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Leadership Determinants to High- Performance in Public Organizations

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ABSTRACT

The purpose of the paper is to examine four current theoretical approaches to management and describe their view on leadership determinants to high performance in public organizations. Quality management (TQM) is one of these approaches. The paper aims to depict its leadership determinants to high-performance. What kind of composition of personnel management practices fits to the aims of quality manager? The second approach discussed here is the Strategic human resource model (SHRM). What are the core leadership determinants of SHRM-models and how do they differ from the determinants of Quality management? The third management approach discussed in the paper is the intangible assets approach and its aspect to human capital. How does this approach define critical factors of leadership? The fourth approach discussed here is the Balanced scorecard (BSC) and its view on leadership determinants. The paper compares these topical approaches and examines their views on leadership determinants. The method is literature analyses.

1. Introduction

In many countries the development of the practices of public management is seen as one remarkable instrument in reforming the operations of the public organizations. Better management tends to promote productivity and quality and the effectiveness of public services. In order to develop management methods public organizations have tried to adapt new theoretical models and the results of management studies. Many of the new management instruments have first been utilized in the private sector. One popular management approach used today is the model of Quality management (TQM). Although the origin of Quality management model can be situated in the writings of Deming, Juran and others nearly 50 years ago, it is just the recent years that public organizations have more seriously tried to adapt it. At present times the most popular modification of TQM has been the Quality Awards model (e.g. EFQM).

Another approach much discussed recently when reforming public management practices has been the Strategic human resource –model (SHRM). SHRM has been adapted especially in the sphere of personnel management practices, when taking into use new personnel accounting systems and defining personnel management strategies.

The term of intangible asset has become very popular, as well. One topic has been to link intangible assets to the growing significance of human capital: knowledge and competence. The purpose has been to understand better the role of human capital as one type of capital when enhancing or assessing real capacities to succeed in future markets. For example, what is the significance of image, competence and trust and how are they recognized in the accounts? The studies of intangible assets have gradually formed a new managerial approach that sees the success of an organization mainly depending on its capacity to utilize its intangible assets.

When reforming strategic management practices of public organizations one popular approach has been the Balanced scorecard –model (BSC). The origin of BSC is in the writings of Kaplan and Norton. The BSC-model has been adapted in reforming strategic planning and evaluating practices and in improving communication. It has been very popular framework , too, when reforming strategic management information systems both in state and municipal organizations.

This paper looks more detailed the above mentioned management approaches and their view on good personnel management practices. What combination of practices is seen to lead to high-performance in public organizations? With personnel practices we mean here those management instruments and functions that are immediately directed to the personnel. Accordingly with good personnel practices we mean here leadership determinants to high-performance. This issue is possible to study because each management approach uses to have corresponding leadership

practices that are in line with the general management idea. It is in a systemic relation to the other elements of the approach.

At the end of the paper the approaches and their views on leadership determinants are summarized and compared with each other. What are their similarities and differences? Do the approaches give similar view on the leadership determinants to high-performance? Are the views based more on theoretical than empirical 'evidence'? It will be discussed too if it is possible to construct some kind synthetic view of the determinants to high-performance to be followed and utilized in management practices and operations in the future. One question in usability is, is it altogether possible to transfer best practices of leadership from place to place.

The methodological point of view of the paper is literature analysis. Each managerial approach is reviewed by some of its well-known theoreticians. The purpose of the paper doesn't allow to review the approaches comprehensively but only to display some typical examples representing each approach. All approaches discussed here and the framework of the paper are displayed in the following figure 1.

Figure 1.

2. TQM and the leadership determinants of high-performance

One of the most popular managerial approaches in improving public services has been the Quality management model (TQM). Its ideas and elements are widely adapted, especially in the form of Quality systems (e.g. ISO) and Quality Awards - models (e.g. EFQM). What is its view on the most central leadership determinants to high performance?

Blackburn and Rosen (1993, 58-60) point out the selection of workers as one critical stage and they suggest that especially the abilities of team work are needed and skills to work in groups and participate. They also see the significance of competence, leaning and personal grow. The pay system should be both group-based (bonuses), fixed and seniority-based. Work roles should be organized so that people can feel inherent motivation, commitment and creativity. Work rotation is highly recommended although the stability of employment relations is preferred at the same time (Deming 1988, 110). The leaders of quality-based organizations must emphasise the roles of a trainer and an enabler instead of the roles a monitor and a controller. To use fear as a management instrument is absolutely damaging. Swiss (1192, 357) point out that the main reason to mistakes in operations is in the system in itself and not in people. Leaders must be proactive in improving working

conditions and diminishing accidents and illnesses. Brull (1996, 498) and Baker (1988) highlights the importance of the organizing of teams, promotion of good communication skills and training. According to the writings of Deming and the others the key determinants to high-performance can be summarized as follows in Figure 2:

Figure 2.

