*"We do not see things as they are.*
*We see them as we are."*
*~ The Talmud ~*

# "Perception is reality" – What influences employee perception and how can it foster a strong HR system


*Master Thesis Business Adminstration*
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*4th March 2011*

# “Perception is reality” – What influences employee perception and how can it foster a strong HR system

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Enschede, 4th March 2011

## MANAGEMENT SUMMARY

In recent years the implementation of HR practices was in the focus of many studies. Thereby it was revealed that the HR practices that are designed by the HR department are not always received as intended by the employees. Recently the implementation process of HR practices has also been complicated by the circumstance that line managers take over the operational tasks of HR departments and thereby also the implementation of HR practices. Due to this reason the HR practices need to pass through an additional stage during their implementation. Nevertheless the employee perception of HR practices is of central importance, because the perception colors all further behavior of employees and their performance. Therefore it is desirable to design HR practices that enforce attitudes and behaviors that increase employees' skills, knowledge and abilities to maximize the performance of every individual. In addition these practices need to be understood correctly by the employees; otherwise they cannot deploy their complete effect.

However, the linkage between intended practices that are implemented by line managers and perceived practices that are received by employees was not researched extensively so far. Therefore this thesis investigates how this linkage can be improved in order to enhance the chance that the designed HR practices are received as desired among employees. It is the goal of this thesis to reveal possible factors that might improve the perception of employees regarding HR practices. Thereby the focus is put on personal relationships pending between employees, their supervisors and their employer. By reviewing the relevant literature it turns out that the supervisor-subordinate relationship as well as the employer-employee relationship could be able to influence the linkage between actual and perceived HR practices. It shows that it is likely that a supervisor-subordinate relationship that is characterized by loyalty, mutual trust and sympathy enhances the chance that HR practices are perceived as intended among all employees. Also a psychological contract, which defines the relationship between employer and employees, should foster a stronger HR system when the relationship is based on a long-term perspective that exceeds the absolutely necessary expectations and obligations.

# FOREWORD

I believe that this is the right place to thank everybody who accompanied me while writing this thesis. First of all I need to thank my university supervisors Anna Bos-Nehles and Maarten van Riemsdijk. They offered me their enduring help and I was amazed by their patience when ideas turned out to lead into wrong directions.

In addition I would like to thank Professor Jan Kees Looise for his remarks on my thesis and his helpful advice when needed the most.

Zudem danke ich meinen Eltern Brigitte und Klaus Fahrenholz für ihre Unterstützung jeglicher Art. Ihre Geduld und ihr Glaube an mich und mein Können waren schon immer ein Ansporn. Den gleichen Dank möchte ich auch dem Rest meiner Familie aussprechen, die ebenfalls eine Stütze waren, wann immer sie konnten.

Großer Dank gilt auch meinem Partner Ingolf Friese, dessen uneingeschränkte Unterstützung mich durch kleinere und größere Krisen gelotst hat. Da er mein Vorhaben, den Masterabschluß zu machen, unterstützte und sich wünscht, dass ich meine Wünsche so eines Tages erfüllen kann, wurde er zum Förderer und zu einer großen Hilfe. Es ist schön, ihn an meiner Seite zu wissen.

Nicht zuletzt möchte ich meinen Freunden danken, die oft mit praktischer Hilfe, guten Tipps und offenen Ohren an meiner Seite standen. Besonders erwähnen möchte ich an dieser Stelle Sabrina Daubenspeck, Claudia Döll, Sara Hammami, Julia Maas und Tatiana Menna.

Katharina Fahrenholz

Enschede, March 2011

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# 1. INTRODUCTION

During the last decades the link between HRM and the organizational performance was researched extensively. Guest (1997), Lepak and Shaw (2008) as well as Huselid and his colleagues (1997) published numerous papers that examined various related aspects, such as the most efficient architectural structure of the HRM system or the employees' attitudes that lead to the highest levels of performance. Among these, many studies focused on the link between HR policies and the resulting performance (cf. Schuler & Jackson, 1987).

The study field within the HRM-performance area that is not yet completely explored is the so called „HRM black box". This undiscovered area comprises the linkage between HR practices and the performance of employees (Purcell & Hutchinson, 2007). Wright and Nishii (2006) clarified that especially the relation between HR practices and the organizational performance needs some more research attention. One central process, which occurs in this context and has not been researched sufficiently, is the implementation of HR practices, which directly influences the organizational performance (Purcell & Hutchinson, 2007). Recently, researchers began to examine the implementation of HR practices more carefully, since studies showed that actual HR practices, which reflect the intentions of HR policies, did not generate the expected behavior among employees (cf. Nishii & Wright, 2008).

Purcell and Hutchinson (2007) as well as Wright and Nishii (2006) clarified that various process steps take place during the implementation of HR practices. They pointed out that one can distinguish between intended, actual and perceived HR practices. So far, the existing literature mainly focuses on intended and actual HR practices. Earlier research proved that there is often a difference between designed and actually implemented HR practices (Truss & Gratton, 1994 in Wright & Nishii, 2006). Consequently, the employees are not likely to experience HR practices as they were intended. Eventually, the HR practices do not result in the desired benefits.

Later in the implementation process HR practices transform from actual to perceived practices. This is the point, where the practices are passed over to the employees and their subjective understanding of the practices influences all further process steps (Nishii & Wright, 2008). The initial meaning of the practices seems to get lost somewhere in this process so that the employee's behavior is often not the intended one in the end. Reasons for this effect are so far undetected. One possible explanation for the lack of adequate research is the fact that many theoretical and empirical considerations in the HRM-performance study field often only focus on the intended and actual practices and thereby neglect that “the effect of actual HR practices does not reside in those practices but rather in the perceptions that employees have of those practices” (Nishii & Wright, 2008; 6). Consequently the perception of HR practices plays a significant role in the determination of employee’s behavior (Purcell & Hutchinson, 2007; Wright & Nishii, 2006). This significance is also supported by studies on HR attributions - the perception of the actual purpose of HR practices – which showed that employees react differently to the same HR practices. Depending on their perception they showed different attitudes, which in return influenced the unit behaviors and the unit outcomes negatively (Nishii, Lepak & Schneider, 2008).

Realizing the importance of employee perception, Bowen and Ostroff (2004) recognized that it should be the goal of HRM to generate a system in which HR practices are perceived as intended by all employees in order to enhance the performance of each individual and the work group. Such a low variance in perception of HR practices can be realized through a strong organizational climate and a communication comprising intended messages of HR practices. Hereby high distinctiveness, consistency and consensus create a strong situation, which fosters a shared intended perception (Bowen & Ostroff, 2004).

