Human Resource best practices have been around for decades. They have served as guidelines for many HR professionals. But what do they entail, and why are they so important? In this article, we’ll go over the 7 best practices for HR.

**Human Resource best practices**

The first question is: what are HR best practices?

Best practices are a set of Human Resources Management processes and actions that work universally. In HRM research, there are two schools of thought on how to manage people. The first one is best fit; the second is best practices.

- The best fit school states that in order to add value, human resource policies should align with business strategy. This means that HR should focus on both the needs of the organization and the ones of its employees.
- The best practice school argues that there is a set of universal HR processes that lead to superior business performance. According to its proponents, there are certain bundles of HR activities that support companies in reaching a competitive advantage regardless of the organizational setting or industry (*Redman & Wilkinson, 2009*).

We’ll skip the extensive scientific debate on the merits and flaws of each approach. With these kinds of discussions, the truth often lies somewhere in the middle.

This means that the [HR strategy](https://www.aihr.com) and subsequent HR activities should be aligned with the organization’s strategy for optimum efficiency (a.k.a. strive for best fit). In literature, this alignment has also been referred to as strategic Human Resource Management.
At the same time, there are a large number of best practices that have shown to lead to superior performance for the organization. If HR executes these practices correctly, they will add substantial value to the business and its goals (a.k.a. implement best practices).

In this article, we'll focus on the best practices in Human Resource Management.

**Seven HR best practices**

The 7 Human Resource best practices presented below have been proposed by Jeffrey Pfeffer. Pfeffer wrote two books on this topic:

- *Competitive Advantage through People* (1994), and

In these books, he proposes a set of best practices that can increase a company’s profit. When these best practices are combined (or bundled), their impact is even more profound.

These best practices are:

1. Providing security to employees
2. Selective hiring: Hiring the right people
3. Self-managed and effective teams
4. Fair and performance-based compensation
5. Training in relevant skills
6. Creating a flat and egalitarian organization
7. Making information easily accessible to those who need it

We'll go over them one by one.

**1. Providing security to employees**

The first Human Resource best practice is employment security. Life is unpredictable and work is a stable factor that is very important to most people. Having an employer who enables the employee to provide for themselves and their family is, in essence, the number one reason why people come to work.
There is both a formal contract (labor for money) and an informal contract (you put in some extra effort, we take good care for you) between the employee and the employer. Employment security enables employees to go home after work and provide for themselves and their families. This concept of security is essential and underpins almost everything HR does.

When this employment security is threatened, for example when there is a restructuring or a layoff, you see this immediately ripple through the organization.

Employment security also benefits organizations because it helps them retain their people. When employees are laid off, for example, it’s usually the organization that pays the price. They are the ones who have invested in the selection, training, and development of these employees. This is a costly process. If the organization doesn’t work on retaining its people, they are more likely to leave and work for the competition.

2. Selective hiring: Hiring the right people

The second HR best practice is selective hiring. This enables an organization to bring in employees who add value.

You can’t just hire anyone; you want people who are fit for the job. Companies do their utmost best to hire exceptional people because they add the most value to the business.

Research shows that the difference in performance between an average performer and a high performer can be as high as 400%! This holds true for different industries and job types, including researchers, entertainers, and athletes.

Bringing in the right people is, therefore, a key to building a competitive advantage.

In today’s digital world, there are a lot of different recruitment tools we can use to make the right selection. More and more companies vigorously keep track of their recruitment metrics to see how well they are doing in this regard.

Commonly used selection instruments are structured and unstructured interviews, IQ tests, personality assessments, work tests, peer assessments, and reference checks. These (pre-employment) assessments are used to uncover three key candidate characteristics.
1. Ability:
is the person able to do the job? Does the person have the right technical and soft skills? Is the person smart enough to do the job well?

2. Trainability:
can we train this person to improve his/her skills? Has the person the aptitude to learn and keep developing?

3. Commitment:
will the person commit to his/her work and to the organization? Will we be able to retain this person once he/she is up to speed and fully productive?