3. SHRM and the leadership determinants of high-performance

Strategic human resource management approach (SHRM) highlights the relation between high performance and personnel management practices. It has generated many sub-approaches ever since 1970's. Well-known is the HRM-conception of Raymond Miles and the models and the programs of study groups of the universities of Harvard, Michigan and MIT. Key questions in SHRM-thinking have been how you should link strategic management, human resources and personnel management. The way they fit together may vary. They can be quite separate and autonomous parts of the general management without keen relationship or fully infused. But in all of its versions SHRM highlights the close connection between personnel and general strategy and the capacities of the personnel as the most important potential resource. (Sädevirta 2004, 148)

What are then the leadership determinants that SHRM-models highlight? There are plenty of descriptions to use. Some of them are empirical description and some others are based on more theoretical analysis. The most typical ones are picked up to the following review.

Boxall and Purcell (2003, 7-13) include in their list of critical determinants a) work productivity, b) the flexible use of working force, and c) social legitimacy. In a more detailed review they mention as key determinants to high performance: work organization, personnel grow and motivation by recruitment, selection and training, rewarding and career systems, the control of work force expenses, trust and fairness, reputation as an employer and fitness to social and working norms.

Guest (1997, 269-271) defines three core areas of leadership in his SHRM-model: 1) leadership functions directed to the improvement of the quality of work force such as selection of personnel, socialization, training and personnel grow, 2) functions directed to the commitment and motivation of workers such as functions on respect, work safety, and functions emphasising internal career markets and performance-based rewards.

According to Guest it is possible to build human resource strategy directed to high-performance as a synthesis of those factors that have both evidence based linkage to high performance and specific linkage to the general strategy and vision of the organization. Each organization picks up from the critical success factors such a bundle that takes into consideration universalistic best practices but builds of them the most suitable organization specific combination (best fit). The bundle of leadership determinants is then ideally compatible with the strategy and environment.

Pfeffer (1994; 1998) defines more detailed practices in his model to high performance:

1. selective recruitment,
2. caretaking of safety working relations,
3. autonomous teams and team work,
4. performance-based rewarding and rewarding excellence (paying at above-market rates),
5. extensive training system,
6. the deduction of status differences (increasing loyalty and commitment),
7. Information openness

In some more general descriptions SHRM has seen to compile capability, motivation and the opportunities to influence (so called CMO- or AMO-models, see figure 3). The personnel is seen to work with high intensity when the personnel is 1) competent in their work roles, 2) well motivated and 3) the work environment supports the efforts of the personnel and lets them opportunities to come to be heard. (Poxall & Purcell 2003, 20). Hultman defines high-performance as a function of four leadership factors: competence, commitment, trust and opportunities. There may be other factors as well but these four factors are always at present. The commitment of individual depends on his/her personal values. If these values are congruent with the values of the organization, it helps performance. Trust is also influencing because people act on the bases of their trust experiences and perceptions. The opportunities mean that enough resources are available and you are allowed to use them. In their book Becker et al (2001, 141) present similar function of the leadership determinants to high performance. In their view performance is a function of the abilities of the workers, motivation and the strategic division of the work.

Figure 3.

The abilities are in optimal use when the workers feel that they have competence enough to perform their work roles. The eagerness of the workers to exploit their skills reflects good motivation. Strategic focusing is in if the workers understand how their own work roles support the organization to gain its targets and if the workers feel that they have real opportunities to make good use of their expertise in favour of the organization. These characteristics correlate firmly with the significance of the personnel as a strategic resource.

Finally we can try to gather up the whole picture of the typical leadership determinants mentioned in SHRM-models. The task to summarize it is challenging because there are great diversity of models and general and specific models:

- selective recruitment and socialization
- career systems
- flexible work roles
- emphasis in internal labour market
- high rewarding and work productivity
- competence
- motivation
- commitment
- trust and the environment giving opportunities.