There has been surprisingly little research on the perception of HR practices even though it is an important aspect. One exception is the paper by Nishii and Wright (2008) that sheds light on the variability within the organization, which might influence the HR practices to performance link considerably. They suggested that there are various factors on the individual, group and job level that influence the perception of HR practices among employees such as diverse evaluations of relevancy of HR practices or different prevailing leadership style. Consequently actual HR practices are not perceived identically among all employees (Nishii & Wright, 2008). It is proposed in the following that the existing degree of diversity between actual and perceived HR practices depends also on the employer-employee relationship as well as on the supervisor-subordinate relationship. In order to investigate if there are certain factors that can strengthen the HRM system this thesis examines if these relationships have an influence on the perception of employees. Since no empirical research has been done to test if these relationships have an influence on employee perception of HR practices the *research question* reads as follows:

> *To what extent is a divergence between actual and perceived HR practices explained by the relationship between supervisor and subordinate as well as the relationship between the employer and the employee?*

It is proposed in the following that these factors can influence employee perception positively or negatively depending on their prior development.

## 1.1 Contribution of Research

This conceptual paper allows the reader to discover the study area of employee perception that has been disregarded for the most part in the literature. This thesis gives the reader an overview of the existing literature and comprises arguments that underline the importance of employee perception when considering an improvement of the implementation of HR practices. It clarifies how influential perception is and how many issues need to be considered that might take an influence on perception itself. It also gives an impression of the possible influential power of supervisor-subordinate relationships and employer-employee relationships. To concretize the arguments propositions are introduced on what influences the perceived HR practices. In addition, an appropriate study design is introduced that could be used to test the propositions. Altogether this thesis sheds light on the undiscovered “HRM black box” and gives one possible explanation on how the linkage between HR practices and employee performance could be improved.

## 1.2 Report Structure

The following chapter is going to give a closer insight into the existing literature that builds the foundation for this research. Chapter 3 introduces possible influences on individual perceptions and presents propositions about their real influential power. The subsequent chapter 4 comprises the results of this study by introducing a research model and a possible study design for a practical examination of the introduced propositions. The last chapter closes the thesis with a conclusion that is going to give an answer to the central research question. In addition chapter 5 outlines the limitations of this research and the implications for future research.

## 2. THEORY

### 2.1 HR practices

The selected goals of a company should be the guide for the selection of the HRM objectives. Ultimately HRM objectives should be aligned with the goals of the business (Ulrich, Younger & Brockbank, 2008). In order to enhance the chance of achieving the goals of HRM and therefore the goals of the whole business, it is important to develop a coherent HRM system that provides an internal fit between the HRM philosophy and the process level. Hence, it is crucial that the guiding HR policies are carefully designed and implemented as intended so that the maximum contribution of these policies can be expected (Kepes & Delery, 2007).

The practical implementation of HR policies is realized with the help of HR practices. They are communication tools that are used by the employer to send messages to the employee (Guzzo & Noonan, 1994). HR practices are developed to contribute to the success of the designed HR strategy by influencing the behavior of every individual into a desirable direction as Wright and Nishii (2006) outlined. The bundled sets of practices need to be implemented correctly so that the employees' outcomes support the achievement of the HRM objectives (Kepes & Delery, 2007).

It is important to recognize that the practices often change after the design stage and might have an unintended influence on the employees' outcomes (Truss and Gratton, 1994 and Wright & Nishii, 2006). Why this might be often the case becomes more clear when looking at Purcell and Hutchinson's "The people management-performance causal chain" (Figure 1 by Purcell and Hutchinson, 2007). Their idea of the HR practices as they change and transform is captured in their model.

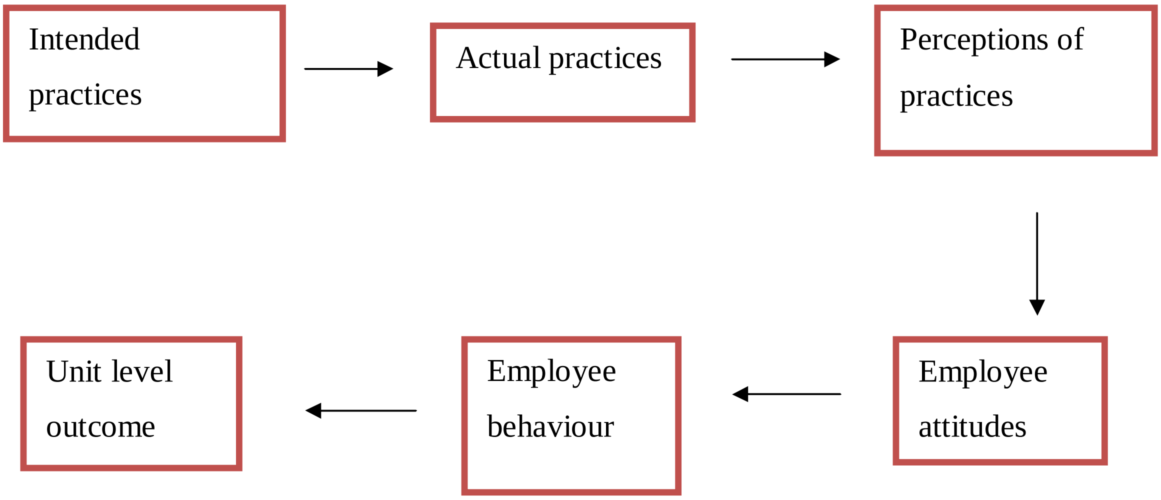


***Figure 1: "The people management-performance causal chain" by Purcell and Hutchinson (2007)***

Wright and Nishii (2006) developed a similar model compared to the causal chain presented in Figure 1. Their notions are captured in the "process model of SHRM", which uses the same process steps but adds more detail in the form of additional levels of analysis. The first format of HR practices is in both models the intended practice that is created by management. It is the theoretical transformation from policies to practices. What follows is the actual implementation of the intended practices which is nowadays often carried out by first line managers since they are taking over the operational tasks of the HRM function (Larsen & Brewster, 2003). Whittaker and Marchington (2003) found out that the intended practices that were designed in alignment with the HR policies are not always the same as the implemented practices (in Purcell & Hutchinson, 2007). According to researchers the reason for this variation can be explained by the difference in management styles between the designer of the practices and the actual implementers. The implementers' efforts are often not perfectly identical with the conception of the management and differ even among the implementers (Wright & Nishii, 2006). The actual HR practices are then received by the employees. The different perceptions among employees are reflected in their corresponding behavior (Bowen & Ostroff, 2004; Kinnie, Hutchinson, Purcell, Rayton and Swart, 2005) which in turn influences the individual and unit level performance.