3. Self-managed and effective teams
We all know that teamwork is crucial in achieving goals. High-performance teams are crucial for any company when it comes to achieving success.

Teams provide value because they consist of people who are and think differently but are working towards a common goal. This means that different ideas are generated to help achieve the goal. These ideas are then processed and combined, resulting in the best ones being selected.

The best teams are cognitively diverse and psychologically safe. This means that team members can generate ideas that are different while feeling comfortable bringing these up and discussing them.

Creating and nurturing high-performance teams is one of HRs key responsibilities. Belbin’s Team Role Inventory is a commonly used tool for team creation and cooperation.

Individual personality assessments are also often used as they help to understand how other team members think and behave. Understanding these processes is one of the main responsibilities of a manager. This is the reason why a lot of management courses focus on it.

There are different tools that facilitate teamwork. Examples include communication software, feedback tools, project management tools, and other task and goal setting software. These can facilitate communication and help teams be more efficient.
Finally, HR needs to encourage different teams to work together in the organization. A team is usually part of a larger entity, like another team or a department. These larger entities also need to work together. Facilitating this helps to build an efficient and effective organization. One of the tools that can be used for this is Organizational Network Analysis.

4. Fair and performance-based compensation

Contingent compensation is the fourth Human Resource best practice. It has everything to do with compensation and benefits.

First of all, if you hire the right people, you want to compensate them above average. These are the people that will add the most value to your company so you want to retain them and pay them fairly. This is an example that shows how different best practices work together to provide more value than they would alone, in this case, selective hiring, contingent compensation, and employment security.

Paying people above the norm also has a number of potential disadvantages. For instance, it discourages bad employees to leave. However, if you're consistently hiring world-class performers, an above average compensation is a must.

This sort of compensation can take the form of financial (base) pay and employee benefits.

Secondly, you want to couple individual rewards with the different types of contributions that employees make. These are performance-related rewards.

By coupling organizational performance outcomes with individual rewards the individual is incentivized to maximize this outcome. It also creates a sense of ownership for the employee.

Think of profit sharing, shared ownership, or stock options for instance. These are great ways to create employee commitment to the company’s long-term vision and retain high potentials. Compensation is a key element for successful talent management.

In line with the previous, this type of co-ownership is usually not meant for all employees. Lepak & Snell (2002) offer a good model to assess how important individual employees are.
As an organization, you want to specifically retain your “Criticals”. They are people with unique skills (i.e. hard to replace) who are very valuable to the business. That’s why senior managers, most of which fit this category, are often offered these benefits.

5. Training in relevant skills

This HR best practice states that companies should invest heavily in training time and budget for its employees.

After recruiting the best people, you need to ensure that they remain the frontrunners in the field. This has become even more relevant today as the rate at which technology is developing is growing exponentially. This is where learning and development come in.
How do we create an organization in which the rate of learning matches the pace of change? Learning has become a way to stay innovative, grow faster, and sustain a competitive advantage.

Employers increasingly invest in skills-specific forms of training. According to the Economist’s Lifelong Learning special report, the number of on-demand courses has grown exponentially. Thanks to the internet, everyone is connected and can learn anything, anytime, anywhere.

In addition to formal learning, on-the-job learning also plays an important role. Increased focus on feedback, coaching, and peer learning plays into this. This is part of the often quoted 70|20|10 rule:

- 70% of learning is from challenging assignments
- 20% of learning is from developmental relationships
- 10% of learning is from formal coursework and training

Learning is also becoming increasingly important for the latest generations, such as the Millennials and Generation Z. According to Gallup, younger employees rate learning and personal growth as much more important compared to older generations.
The next generation of workers is actively looking for development opportunities and sees these as a way to grow in their profession. Not offering these opportunities is related to higher levels of employee turnover.

Learning is, of course, also important for HR. To stay up to date and learn the skills needed to do HR in the 21st century, check out our courses at the Academy to Innovate HR!