4. High-performance in the approaches of intangible assets and human capital

With intangible capital it is meant the entity of immaterial value adding reserves that belong to the functioning of organization. Intangible capital is considered especially as the success factor of the new knowledge-based organizations but its point of view is possible to widen also to the organizations of other branches. In literature intangible capital is described also with terms like 'intangible assets' (see Stewart 2001; or Kaplan & Norton 2004) or with the term of 'invisible assets' (see Roos et al.1997). In reviews concerning private firms, intangible factors adding market value have sometime been divided into financial and intellectual capital. Social capital is considered as one part of intangible capital, as well or it is added into intellectual capital (Koivuniemi 2004, 58). Kaplan and Norton (2004, 55) make difference with the terms: 'human capital', 'information capital' and 'organizational capital'. In Sveiby's (1997) model external and internal capital and the personnel competence are defined as separate structures of capital (figure 4).

Figure 4.

In the model of Sveiby (1997, 200) personnel competence - the ability of workers to act in different situations, the emphasis on training and setting value on experience - is seen as essential determinant to high performance. In another context Sveiby defines three core areas for the competence: 1) personnel grow and regeneration, 2) efficiency and 3) stability. Personnel grow means, for example, the approximate annual grow in occupational experience. Efficiency is manifested by the changes in the portion of skilled workers and in the amount of added value per skilled worker. Good indicator to stability is the turnover rate of skilled workers.

In the models of intangible capital the term 'human capital' often refers to the competence and intelligence of the personnel. Sometime also organizational values, culture or the philosophy of functioning are included in human capital. Brooking (1996) adds leadership abilities and entrepreneurship to human capital. Edvinsson and Malone (1997, 67-68, 147-150) use training expenses per worker and the time used in training as the concrete indicators of human capital.

In the descriptions of intellectual capital especially the significance of knowledge and know-how are emphasized as main resources of organization. (see Koivuniemi 2004, 56–59). Knowledge is seen as more demanding form of capital than mere information or the administration of data. Raw information generates understanding at the first stage but it is only along with experience then information become gradually 'ennobled' and seen as knowledge that really generates added value (see Ståhle & Gröönroos 2000, 31). Intelligence is seen as a personal property of individuals, it arises from own experiences, it has links to former knowledge and it is 'coloured' with context and environment. Intelligence can be seen as a kind of mixture of knowledge, experience and competence. Intelligence gives ability to evaluate new information and combine it with old experiences. It is not mere the expression of book learning but also includes self experienced and recognized findings and findings learned from the others.

As a whole the leadership determinants of high performance in the approaches of intangible assets and human capital can be summarized in the following factors:

- knowledge, intelligence, skills, competence
- schooling and training
- innovativeness and creativity
- stability and experience
- values, organizational culture, commitment and motivation
- entrepreneurship
- ability to co-operate and trust
- employer image and reputation

Although the approaches of human capital not often use traditional terms of personnel management in their descriptions, it is clear that the above mentioned elements are able to see as the focuses of personnel management and as perceptions of those leadership determinants that generates high performance.

5. BSC and the leadership determinants of high-performance

The Balanced scorecard –model (BSC) is a construct to reform strategic management. BSC is one of the most popular models in recent years developed for improving strategic managing and evaluating. The original model was launched in the writings of Robert Kaplan and David Norton (1996). Personnel aspect is one core area of the success of organization. Personnel aspect (personnel growth and learning) is one of four core aspects in pursuing organizational success. Like SHRM also BSC-model highlights the definition of the personnel policy in accordance with the general vision and other general strategies. In the context of a private firm BSC have close links in gaining the financial targets whereas the ultimate mission of public organizations is to add welfare of the citizens. This difference in mission means that you have to modify the original BSC-model to fit the purposes of public sector (Lumijärvi 1999, 12). The role of personnel is understood as a kind of generator for positive cause-effect chain (see the figure 5). It has close links to the process of production and its added value. If one improves the personnel growth, one improves similarly and indirectly the functioning of inner processes and customer ship.

Figure 5.

Kaplan and Norton (1996, 127) define firstly two types of strategic areas that are critical: conditional indicators and capability indicators. They count to core areas: personnel stability, work productivity and satisfaction, personnel competence, infrastructure requirements and work climate. They combine also intellectual ‘capital’ elements, such as information systems and networks to their personnel aspect. In their recent book (2004, 55) they are even more interested in the functioning of infrastructure and intangible aspects in promoting personnel learning and growth.