The causal chain clarifies that HR practices have to pass many stages before they result in a certain - not necessarily intended - performance outcome. HR practices even have to be transferred between different organizational members. It is obvious that many opportunities exist, where influences and circumstances might change the initial HR practices. One critical point in this regard is the perception of HR practices. Especially this chain link seems to give much space for misinterpretations and wrong implications also due to the fact that the HR practices are passed on to the employees at this point. The importance of perception is outlined separately in the following.

## 2.2 Employees' Perception

### 2.2.1 Importance of Employees' Perception

The term perception can be defined as follows:

> *"[Perception is a] process by which people translate sensory impressions into a coherent and unified view of the world around them. Though necessarily based on incomplete and unverified (or unreliable) information, perception is 'the reality' and guides human behavior in general."* (Business Dictionary, n.d.)

Every person converts objective information into subjective information that does not always reflect the intended meaning of the objective information. In the "people management-performance causal chain" this transformation takes place between the actual and perceived practices. Purcell and Hutchinson (2007) as well as Wright and Nishii (2006) emphasize in their models that the perception of HR practices generates a certain behavior in the following (see Figure 1). The response to HR practices depends on the employee's individual interpretation of the practices. However, the perceived HR practices do not always convey the message of the actual practices and therefore do not necessarily lead to desirable employee behavior. Consequences of such an incorrect transformation are highly visible. In the context of the HRM work this can show in the incorrect implementation of HR practices. For example, HR practices that are developed with the goal to generate desirable behavior e.g. to motivate or to stimulate commitment might ultimately result in an undesirable behavior or even in the contrary behavior when interpreted in unintended ways. This suggests that during the first stages the objective message of HR practices determine the performance outcome, but from the perception stage onwards the subjective perception of the HR practices influences all further processes (Nishii & Wright, 2008). Since actual HR practices are filtered by perception before they turn into a corresponding behavior, it is expected that the mismatch between the objective information in the form of actual HR practices and the resulting behavior occurs due to the perception of every employee. The central importance that the employee's perception receives seems to be a logical consequence.

The recent literature tries to find answers to the question how to create intended perceptions among all employees that will result in desirable behavior (e.g. Bowen & Ostroff, 2004). It has been found that "climate is widely defined as the perception of these formal and informal organizational policies, practices, and procedures" (Reichers and Schneider, 1990 in Bowen & Ostroff, 2004; 205). Therefore it is necessary to learn more about climate in order to ultimately understand how perceptions are built and possibly influenced.

### 2.2.2 Organizational Climate

Researchers that examined climate perceptions during the past decades were not able to find one consistent definition of psychological or organizational climate (Parker, Baltes, Young, Huff, Altmann, Lacost and Roberts, 2003). According to Parker and her colleagues (2003), this is due to the many terms that were not clearly defined and are used interchangeably. Out of many different suggestions the following definition of psychological climate was compiled:

> *"Psychological climate has been conceptualized as a molar construct comprising an individual's psychologically meaningful representations of proximal organizational structures, processes, and events* (James, Hater, Gent, & Bruni, 1978)" (in Parker et al, 2003; 390). "[It is] *a set of perceptions that reflect how work environments, including organizational attributes, are cognitively appraised and represented in terms of their meaning to and significance for individuals* (cf. James & Jones, 1974; James & Sells, 1981; Joyce & Slocum, 1979)" (in James, Joyce, Slocum, 1988; 129). "[…] *such representations are an interpretation of organizational events based on an individual's knowledge structures* (James & Sells, 1981) *reflecting either personal* (James & James, 1989; James, James, & Ashe, 1990) *or organizational values* (Burke, Borucki, & Hurley, 1992; Kopelman, Brief & Guzzo, 1990)" (in Parker et al, 2003; 390).

Research has shown that the relationship between the subjective impressions of the environment and the performance of an individual is mediated by work attitudes, behavior such as commitment and psychological well-being (Parker et al, 2003). It is expected that psychological climate not directly influences performance but first attaches meaning to HR practices (Nishii & Wright, 2008).

Whereas psychological climate expresses the climate perception of an individual, organizational climate measures the perception on the aggregate level. In case employees share their perception on various dimensions, the psychological contract scores can be aggregated to shape the organizational climate (James, Joyce & Slocum, Jr., 1988). Schneider (1983) acknowledged that individuals' shared perceptions of climate are "relatively homogenous, persistent and stable over time" (in Clissold, 2006, p.3).

In the literature various factors are named that may form climate perception. In the structural approach factors of organizational dimension such as organizational size, structure, the complexity of the system and the prevailing leadership style determine the psychological climate (Payne and Pugh, 1976; Clissold, 2006). The later perceptual approach that was mainly shaped by Schneider's attraction-selection-attrition (ASA) framework reversed the beliefs prevailing at that time. For him, the individual is the main factor that shapes the organization opposed to the belief that the organization shapes the individual (Schneider, 1987). According to Schneider (1987) employees "behave the way they do because they were attracted to that environment, selected by it, and stayed with it. Different kinds of organizations attract, select, and retain different kinds of people, and it is the outcome of the ASA cycle that determines why organizations look and feel different from each other (p.440)". Later, the third interactive approach was formed and connects the two other considerations. This approach considers that employees as well as organizations are dynamic constructs that constantly change. The approach indicates that the climate is a shared set of perceptions that is created through an interaction between employees and their environment (Clissold, 2006).

Research showed that employees do not always show the same behavior even when they receive the same HR practices (cf. Nishii, Lepak & Schneider, 2008). Therefore it is likely that the perceptions of employees also differ.  However, according to Bowen and Ostroff only a shared perception and therefore a common desirable behavior can enhance the unit level performance (see Figure 1). An example of such a desirable behavior is commitment, job satisfaction or employee well-being, which have a positive effect on the performance of the employees (Huselid, Jackson & Schuler, 1997). Only when the behavior of all employees results in the desired unit level outcome it is possible to achieve the projected strategic goals of the whole organization (Bowen & Ostroff, 2004). Therefore the goal of an HRM system is to stimulate a certain behavior among all employees. How such a system should be designed to operate effectively is discussed in the following section.

### 2.2.3 HRM System Strength

For the success of an HRM system it is crucial that the sent messages are interpreted in a desirable way by all employees so that a uniform climate perception develops.
According to Bowen and Ostroff (2004), the HRM content and the HRM process need to be integrated. The HRM content consists of a set of HR practices that help to form perception. In the best case it will stimulate a climate that will ultimately lead to the chosen strategic organizational goal and its values. In addition the HRM process needs to send the messages, which convey the HRM content, constantly (Bowen & Ostroff, 2004).

An organizational climate will generate the most effectiveness when a low variance exists between the interpretation of events and situations among employees. Such a shared interpretation also develops a notion of the behavior that is expected in the organization. This conformity of interpretation among the employees generates a strong situation (Bowen & Ostroff, 2004). Thereby it is the aim to develop a strong organizational climate that "can act as a strong situation when employees develop a shared interpretation of the organization's policies, practices, procedures, and goals and develop shared perceptions about what behaviors are expected and rewarded in the organization" (Bowen & Ostroff, 2004; 207).