6. Creating a flat and egalitarian organization

This best practice in HR is rooted in the egalitarian practices of Japanese management. Although we just saw that some employees are more critical than others for the organization’s success, this shouldn’t be communicated in such a way. Every employee is a valuable member of the organization and should be treated as such.

In Japanese organizations, this is expressed with common canteens, company uniforms, and similar sickness and holiday entitlement. Such an egalitarian culture shows that everyone deserves equal respect and could help in promoting the sharing of ideas.

7. Making information easily accessible to those who need it

Information sharing is essential. This is an area where a lot of large companies struggle: How do you keep track of who knows what, so you know where to go to with your questions?

According to Pfeffer, there are two reasons why information sharing is so important.

Firstly, open communication about strategy, financials, and operations creates a culture in which people feel they are trusted. It truly involves employees in the business. As an additional effect, it discourages hear-say and negative informal chatter.

Secondly, if you want your people to share their ideas, they need to have an informed understanding of what’s going on in the business.

Being informed about the business is also something that employees often mention as something they find important in attitude surveys, as well as having a chance to contribute to and influence decisions affecting their working life.
Synergies between HR best practices: Bundles

When these best practices are combined we call them ‘bundles’. Bundles create synergies. This is how Human Resource Management can create a competitive advantage for the organization.

An example. Guaranteeing employment security will only benefit you when you have high performing employees. Otherwise, what’s the use of retaining them? This means that the employment security best practice, combined with selective hiring leads to more value than individual practices.

The same goes for selective hiring, extensive training, and contingent compensation. You want to select employees with potential for growth, invest in them with learning and development, and reward them appropriately when they show superior performance.

A third example is the reduction of status differences and information sharing. By encouraging open communication and sharing relevant information, you create a culture of improvement in which employees feel free to give suggestions and collaboratively help to improve the business. By leveraging these bundles, HR is able to add tremendous value to the business and help the organization succeed in reaching its goals.

Human Resource Management best practices: a reality check

According to Kurt Lewin, there’s nothing more practical than a good theory. However, each theory has its drawbacks. It turns out that some of these best practices contradict each other.

Take employment security. This practice sounds nice in theory but in reality, companies are increasingly working with flexible contractors. These contractors lack the security that traditional employees have and provide the company with additional flexibility. According to Marchington and Grugulis (2000), “the reality is that employment security is only offered when and for as long as it is convenient to the employer”.
Another example is training. A lot of organizations have implemented the extensive training principle. However, simply delivering training doesn't add to the company's competitive position. The way formal training is provided in organizations often offers a number of concerns:

- Formal training programs may be directed to skills that are not in line with the employee's work
- Employees are provided access to training simply because of the excess budget instead of business needs
- There's often more emphasis on being trained than on the impact of training

In other words, extensive training only adds value as long as it helps individuals and teams contribute to the strategic goals of the organization. This is in line with the Kirkpatrick- Philips model, which helps assess training effectiveness. This model helps assess whether a training had a measurable impact on performance and whether the training investment provided a positive return on investment (ROI).

A final example is selective hiring. This best practice holds that if a company can consistently hire top performers, they will outperform their competition. However, it is almost impossible to consistently hire top performers. The reality is simpler: if you consistently hire better candidates than your competition, you will create a competitive edge.

**Conclusion**

This article describes the 7 Human Resource best practices, from hiring and training to offering job security and the creation of an open culture in which people can share knowledge and ideas.

When implemented, these best practices form the basis of good Human Resource Management. However, implementation alone isn't enough. These best practices also need to align with what the rest of the business is doing.
Selective hiring is great but what kind of profiles do you hire? This depends on the characteristics of employees that fit what the organization is looking for. And what capabilities do you train your employees on? These should also align with the organizational strategy.

Only if the best practices that we have in HR are aligned with what the organization is striving for can we create an HR function that adds value and that truly supports the business.

To learn more about doing HR in a better way, check out the Academy to Innovate HR! Subscribe and stay up-to-date.