

Best fit and best practice perspectives for hr management essay



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The concepts of 'best fit' and 'best practice' are two well known approaches to human resource management. The 'best fit' perspective claims that HR strategy become more and more efficient when it is linked to its environment of the business. It explores the close link between strategic management and HRM by assessing the extend to which there is a vertical integration between an organisation business strategy and its HRM policies and practices. 'Best practice' school claims that certain 'best' human resource practices would result in enhanced organisational performance, manifested in improved employee attitude, lower level of absenteeism and turnover, higher level of skills for higher productivity, enhanced quality and efficiency. That is why the 'best practice' model is also referred as high commitment models. These two concepts are generally described within the literature but it is sometimes difficult to stretch the specifications of each approach. This essay will attempt to fill that gap. Section two compares these concepts according to human resource studies. It will highlight areas of agreement between each approach. Section three therefore stretches the differences between 'best fit' and 'best practice' approaches. We now try to discuss in section four the approach taken in this debate by the CIPD. Concluding elements are found in section five.

A comparative approach between 'best fit' and 'best practice' models.

The terms 'best fit' and 'best practice' are used in strategic human resource management literature.

The 'best fit' approach to strategic human resource management (HRM) explores the close relationship between strategic management and HRM by

considering the influence and nature of vertical integration. Vertical integration, where leverage is gained through the close link of HR policies and practices to the business objectives and therefore the external context of the firm, is considered to be a key theme of strategic HRM. “ The inflexibility of ‘ tight fit’ models in a dynamic, changing environment was evaluated, and consideration was given to achieve both fit and flexibility through complementary SHR systems.” Julie Beardwell and Tim Claydon (2007).

The ‘ best practice’ highlights the relationship between ‘ sets’ of good HR practices and organisational performance, mostly defined in terms of employee commitment and satisfaction. These sets of best practice can take many forms; some have advocated a universal set of practices that would enhance the performance of all organisations they were applied to. Pfeffer (1998) Pfeffer, J. (1998). Seven Practices of Successful Organizations. California Management Review , 40 (2), pp. 96-124. , listed seven HR practices for competitive advantage, “ Employment security, selective hiring, self managed teams, high pay contingent on company performance, extensive training, reduction of status difference and sharing information”. Tim Claydon (2007), argues that: “ A key element of best-practice is horizontal integration and congruence between policies.”

Having defined the two systems, let’s now look at the agreements points between ‘ best fit’ and ‘ best practice’.

Both theories aim to achieve high performance in organisations. Sparrow and Hiltrop (1994) claim that these models could be classified as ‘ matching

models' because of their common aim is to match the human resources strategy with that of the corporation.

The ' best fit' school of SHRM focuses on the fact that close alignment between organisational strategy and other systems is respected. Lawler (1995) states that all organisational systems must start with business strategy because "...it specifies what the company wants to accomplish, how it wants to behave, and the kinds of performance and performance levels it must demonstrate to be effective."

The ' Best practice' theory acknowledges also that importance of business strategy on performances. According to Conway (2003), research examining ' high commitment management' in HRM has its roots in both the configurationally and the universal theoretical frameworks. Marchington and Wilkinson (2002, p. 177), claim that " most of the interest over the last decade or so has been in models of ' high commitment' or ' best practice HRM, stimulated initially by the work of a number of US academics, but developed more recently by people in Britain as well.". Both approaches believe that HR practices should be complimentary.

Whether ' best fit' or ' best practice', organisation needs of staff is acknowledged. Thus, both concepts need employees in order to achieve its goals. Therefore they both have staffing and hiring strategies and procedures. Recruiting, testing, selection and staffing are considered in the two systems. Advocates suggest there are mutually compatible ' bundles' of HR policies that promote high levels of employee motivation and commitment that positively impact on organisational performance. Although

there is not unanimous agreement in identifying these practices, the list generally includes: selective hiring, extensive training, employment security, a structure that encourages employee participation and pay policies that lead in relation to industry competitors. (Pfeffer, 1998; Huselid, 1995). And reward for example is another important issue within the application of each approach. In the most general sense, both approaches view HR as having an important role in supporting organisational strategy and objectives. ""

Both approaches agree that externally competitive reward packages are important to attracting and retaining qualified employees. Thus, ' Best fit' advocates emphasise the importance of external competitiveness for attracting and retaining employees. To be effective, a reward system must distribute rewards in a way that will lead the organisation's most valuable employees to feel satisfied when they compare their rewards with those received by individuals performing similar jobs in similar organisations. According to Schuster and Zingheim (1992), two advocates of the ' best fit' approach, " good performers tend to seek organisations where performance is recognised and rewarded." The same idea is found in ' best practice' books. Pfeffer (1998) says: " Although labour markets are far from perfectly efficient, it is nonetheless the case that some relationship exists between what a firm pays and the quality of the workforce it attracts." There is therefore a shared view that an externally competitive reward system has an important role in attracting appropriate candidates and retaining employees.