BSC-based thinking highlights the view that existing situation, the needs, strengths and weaknesses of personnel, general vision and targets will decide in separate organization which of potential determinants are strategic. Strategic leadership determinants represent a kind of synthesis of existing needs and targets. When the vision is prepared on the ground of many-sided analyses of environment also the competitive policy aspects can be taken into consideration. So in defining leadership determinants to high performance BSC approach emphasizes empirical aspects. Theoretical setting points out only the frames. It brings into light mechanisms and

generative causalities. You have to specify them in real contexts in order to know what really functions in certain circumstances.

Kaplan and Norton (2001, 309) see furthermore that when specifying personnel management practices these operations must get support of personnel. The functioning of strategies depends largely if the personnel feel them challenging and supporting. BSC-model highlights that the success is a function of different aspects. It is not enough that the owners and principals are satisfied with the competitiveness of the organization, and the customers must see the buying of its services profitable, the work attitudes of the personnel, control mechanisms and organizing should support the commitment of the personnel to organization. So the organization should offer the feelings of success not only to the principals but also customers and the personnel.

BSC-model is built upon service orientation and quality thinking but it takes only a probabilistic attitude to the universalistic definition of strategic leadership determinants of high performance. The determinants should be in line with quality thinking but the more specified definition of quality determinants can be made only in real conditions. Organizations can come into different strategic policies for example when defining their specific strategies in service principals and production processes and this reflect further their personnel policy. If the focus is in new production and new products this choice should highlight those personnel practices that promote creativity and innovativeness. But if the competitiveness lays on low prices, personnel management focus should be on cost spending inner processes. So in BSC-approach the leadership determinants of high performance vary in accordance with the choices made beforehand in general visions and strategies.

For example, the City of Tampere took in 2001 the model of BSC for its new instrument in strategic planning and evaluation. The City defined its personnel management focuses in accordance with general vision and strategies (see Figure 6). Leadership determinants to high performance consisted in all of 11 critical factors and 32 specific measures. Personnel management focuses were prepared in cooperation with the representatives of the personnel.

Figure 6.

Some of the critical leadership determinants defined in the model of the City of Tampere give feeling that the city has also utilized intangible assets approach when defining the determinants. You can see this in the way networking (partnership) and employer reputation are been linked to the strategic challenges of personnel management. You can also some signs of competition in labour markets: increasing

competition of some expert and occupational groups and the attractiveness of the City as an employer are seen as big challenges in the future.

If the BSC-approach is adapted in the public sector the core leadership determinants to high performance are to be found from a wide range of potentially strategic success factors, such as:

- the sufficiency and the availability of human resources
- appropriate personnel structure
- stability
- healthy and safety working conditions
- work motivation, commitment and work satisfaction
- cooperativeness, trust, social skills and climate
- competence and expertise
- innovativeness and initiative
- up-to-date technical infrastructure.

6. Summary and discussion

The paper has examined four current approaches to public management and their views on leadership determinants to high performance. The material has been management literature. The approaches reviewed here are of course not the only possibilities to examine. For example, Denhardt (2000, 129-142) has presented an interesting model of New Public Service which seems to have common features with the approaches of Quality management and BSC. He emphasizes missions and visions as starting points for managerial success in public organizations and defines as leadership determinants accountability, commitment to values, participation and involvement, empowerment, shared leadership and integrity.

In any case there are close linkage between management approaches and personnel policies. In the table 1 all examined approaches are gathered up.

Table 1.

In their view to high-performance all examined approaches have much in common. All approaches share determinants like: focuses in the selection of personnel, commitment, motivation, trust, social skills, training, learning and innovativeness. TQM puts special emphasis on quality bonuses, work participation, rotation and

stability. SHRM points out internal labour markets, flexibility and special rewarding of excellence. Intangible assets –approach underline intelligence, knowledge, know-how, values, entrepreneurship and employer reputation. BSC stresses working conditions and stability as well but at the same time points out the importance to define leadership determinants organization specifically. Despite these differences the approaches seem to have very similar view on the important personnel management practices.

In SHRM the leadership determinants have direct links to high performance. In fact the models use to present lists of high performance determinants. Some of them are theory based and some others more empirical. The advance of theory based SHRM-models is good acquaintance and close relation to the basic meaning of personnel management. In all, it is no doubt that such models have very large applicability and credibility. They can be used as examples for practical experimenters and adapters. One risky element in SHRM-models is the term of high performance. It can be defined more or less narrowly. If it means only success in productivity (output/input-ratio) it may point out quite different personnel management practices than in the case of broad productivity. Total performance or broad productivity includes success also in the quality of services and working life, efficiency and effectiveness. In fact narrow concept of performance or productivity can give quite distorted examples to follow.