Thereby a situation determines the actual perception of an event that an individual recognizes. Through the attachment of a psychological meaning to events, a situation can be differently recognized by individuals. This often only allows the individual to behave in certain ways that appear to be appropriate to them. According to Drazin, Glynn and Kazanjiam (1999), the evaluation of a situation depends on perception, existing cognitive maps and schemas, as well as on enactments and behavior.

Cognitive maps do seem to take a very special role among these factors since they exist before perceptions, enactments and behaviors develop. According to James and James (1989) "stored mental representations or schemas (p.739)" are needed to interpret the environment. They are developed through experiences and color all thoughts, attitudes, behaviors and perceptions. Consequently they are also used to interpret the actual HR practices. The following section describes how schemas develop and how they influence the interpretation of actual HR practices.

#### *2.2.3.1 Schemas*

A schema can be described as a “cognitive organization or mental model of conceptually related elements” (Rousseau, 2001 p. 513). These mental models provide every person with an image of him or herself, of other people and the environment (Padesky, 1994). The definitions of schemas and perceptions sound quite similar when following Beck (1967) who states that schemas are a “structure for screening, coding, and evaluating the stimuli that impinge on the organism” (p. 283). However, they are not the same. Schemas act as pre-filters before information is transformed into perceptions. Incoming information is synchronized with existing schemas and the following interpretation of the information is colored by the existing beliefs (Rousseau, 2001). Those schemas develop through experiences (Rousseau, 2001). The established cognitive structures build the core beliefs of a person. They are accompanied by conditional beliefs that are built through underlying assumptions and automatic thoughts (Beck et al, 1990) that can be described as “cognitions that automatically and temporarily flow through one’s mind” (Padesky, 1994; 267). In addition, existing schemas make up for lacks of information during incidents that we do not know or we cannot relate to (Rousseau, 2001).

According to Taylor and Winkler (1980) schemas can pass up to four stages when developing.

(1) Schemas are rudimentary in the beginning stage. A new schema evolves when people receive information that cannot be connected to existing schemas. At this point schemas are often only specific examples that were experienced and are used now as general case. Since no general knowledge is available these examples are generalized and are used as starting points when experiencing similar incidents.

(2) In the following stereotypic or novice phase additional impressions that occur frequently enlarge the new schema. Often experienced incidents are overgeneralized also due to the fact that still only little information is available. Therefore it is also likely that negative stereotypes arise that might not reflect reality. At this stage people can only identify what is characteristic for a schema.

(3) However, on the following relative expertise stage one can also recognize what is not characteristic for the schema since several dimensions are now correlated. In addition it is possible to recognize differences between the existing schema and real data. Experts also seem to be more willing to “see” inconsistencies in order to learn something new from them.

(4) In the last automatic stage the new schema is unitized with existing schemas. The internal linkages between schemas become stronger and finally merge into one. Several schemas can now be accessed simultaneously. Processes are automated and consequently inconsistencies or errors are only accessible when consciousness is reactivated.

Not all schemas reach the automated or even the expertise stage. The development of our schemas depends on the information that is collected. The complexity of schemas varies depending on the amount of experiences we make and how they are connected with each other (Rousseau, 2001). However, not all schemas seem to be able to integrate new information equally. Over time many schemas are extended until the point, where the experiences made and the existing schemas become the same. Then a schema is an accurate and stable mental model. At these stages, schemas are more flexible when contradicting information reached them, but they are not likely to change anymore. Consequently, new information is more effectively assimilated by people that do not have such a stable schema (Rousseau, 2001).

“On the basis of schemas, the individual is able to […] categorize and interpret his experiences in a meaningful way” (Beck 1967; 267). These schemas take an influence on future incidents. This suggests that schemas are taking an essential influence during the evaluation of actual HR practices and therefore in the development of either strong or weak situations. However their influence is not further investigated in this research since this thesis focuses on the factors that influence perceived HR practices.

#### *2.2.3.2 Strong and Weak Situations*

Through the evaluation of events strong or weak situations develop, which “are powerful to the degree that they lead all persons to construe the particular events the same way, induce uniform expectancies regarding the most appropriate response pattern, provide adequate incentives for the performance of that response pattern, and instill the skills necessary for its satisfactory construction and execution” (Mischel, 1973; 276 in Bowen & Ostroff, 2004; 207).

The question that arises in this context is the required conditions that need to prevail to create a strong situation, in which the variance of perception is low and reflects the desirable messages. In order to assess the strength of situations prevailing in organizations three conditions need to be evaluated: the distinctiveness, consistency and consensus of the HRM system (Bowen & Ostroff, 2004).

- Distinctiveness

  According to Bowen and Ostroff (2004) the “distinctiveness of the situation generally refers to features that allow it to stand out in the environment, thereby capturing attention and arousing interest” (p. 208). Thereby the focus lies on the correct and uniform interpretation of the messages and the sender of the message. Distinctiveness can be enforced through a high visibility of HR practices, understandability, legitimacy of authority and relevance.

  - Visibility

    HR practices need to be visible to the employee otherwise they cannot be interpreted and therefore cannot cause any responsive behavior (Bowen & Ostroff, 2004). Therefore employees need to know about the HR practices, their intentions and the expectations that are linked to them (Delmotte, 2008). But visibility is not only important regarding the collection of information but also for the cognitive arrangement of information (Tajfel, 1968 in Bowen and Ostroff, 2004) and the cause-effect classification (Taylor & Fiske, 1978 in Bowen and Ostroff, 2004).

- Understandability

It is essential that HR practices are understood by everybody (Bowen & Ostroff, 2004) and that ambiguity of the HRM content is avoided (Delmotte, 2008). A clear understandability also fosters an interpretation that is based on the same intended cognitive categories so that different (mis)interpretations among employees can be excluded (Bowen & Ostroff, 2004).

- Legitimacy of authority

The legitimacy of authority describes the perception of employees regarding the credibility and the status of the HRM system and its agents (Delmotte, 2008). If the HRM system is perceived high in credibility and status it is accepted as an authority (Bowen & Ostroff, 2004). In this case the activities are "valued and considered as valid" (Delmotte, 2008; 110).

- Relevance

It is important that employees perceive the HRM system as relevant for the achievement of individual as well as organizational goals. Thereby it is important that individual and organizational goals are aligned so that the relevance is perceived higher (Bowen & Ostroff, 2004). In addition the HRM system should signalize that the activities are also relevant for the abolishment of problems that hinder an achievement of goals (Delmotte, 2008).