In a sense, by promoting good rewards systems, the two concepts reinforce and define structure as well as the organisation culture. This because pay system is thought to have an influence in the way people behave in an <https://assignbuster.com/best-fit-and-best-practice-perspectives-for-hr-management-essay/>

organisation. Therefore, a good reward system consolidates and contributes to corporate culture. Armstrong (1999) argues, "the reward strategy provides an opportunity to reinforce the organisation's values and beliefs in such areas as performance, quality, teamwork and innovation." And Lawler (1996) before that suggested that pay system can help to change culture when it states "The behaviours they evoke become the dominant patterns of behaviour in the organisation and lead to perceptions about what it stands for, believes in and values." Both Strategic HR theories see rewards as a way of reinforcing organisational culture and structure.

To summarise, the concepts of 'best fit' and 'best practice' in strategic human resource management share some common points. In the most general sense, both approaches view HR as having an important role in supporting organisational strategy and objectives. Both approaches agree that reward practices should be consistent with other HR practices. There is a shared view that an externally competitive reward system has an important role in attracting appropriate candidates and retaining employees. Both see rewards as a way of reinforcing organisational culture and structure. Talking about this topic, Ronald J. Burke, Cary L. Cooper() The human resources revolution: why putting people first matters, argues: "In both cases HRM policies and practices matters". However, there are many important differences between the two approaches. We shall explore those differences in the next paragraphs.

Indeed, the systems in SHRM have different approaches and therefore we can highlight many important differences between those systems.

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At the most general level, best fit is a contingency approach while best practice is a universal approach.

Best fit is based on the premise that picking the most effective HR policies and practices depends on matching them appropriately to the organization's environment. The contingent factors influencing HR strategy might include type of business strategy pursued, organization size, type of technology, geographic location and labor market, management skills and preferences, industry sector and economic conditions. According to Annette Cox (2007) Blackwell reference online <http://www.blackwellreference.com>, "Contingency approach refers to a method of decision making often applied in devising appropriate human resource (HR) strategies and termed the "best fit" approach in contrast to "best practice" approaches." Best practice is referred as an universal approach because it documents the benefits of HRM across all context.

For best fit, organisational strategy comes first and all organisation systems and practices follow. Whereas for best practice a prescriptive set of practices, precede strategy but provide the human resources needed to fulfil the organisation's objectives, whatever they are. We can see that the two concepts differ in their method. Within the 'Best practice' model the HR manager starts by identifying best practice, then give HR a high profile, get top level commitment, sell it, do it, measure it, reward champions. However the process is different for the 'best fit' model, where the HR manager identifies first the external fit linked to the operation strategy, marketing strategy etc.. and tries to 'fit' them with the HR strategy. Schuler & Jackson (1987), "Linking competitive strategies with human resource management <https://assignbuster.com/best-fit-and-best-practice-perspectives-for-hr-management-essay/>

practices”, Academy of Management Executive, 1(3), 207-19. developed the connection between competitive advantage, employee behaviours and HR practices.

At a more specific level, regarding reward for example, both approaches have different point of view regarding the influence of pay in people performance.

Best fit system shows a high margin of confidence regarding pay as a motivator. It follows the expectancy theory that believe that people will perform more and more better if they believe their effort will be rewarded. So, the best fit method focuses on the financial aspect and uses it as a driver for corporate human resource. David Morris (2007) says: “ Best fit proponents see rewards as the stick and the carrot. Since pay varies with performance, poor performers ‘ vote with their feet’. Excellent performers are attracted to the large pay differentials that reward their performance.”

However, in relation to pay, best practice advocates usually use the term “... first. Do not harm.” Pfeffer (1998). Thus, they do not really believe in the great influence of pay that best practice advocates want to show. They see pay more as a factor helping to ” prevent dissatisfaction and provide symbolic recognition that employees are valued.” David Morris (2007).

Rewards, for best practice advocates, can even destroy the relationship and trust that are the basis of organisational commitment. This leads them to promote a reward system that does not differentiate with compressed pay bands, equal pay for all team members and collective incentives.

Due to all these difference, the question we ask ourselves is obviously: which one of the two systems is better? We will ask the Chartered Institute of Personnel management (CIPD), the main body of HRM in UK, to help us answer this question.

The CIPD (2010), talking about strategic human resource management, writes: “ There is no single HRM strategy that will deliver success in all situations. Organisations need to define a strategy which is unique to their own situation in terms of context, goals, and the demands of organisational stakeholders. CIPD members will find our tool on HR strategy will be useful in carrying out such an activity.” Therefore, It is useful for all organisations to management their people within a planned and coherent framework which reflect the business strategy.

CONCLUSION