Another risk in using general models of SHRM as examples in practice is its quasi-universalistic nature. It may give approximately pertinent determinants but does not consider enough the specific situations, conditions and environments. The determinants may not be suitable in every case. The starting points of organizations in improving their personnel management may be too different. For example, it may prove to be mistake to emphasise innovativeness or social skills in organizations whose resources are clearly undersized or the competence of personnel is distorted.

The approaches of intangible assets and its aspects of human capital are often purely theoretical in nature. It is clear that in the long run the role of immaterial capital increases and also the significance of those assets that have links to leadership determinants enhances. Lawler (2000, 291) speaks about the growing importance of human capital. It may lead to differences in pay systems, markets for skills and difficulties in keeping loyalty. In the future more consideration is needed for competence, pay systems and commitment in order to achieve high performance. Intelligence may become the key element of the competitiveness. The problem of the intangible assets -approach is often highly abstract concepts. The approach may ignore the differences in environments, different starting points and different stages in development. Models might be difficult to adapt in practical situations. Recommendations can have discrepancies with existing management practices or with current aching problems at the work place. For example, the biggest problem in many knowledge-based organizations may be short term employment, not deficiencies in expertise or know-how.

The advantages of BSC in defining core leadership determinants are obvious. It does not give readymade lists for leadership determinants but demands to produce organization specific personnel policies that have close links to vision and other strategies. It provides simplifications and outlines that fit well for strategy purposes. In BSC –model high performance means balanced success; success from the point of view of owners or principals, customers, personnel and society. Important requirements to adapt the BSC-model are good communication and information systems, trust and possibilities for participation. The definition of leadership determinants demands common use and understanding of core concepts, active dialog, rationality that bases on good communication. If the whole personnel share the vision, strategies and personnel management policies, it is highly probable that also the operations in practice really lead to high performance. The approaches with their peculiarities are gathered up in the table 2.

Table 2.

As shown in the paper each approach has its ratios. Each approach has own way to define leadership determinants to high performance. It can be suggested that the models are more like frames and outlines than ready models for operative use. They give clues how to develop personnel management. The models can be combined. BSC-model seems to give quite diverse approaches to define the determinants but its processes are laborious and it has requirements as shown above. It is always reasonable to clarify present conditions, targets and organization specific mechanisms in gaining them. Situational and time linkages mean that imitation or transferability of leadership determinant models is limited. Models may lead to high performance only in situations similar to original surroundings.

If the organization is at the age of rapid grow, different personnel management instruments are needed compared to the age of mergers and downsizings. Leadership determinants to high performance can vary in time though most organizations prefer sustainability and predictability in the long run. Favourable situation for high-performance is easily lost if the short time policy and the long-term ethical principals run into conflict. It always seems to be reasonable to promote such a personnel management policy that supports the idea of existing management model. It tempts to say that in the future the most successful practisers of personnel management models are those that can utilise models systematically and can take the strengths of them and can adapt models in existing management conditions.

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Figure 1. The framework of the paper.

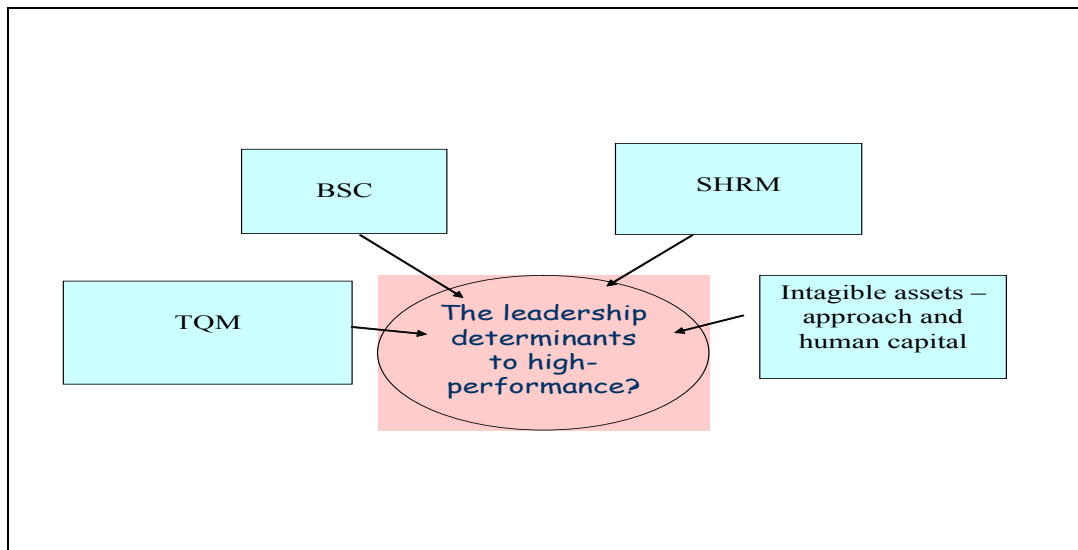


Figure 2. The leadership determinants to high-performance in Quality management.