- Consistency

Another factor that should be recognized is consistency. This dimension focuses on HR practices. Their effectiveness regarding the achievement of collective interpretation can be measured when looking at their instrumentality, validity and the consistent HRM message.

- Instrumentality

The instrumentality of HR practices gives an indication on the degree of the effect that the used HR practices actually has on competencies, motivation and empowerment of employees (Delmotte, 2008). Thereby the effectiveness of the HR practices is measured by evaluating the successes on the implementation of a desirable attribution regarding the cause-effect linkage (Bowen & Ostroff, 2004).

- Validity

The validity of HR practices measures if the aroused expectations are met or not. In order to generate consistency expectations and actual activities should be congruent (Delmotte, 2008). Otherwise employees receive contradictory messages, which support misinterpretations (Bowen & Ostroff, 2004).

- Consistent HRM messages

Research has shown that individuals prefer to experience consistency. Therefore it is important that the signals that are communicated are consistent and stable. It is important to avoid double-bind communication that occurs when organizational goals and values are perceived differently by employee compared to the goals and values that are determined by management, a combination of HR practices is used, in which the practices do not fit and therefore do not enhance performance, and when HR practices are not stable over time (Bowen & Ostroff, 2004).

- Consensus

HRM systems should create a uniform view on the event-effect linkage. Therefore, HR practices need to be perceived identically by all employees. This consensus can be reached when an agreement exists among the principal HRM decision makers and when the employees perceive the practices as fair (Bowen & Ostroff, 2004).

- Agreement among principal HRM decision makers

A consensus should exist among the agents of the HRM system that are responsible for the design and the implementation of the HR practices. Ultimately, this will result in a consensus among employees. If they disagree on the messages to be sent and the goals they want to achieve, it is likely that inconsistent messages will be sent and no consensus among the employees will occur (Bowen & Ostroff, 2004).

- Fairness

Studies that examined perceived fairness among employees found out that fairness has a positive effect on the attitude towards organizations. Therefore it is important that employees have the feeling that the decisions that have been made treat them fairly and are justified (Delmotte, 2008). This fosters a positive view on the HRM systems and influences the behavior of employees positively (Bowen & Ostroff, 2004).

Weak situations occur when consistency and consensus are low and are coupled with a low or high distinctiveness. In case only distinctiveness is high the attention of the employees is drawn to inconsistent messages that cause different experiences with HR practices among employees that result in a low consensus. When distinctiveness is low as well, the sense-making process often takes place in groups, where the interaction among the employees creates a collective, but often unintended perception (Bowen & Ostroff, 2004). In contrast, desirable strong situations can be generated through a high distinctiveness, a high consistency and a high consensus. That means that in a strong situation the event-effect linkage is highly visible, the linkage is the same independent of modality and time and the employees agree upon their viewpoint on the event-effect linkage (Bowen & Ostroff, 2004).

Therefore it is proposed that:

*Proposition 1: Actual HR practices that have a high degree of distinctiveness, consistency and consensus are perceived as intended among all employees.*

However, human perception itself is not only influenced by actual HR practices but also by many other factors that do not even have to be connected to the prevailing HR practices (Nishii & Wright, 2008). Therefore, one should note that there are possibly countless influences that might create perceptions which either enhance or weaken the strength of a HRM system. Two of these factors and their possible influences are in the focus of this conceptual paper and are presented in detail on the following pages.

## 3. Possible Influences on Individual Perception

The previous review of the literature showed that a strong HRM system can improve the linkage between actual and perceived HR practices. Assuming that there often exists a mismatch between actual and perceived HR practices, the question emerges which other factors are likely to influence perception and how can they foster a strong HRM system. Nishii and Wright's paper (2008) suggests that the reasons for different perceptions among employees are innumerable. However, the factors that are likely to influence perception were already theoretically integrated into existing theories or models. The following pages introduce two concepts and their potential influence on employees' perception. These concepts present influences that result from the relationship between supervisors and their subordinates and the employer-employee relationships.

### 3.1 The Supervisor-Subordinate Relationship

Perception is presumably not only influenced by personal experiences and impressions but also by the contact with other people. The mutual exchange that is described between the employee and the organization in the section below also takes place between the employees and their supervisors since they are often seen as agents of the organization. According to Levinson (1965), the supervisors and the subordinates both shape a relationship and depend on each other to gain maximum contribution. For the organization this contribution means the survival of the company and the enhancement of future growth. For the employees the contribution consists of their personal growth (Levinson, 1965). A similar theory was developed by Blau (1964). He developed the concept of the social exchange theory that describes a relationship that "entails unspecified obligations; when one person does another a favor, there is an expectation of some future return" (Wayne, Shore and Liden, 1997; 82).

Extensive research on organizational relationships developed the theories through time. The social exchange theory and Levinson's explanation of the relationship between a man and his organization build the foundation for the concept of Leader Member Exchange (LMX). This concept is further outlined in the following paragraphs since it is able to communicate the foundations of the supervisor-subordinate relationship theory.

### 3.1.1 LMX

The concept of Leader Member Exchange (LMX) evolved from the Vertical Dyad Linkages that was developed as an alternative to the average leadership style (Dansereau, Graen & Haga, 1975 in Graen & Uhl-Bien, 1995). Levinson's theory that there exists a relationship between the employees and the organization (1965) is taken a step further in the Leader Member Exchange (LMX). LMX already receives over 30 years of attention from researchers. Early research recognized that the relationships between the supervisors and his or her subordinates are unique so that they create differentiated relationships (Dansereau et al, 1975 in Graen & Uhl-Bien, 1995). Contrary to other concepts that describe relationships between employees, their supervisors and the organization (e.g. Perceived Organizational Support (POS) or Perceived Supervisor Support (PSS)) LMX describes it as a reciprocal relationship. This relationship is formed by the characteristics and the behavior of the leaders and their followers (Graen & Uhl-Bien, 1995) and is determined by the degree of mutual trust, respect and obligations (Zalesny & Graen, 1987 in Graen & Uhl-Bien, 1995). LMX can stimulate an enhanced individual as well as organizational performance by making employees act beyond their job description. An enhanced performance of the individual and ultimately of the organization is recognizable due to this behavior (Graen & Uhl-Bien, 1995).

The direct supervisors act as agents of the organization and contract their relationships with their subordinates. At the same time these agents also act as communicators of HR practices nowadays. Hope Hailey, Farndale and Truss (2005) reported in their paper that the HR function is taking over the role of a strategic partner. The operational role on the other hand is often devolved to first line managers (e.g. Larsen & Brewster, 2003; Whittaker & Marchington, 2003). Where the HR function deals with the design of HR policies and the aligned practices, it is the line manager's duty to implement these HR practices and to develop a positive relationship with his or her subordinates.

