Impact Brief #7). Ithaca, NY: School of Industrial and Labor Relations, Cornell University.
http://digitalcommons.ilr.cornell.edu/impactbrief/7/

The ILR Impact Brief series highlights the research and project based work conducted by ILR faculty that is relevant to workplace issues and public policy. The Briefs are prepared by Maralyn Edid, Senior Extension Associate, ILR School.

Required Publisher Statement
Copyright by Cornell University.

This article is available at DigitalCommons@ILR: http://digitalcommons.ilr.cornell.edu/impactbrief/7

IMPACT BRIEF

Brief #7 / June 2006 / ILR School / www.ilr.cornell.edu

Pathways to Success: Human Resource Practices Do Matter

Research question: What is the pathway through which human resource practices affect company performance in the high-technology sector?

Conclusion: Human resource practices that foster strong connections between employees and employer generally sustain a social climate within the organization that facilitates the exchange and combination of knowledge necessary for innovation and growth. More specifically, certain selection, training and development, and compensation strategies comprise the high-commitment human resource practices that help create an environment of trust, cooperation, and shared language. It is this social climate that motivates and enables employees to communicate the ideas and information that spawn new knowledge, which in turn leads to new products and higher sales.

Workplace Impact: This research involved knowledge workers in high-technology industries, although the results can be generalized to other knowledge-intensive companies operating in rapidly changing environments. For such companies, the choice of human resource practices pertaining to knowledge workers can be a critical determinant of organizational success. These practices are tools that at least partially shape the social context of work, which either promotes or dampens employees' desire and ability to originate knowledge. And knowledge, for many companies, is an asset that imparts a competitive advantage. Trust, cooperation, and shared language, the social climate conditions explored here, may facilitate additional performance gains that also can be traced back to high-commitment human resource practices. Further research is needed to identify these benefits.

The ImpactBrief *series highlights the research and project-based work conducted by ILR faculty that is relevant to workplace issues and public policy. Please visit http://digitalcommons.ilr.cornell.edu/impactbrief/ for full-text pdfs.*

Abstract: Most researchers agree that human resource (HR) practices affect attitudes and discretionary behavior on the job and that employee actions and motivations influence company performance. The academic literature also suggests that investing in employees, through high-commitment HR practices such as internal labor markets, selecting new employees who "fit" the company rather than a particular job, compensating employees on the basis of group and company results, and training and development programs that stress team building and long-term growth, are all indirectly related to organizational success. Missing from the literature is an exploration of the causal mechanisms that "mediate" between these HR practices and favorable outcomes for companies operating in dynamic environments; this research begins filling the void.

The social climate within an organization is generally believed to be a key mediator in driving performance. Not surprisingly, the impact and importance of different social climates tends to vary by company and industry. In the high-technology sector, where the creation and management of knowledge is a necessary precondition for product innovation and service delivery, the social climate must facilitate and nurture the interactions among employees that generate new knowledge. The

Cornell University
ILR School

underlying question in this paper concerns the role HR practices play in making all this happen.

Analysis of the data derived from surveys and field interviews confirmed the researchers' hypotheses about the progression from commitment-based HR practices to social climate conditions, to knowledge exchange and combination, and finally to enhanced company performance.

First, they found that HR practices that demonstrate a long-term investment in employees were significantly related to three social climate conditions that seem to facilitate the exchange and combination of knowledge. Commitment-based HR practices foster higher *trust* among employees through group-based financial incentives and training and development opportunities that increase the frequency of positive interactions among knowledge workers; they enhance *cooperation* by supporting team-oriented work environments and compensation policies that reward team and organizational outcomes, which in turn create a common purpose and joint goals; and they generate *shared codes and language* through cross-training, internal promotions, and active mentoring, all of which encourage employees to develop firm-specific skills.

Second, the research showed that these three social climate features are significantly related to the exchange and combination of knowledge, indispensable pieces of the process that results in new ideas, products, and services. Trust, built on expectations of reciprocity and mutual aid, is the foundation for interpersonal interactions and information exchange; cooperation propels these connections by limiting competition; and shared language facilitates access to information and enables knowledge exchange. Thus, the social climate at least partially mediates the commitment-based HR practices on their way to affecting how knowledge is used by knowledge workers in high-technology companies.

Third, the research established that commitment-based HR practices are significantly related to increased revenue from new products and services and higher overall sales. The researchers found that the relationships between commitment-based HR practices and firm performance reflected the effects of these practices on both social climate conditions and knowledge exchange/combination. More specifically, they reported that 76% of the relationship between high-commitment HR practices and revenues can be explained by the social climate and knowledge exchange and combination among employees.

The bottom line: commitment-based HR practices enhance the performance of technology companies by creating greater trust, cooperation, and shared codes and language which lead to the knowledge exchange and combination that fosters innovation. Moreover, they minimize voluntary departures and boost the length of time employees stay with the company.

Methodology: A combination of field research, surveys, and public corporate records for a sample of 136 high-technology companies.

Source publication: "Knowledge Exchange and Combination: The Role of Human Resource Practices in the Performance of High Technology Firms" appears in the *Academy of Management Journal*, June 2006, Volume 49 (3).

---

by Christopher J. Collins
Professor of Human Resource Studies (ILR)

Ken G. Smith
Professor, Robert H. Smith School of Business (UMd)