Figure 3. SHRM and the determinants to high performance.

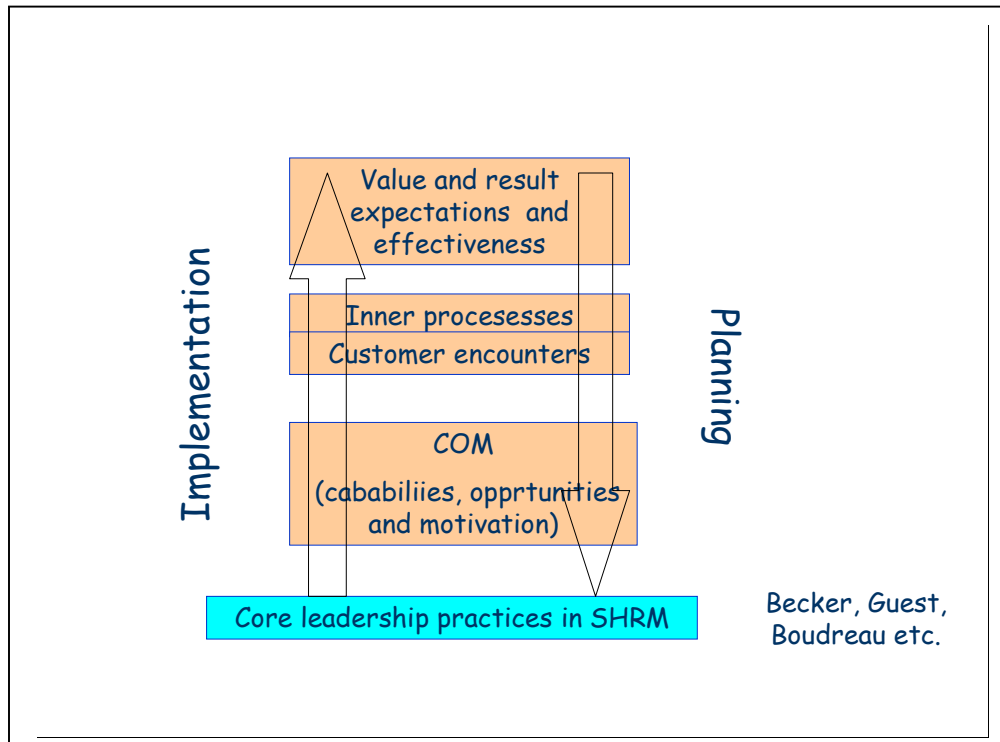


Figure 4. Sveiby's model of intangible capital.