It is possible to identify high and low quality exchanges between a leader and a subordinate. A high quality relationship is defined as a relationship that is more than just a formal work relation but a trade-off in which both partners supply resources that support the other partner. Hereby employees offer their commitment, engagement, loyalty, trust and their high performance (Zalesny & Graen, 1987). With this behavior they support their supervisor and often receive respect, information, support, additional work and responsibilities as well as trust in return (Zalesny & Graen, 1987). Often both partners feel sympathy for each other. The high quality relationship can even evolve into a partnership. A low quality relationship on the other hand is defined as a relationship that only exists on the formal level and that is determined by the official hierarchy that is given through the job positions that the members hold in the company (Zalesny & Graen, 1987).

In order to allow a relationship to grow and to develop into a partnership it is essential that all employees are treated fair and equally and that every employee gets the chance to enter a LMX relationship with their supervisor (Graen & Uhl-Bien, 1995). Such a partnership generates the highest contribution for both partners in the relationship. In order to maximize the contribution for the organization it is important that as many high quality LMX relationships as possible exist in a company. In the end such partnerships do not only benefit the participants but also the organization (Graen & Uhl-Bien, 1995).

To evaluate the relationship, it is measured among four variables, namely affect, loyalty, contribution and professional respect (Liden & Maslyn, 1998). The more affect, contribution, loyalty and professional respect exist between supervisors and their subordinates, the higher the quality of their relationship.

- Loyalty

  The loyalty of supervisors and subordinates measures the degree to which the members support the mutual goals as well as the person in public. This attitude towards another is constant and not dependent on situations (Liden & Maslyn, 1998).

- Contribution

  Contribution describes the degree of activity that both members put forth in order to accomplish the mutual goals of the relationship. The subordinates rate the effort of their supervisors upon the degree to which he or she offers the subordinate resources (e.g. in the form of physical resources), information or further desirable responsibilities. Supervisors rate their subordinates according to their performance on tasks as well as on activities that are not specified in the employment contracts (Liden & Maslyn, 1998).

- Affect

The affection existing in an LMX relationship is a mutual interpersonal attraction that is not based on work or professional values. The liking that exists between the members of the relationship seems to be a critical factor in the development and the maintenance of the LMX relationship (Liden & Maslyn, 1998).

- Professional Respect

In contrast to affection, professional respect is only based on the reputations and impressions one builds in his or her job in or outside the current organization. These impressions can be built through personal experiences or through professional verifications such as awards or resumes. A professional respect can therefore even be built before two persons meet (Liden & Maslyn, 1998).

Thinking of the dissimilar relationships that supervisors and their employees hold it is possible that the subordinates within a high quality relationship experience the HR practices differently than subordinates that are involved in low quality relationships. It is proposed in the following that employees in a high quality relationship perceive a stronger HRM system compared to employees that are in a low quality relationship. That implies that actual and perceived HR practices are nearly identical to each other among employees that are in high quality relationships.

This conclusion is drawn since employees that are in a high quality relationship enjoy a closer contact to their supervisors. Consequently they also have many chances to select additional and more detailed information and impressions regarding the prevailing HR practices than other employees. It is likely that these circumstances foster the visibility and the understandability of HR practices. It allows these employees to receive necessary information by observing additional situations and patterns. Consequently they have a better chance to respond in appropriate ways. In addition, misunderstandings might be avoided when people know each other and spend more time with each other.

An HRM system needs to be delivered by an authority that employees trust as being legitimate and credible. The HR function as the designer of the practices and line managers as the actual implementers of HR practices need to be accepted as authorities. HRM needs to generate trust among employees by making them feel important to the success of the organization (Bowen & Ostroff, 2004). Supervisors might have the advantage that this trust was already generated and that their intentions have proven to be trustworthy. This is likely to foster the acceptance of supervisors as legitimate and credible authorities.

Line managers are in a good position to clarify how relevant HR practices are, not only for the organization as a whole but for every individual. It is likely that a line manager is able to present HR practices in a way that fits the needs of his employees. The closer the relationship the better the supervisor knows how to address an employee. This might make it easier for these supervisors to make employees understand how important HR practices can be for their personal goals and how important their contributions are for the goals of the company as well. Additionally supervisors might even be able to choose appropriate incentives to motivate their subordinates.

Therefore it is proposed that:

> *Proposition 2: Employees, who hold high quality relationships with their supervisor, are more likely to experience a high distinctiveness of HR practices compared to employees, who are involved in low quality relationships with the same supervisor.*

## 3.2 Employer-Employee Relationship

The relationship existing between the employee and his surrounding seem to strongly influence the individual employee. Already in 1965 Levinson acknowledged that there exists a relationship between employees and the employing organization. This relationship is shaped by reciprocity, which is a process that is "fulfilling mutual expectations and satisfying mutual needs in the relationship between a man and his work organization" (1965; 384).
Various concepts were developed over the last decades to capture and describe the relationships between an employee and the organization. The psychological contract was chosen here to give an impression of the reciprocal relationship between the employee and his employer.

### 3.2.1 Psychological Contract

Schein (1980) was one of the first to introduce the idea of the psychological contract. According to him, the psychological contract can be defined as an "unwritten set of expectations operating at all times between every member of an organisation and the various managers and others in that organisation" (in McDonald & Makin, 2000, p. 84). This definition was expanded by Rousseau (1990) who declared that "psychological contracts are an individual's beliefs regarding reciprocal obligations. Beliefs become contractual when the employee believes that he or she owes the employer certain contributions (e.g. hard work, loyalty, sacrifices) in return for certain inducements (e.g. high pay, job security)" (p. 390). Both definitions imply that the psychological contract is subjective also due to the fact that it is based on perceptions. This implies that the resulting behavior is also unique. However, there are similarities in the employee behavior especially when the work settings are comparable (McDonald and Makin, 2000). Also, employees that experience similar contracts show similar behaviors (Rousseau, 1990). Even though every individual holds a unique contract with his or her employer, there are various dimensions on which contracts can be clustered.

The obligations that are pending between employees and the employer can be summarized in two categories: transactional and relational contracts. The assessment of the contract type can be done with the contractual continuum (MacNeil, 1985). Contracts can be differentiated in terms of focus, time frame, stability, scope and tangibility (Rousseau, 1990). Transactional obligations between employees and their employers are often seen as an economic and extrinsic exchange. This relationship is mainly coined by the exchange of high performance coming from the employee and in response a contingent pay from the employer (Rousseau, 1990). Therefore, the focus is more on “compensation and personal benefit than being good organizational citizens” (Grimmer & Oddy, 2007, p. 155). The scope of transactional contracts is narrow and the relationship is rather static (Rousseau, 1990).

