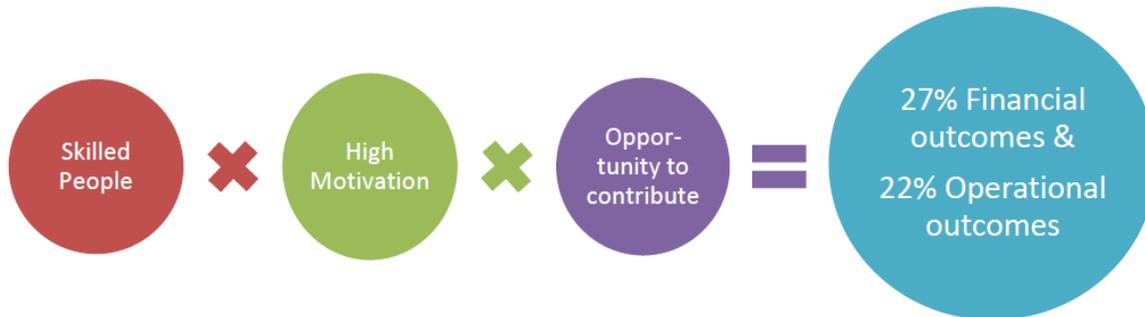


HR practices are only as strong as the weakest link

This article looks at the monetary impact of HR and could have been called “HR: Show me the money!” The key finding is this: If you have skilled people, that are motivated, and are given the opportunity to contribute, your organization will have better financial and operational results. This is aligned with practical experience and common sense for most people:



And this is not just any article: It accumulates data from 120 individual high quality scientific studies, and is published in the world’s most respected scientific journal for management research.

The conclusion on *how* HR adds value is quite clear: HR practices that enhance employee skills, motivation & opportunity to contribute have a combined and mutually dependent impact on business outcomes. The effect of each is only realized through and in combination with the others, as a combined High Performance Work System. That also means, that the combined value-add of HR is only as strong as the weakest link. It is more important to focus on getting all the HR elements above a certain threshold, so they can ensure the delivery of effects from other HR elements, than it is to bring one HR element from 90% to 95%. Simply because HR effects are multiplied by each other and not added to each other and this is what researchers in management call “mediated effects”.

The practical implications for HR are also clear: Look at the entire HR value chain and ensure that each HR element is optimal enough in delivering impact on employee skills, motivation or opportunity to contribute: e.g. (a) recruitment is essential to ensure inflow of employee skills into the company, (b) training and development enhance the skills further, (c) the compensation and benefits setup is key to be able to get the right skills in the first place and provide the right incentives via good performance management, (d) which enhances employee motivation (e) combined with leadership and other efforts to drive employee engagement, and (f) talent management helps deploy and develop skills most effectively, (g) within the ideal team and organizational structures to ensure opportunity to contribute etc. etc.

And the summary question for you is: How weak is your weakest link?

Summary of: Jiang, K., Lepak, D., Hu, J., and Baer, J. (2012). How does human resource management influence organizational outcomes? A meta-analytic investigation of mediating mechanisms. *Academy of Management Journal*, 55(6): 1264-1294.