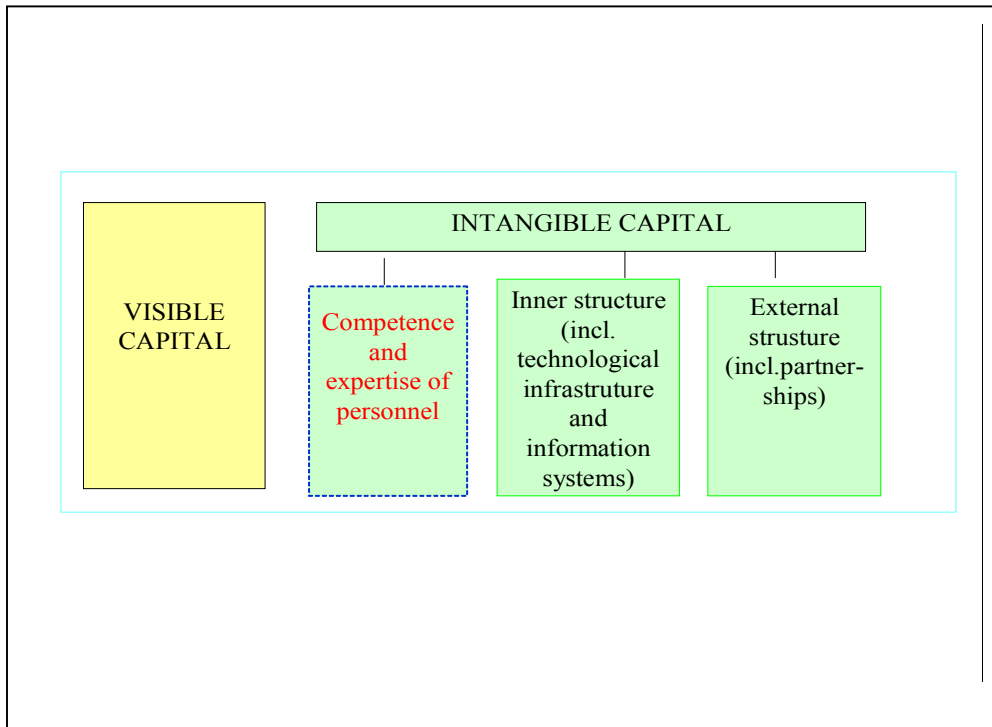


Figure 5. The cause-effect chain of the BSC for public organizations.

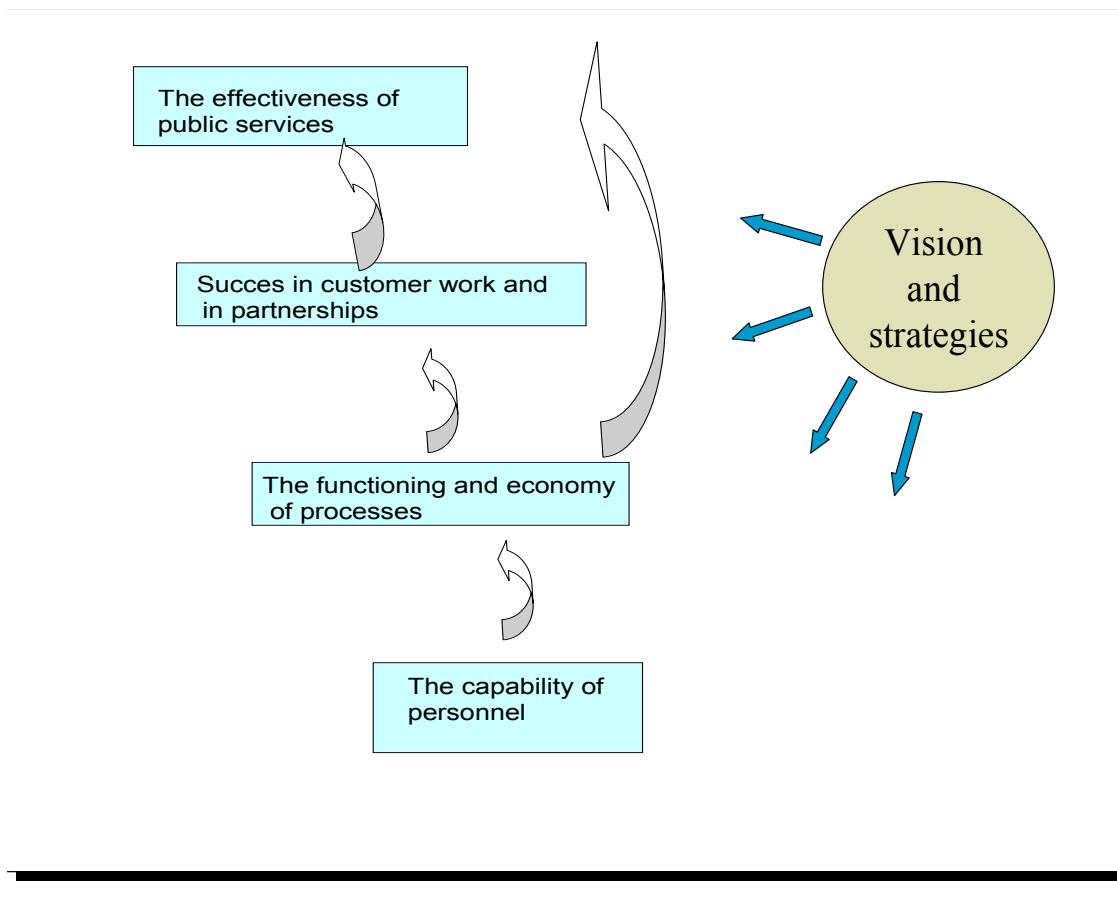


Figure 6. The critical success factors of personnel policy in the City of Tampere. (adapted from the BSC-model)