In contrast to that, a relational contract is mainly based on socio-emotional and intrinsic issues such as a high degree of loyalty from the employee towards the employer, who in return offers its employees job security. This kind of employment can be described as a “traditional working partnership” (p.155) that often results in a feeling of affective commitment and involvement with the organization (Grimmer & Oddy, 2007). The relationship is naturally more dynamic and has a pervasive scope. Relational contracts are highly subjective and are not tangible like transactional relationships are. A relational contract implies that the employees as well as the employer are interested in a long-term employment, whereas transactional contracts often are referred to short-term relations (Rousseau, 1990). Even though elements from both kinds of contracts can appear in relationships between the employer and its employees, either transactional or relational obligations prevail (Grimmer & Oddy, 2007).

As mentioned above, the psychological contract is based on perceptions. Next to others the perception of HR practices helps to form and assess the psychological contract (Guzzo & Noonan, 1994). Thereby especially the systematic processing of information that makes employees analyze and evaluate received information deeply serves employees to reevaluate their psychological contract. During such a reevaluation an employee judges to what extent his or her current contract is fulfilled (Guzzo & Noonan, 1994). A corresponding behavior is the consequence.

But the psychological contract is not only influenced by perceptions but might also influence perceptions. Rousseau (2001) pointed out that different psychological contracts are used by employees to interpret organizational experiences, employers’ promises or actions. The psychological contract provides the employee with expectations of what is normally requested and expected. Thereby the psychological contract acts as a lens that can contort the objective reality and therefore might influence the employee's definite perception.

As with schema, the development of the psychological contract is based on one's experiences collected in an organization. When employees are not satisfied with the fulfillment of the contract they are likely to diminish their desirable behavior and are not likely to hold on to a relational contract. The type of psychological contract one holds is dependent on those experiences. Positive experiences with a relational contract can develop commitment, trust and involvement with the organization. Employees in such contracts experienced that promises that were given were actually met. Consequently the promises given by the company can be seen as being valid. This belief in the validity of promises could also be conveyed when evaluating the validity of introduced HR practices.

Relational contract holders experience that there is an efficient cause-effect relationship in place, where desired behaviors result in incentives. However such positive impressions can only be effective, when they are constantly and repeatedly experienced over time. However, once in place it is likely that a certain consistency is expected also in regard to HR practices due to positive experiences with the psychological contract.

Therefore it is proposed that:

> *Proposition 3: Employees, who hold more relational elements in their psychological contract, are more likely to experience a higher consistency compared to employees, who hold more transactional elements in their psychological contract.*

## 4. RESULTS

### 4.1 Research Model

Figure 2 comprises a research model that presents the propositions introduced above. The research model consists of four relevant study variables. The independent variable is the actual HR practices implemented by the line managers, whereas the dependent variable describes the perception of HR practices among employees. As proposed the independent variable is likely to influence the dependent variable determined by the strength of the HRM system. By measuring the distinctiveness, consistency and consensus of HR practices among line managers that are responsible for actual HR practices and among employees that are receiving these HR practices weak and strong situations can be identified. It is going to be revealed if a situation that is perceived as strong among line managers leads to a perception of a strong situation among employees as well so that they receive the HR practices as intended.

The other two variables, the supervisor-subordinate relationship and the employer-employee relationship, moderate the original relationship between the independent and dependent variable. Depending on their status the relationships pending between employees, their supervisors and their organization might impact the strength of the HRM system directly. Thereby, a long-term relational psychological contract that is shaped by social-economic and intrinsic issues, dynamic and pervasive in scope and non-tangible is likely to increase the consistency and thereby fosters a stronger HRM system. In contrast, a short-term transactional psychological contract that is based on an economic and extrinsic exchange with a narrow scope, a stable structure and a high tangibility is presumably not able to increase the strength of an HRM system.

Within the supervisor-subordinate relationship the degree of loyalty, contribution, affect and professional respect determines the quality of the relationship and therefore also the effect that it has on the strength of the HRM system. The high-quality relationships that are shaped by a high degree of loyalty, contribution, affect and professional respect are supposedly able to improve the distinctiveness and are therefore more likely to strengthen the HRM system.