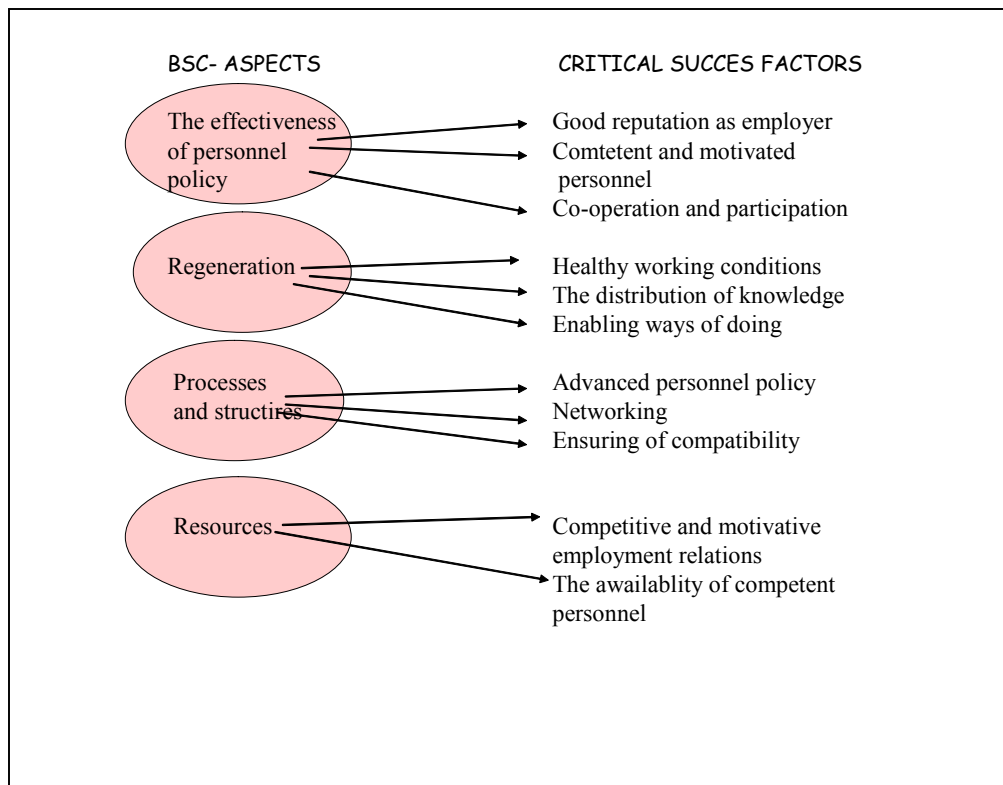


Table 1. Four approaches and their view on the determinants to high performance.

TQM	SHRM	Intangible assets - approach	BSC
<ul style="list-style-type: none"> • much consideration for training • the specific rewarding of good quality and quality work (bonuses) • cooperativeness • innovativeness and initiative • team work and good skills in group methods • worker participation • work rotation and stability • learning and enabling • concern for healthy working conditions 	<ul style="list-style-type: none"> • selective recruitment and socialization • internal expert career systems • flexible work roles • emphasis in internal labour market • high rewarding and work productivity • competence • motivation • commitment • trust and the environment giving opportunities 	<ul style="list-style-type: none"> • knowledge and know-how • intelligence • competence • skills • innovativeness • experience and stability • entrepreneurship • training • values, culture • commitment and motivation • trust and social skills • employer image and reputation 	<ul style="list-style-type: none"> • sufficient human resources • appropriate personnel structure • healthy and safety working conditions • stability and expertise • work motivation, commitment, satisfaction and supportive climate • cooperativeness, trust and social skills • competence and expertise • innovativeness and initiative

Table 2. Peculiarities and problems in defining, generating and using the approaches.

Management approach	Peculiarities in defining the determinants	Problems in the way of defining, generating or using the approach
TQM	Personnel practices support closely other practices in quality management	Existing weaknesses in present working conditions are not necessarily considered
SHRM	The determinants may be both theoretically and empirically evidence based	General recommendations for determinants not necessarily fit to the needs/ situations of separate organization
Intangible assets approach	Links personnel policy to general changes in the significance of intangible assets	Gives only general directions to choose determinants
BSC	Tries to combine finalistic and empirical starting points in definition	One important precondition is well functioning communication system