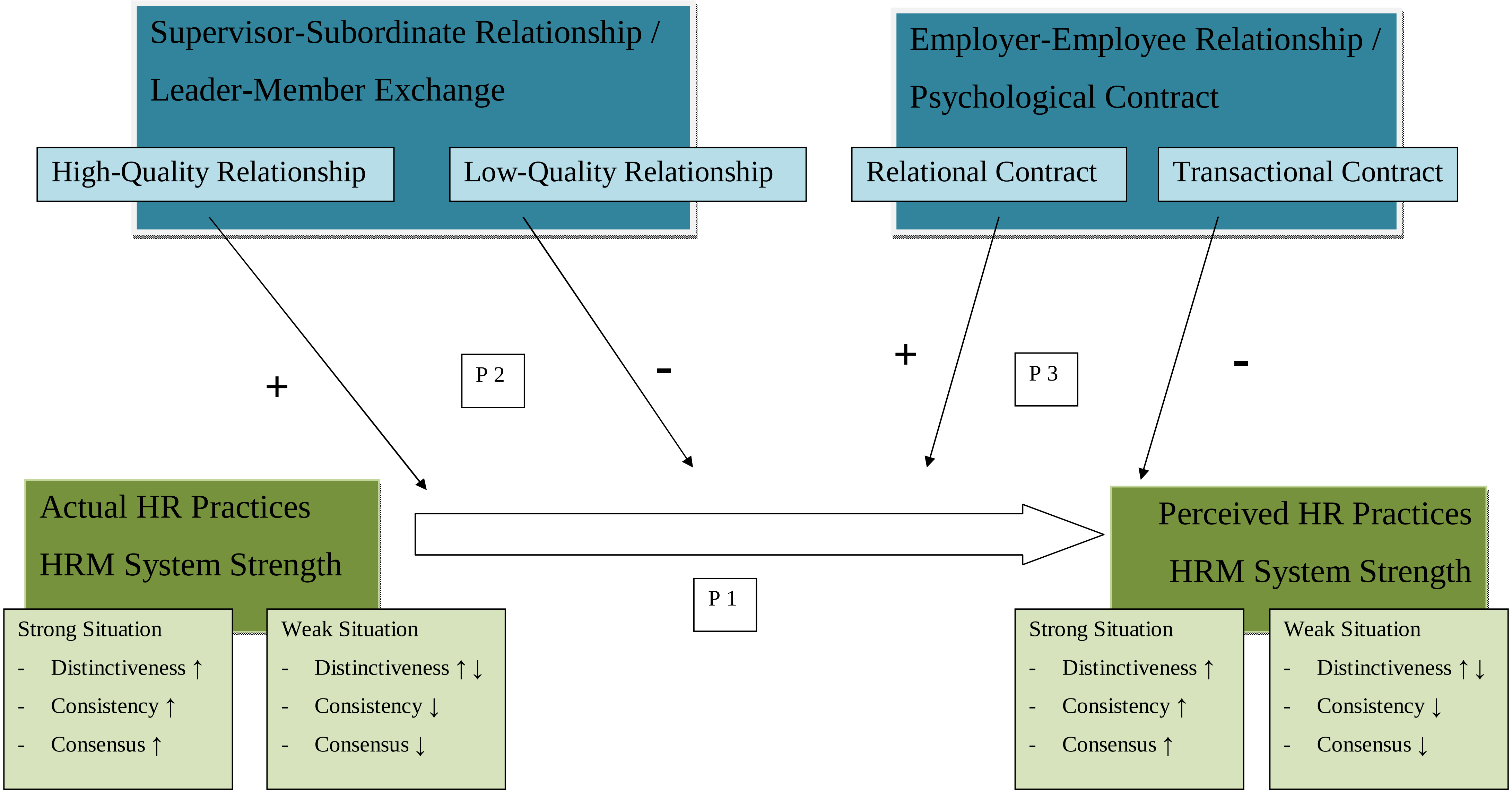


**Figure 2: Research Model**

## 4.2 Possible Study Design

This section suggests a study design to test the above introduced research model. Thereby a possible research design, appropriate ways of data collection, measures and possible control variables are outlined.

### 4.2.1 Research Design

An appropriate study design considering the previous research model would be a cross-sectional study, which is based on observations that are made at one point in time. In order to generate necessary information a quantitative survey research would be suggested. This method allows the researcher to analyze several variables at the same time (Babbie, 2007).

As a study instrument a self-administered questionnaire should be chosen since it allows the collection of a large amount of data within a short period of time. The standardized questions allow the researcher to draw generalizable results when the sample size is appropriate (Babbie, 2007). In this study it would also allow the researcher to compare the answers given by employees of various work groups. In addition self-administered questionnaires allow a straightforward handling of sensitive issues compared to other survey methods were respondents are put into face-to-face situations. In addition, the reliability of questionnaires is quite high in comparison to other research methods (Babbie, 2007).

The questionnaire format has also some weaknesses. It is often artificial and is not able to grasp complex situations. In addition a questionnaire is quite low in its flexibility compared to interviews, where the interviewer can react to the course of the interview (Babbie, 2007). However, in comparison to an alternative interview survey the self-administered questionnaire still seems to be the appropriate choice. Since a questionnaire for this study would not examine complicated issues that would need additional explanations, the possible bias generated by an interviewer could be avoided.

### 4.2.2 Data collection

The study would need to take place in a middle-sized or large organization that is large enough to have a HR department. In addition the organizational structure would need to employ line managers that are supervising departments, groups or certain projects. In addition it is necessary to find employees that are willing to participate in a study, where the answers given cannot be handled anonymously. It is essential to find supervisors and subordinates that allow the researcher to relate their answers to either their supervisors or their subordinates. Otherwise it is likely that the response rate will be too low in the end.

In order to find an appropriate sample it is important that the participating organization employs enough line managers, because also the number of employees responding depends on the number of line managers participating. Employees that are participating need to be supervised by line managers that are participating as well. Therefore a simple probability sampling is not possible independent of the size of the organization. Conducting a probability sampling might create a situation where a line manager fills in questionnaire but none or too few of his or her subordinates participate; or subordinates fill in questionnaires but their line manager does not. The results of these questionnaires could not be used, because they could not tell anything about the effect that the relationships between the supervisor and the subordinates have on the strength of the HRM system. Depending on the definite size of the organization a multistage cluster sampling would be advisable. Within large organizations it is imaginable that line managers can be chosen randomly. Afterwards a second sampling would need to be conducted among the work groups that belong to the chosen line managers. However, one should note that possible sampling errors can occur during both sampling processes (Babbie, 2007).

#### 4.2.3 Measures

The data should be collected with the help of a questionnaire that gives respondents the opportunity to describe their impressions with the help of a 5-point Likert scale. The respondents can indicate to what extent they agree with the given statement from strongly disagree to strongly agree. The questionnaire would contain only closed-ended questions.

Even though all respondents answer questions regarding the same topic two different types of questionnaires need to be developed. The questionnaire handed out to the employees should ask them about their impression on the strength of the HRM system, the supervisor-subordinate relationship by identifying the quality of their leader member exchange (LMX) and the employer-employee relationship by categorizing their psychological contract. The supervisors would need to receive a questionnaire that asks them about their impressions on LMX and the strength of the HRM system.

The table underneath introduces the variables, possible scales and their constructs. In addition the number of items belonging to a construct and the corresponding reliabilities are listed. The complete lists of items that belong to the corresponding scales can be found in appendix A.

| Variable | Scale | Constructs | Number of Items | Reliability (Cronbach's alpha) | Reference |
|---|---|---|---|---|---|
| Actual and Perceived HR Practices | HR System Strength | Visibility | 4 | 0.71 | Delmotte (2008) |
| | | Understandability | 4 | 0.7 | |
| | | Legitimacy of Authority (incl. Relevance) | 6 | 0.78 | |
| | | Instrumentality (incl. Validity) | 5 | 0.81 | |
| | | Consistent HRM message | 3 | 0.62 | |
| | | Agreement | 4 | 0.75 | |
| | | Procedural Justice | 3 | 0.71 | |
| | | Distributive Justice | 4 | 0.8 | |
| Supervisor-Subordinate Relationship | LMX | Loyalty | 3 | 0.74 | Liden & Maslyn (1998) |
| | | Contribution | 2 | 0.57 | |
| | | Affect | 3 | 0.9 | |
| | | Professional Respect | 3 | 0.89 | |
| Employer-Employee Relationship | Psychological Contract | Relational | 13 | 0.86 | Millward & Hopkins (1998) |
| | | Transactional | 20 | 0.88 | |

**TABLE 1: OVERVIEW OF POSSIBLE SCALES**

### *4.2.3.1 Independent and Dependent Variable – HRM System Strength*

The independent and the dependent variable could be measured by identifying the strength of the HRM system. Thereby line managers would describe the actual HR practices whereas employees would give their impression on the perceived HR practices. This could be done with a scale that was developed by Jeroen Delmotte (2008). He used the operationalization of HRM system strength provided by Bowen and Ostroff (2004) as a foundation for his scale. An example item is "Employees are regularly informed about the initiatives taken by the HR department" that belongs to the variable of visibility or "The procedures and practices developed by HR are easy to understand" as an example of the construct understandability. 33 items were generated and it turned out that the scale is reliable and valid. However, one should note that the scale's reliability was determined upon a sample that consisted of line managers. So far the scale is not suitable for employees. Consequently the scale would need to be modified and tested first.

#### *4.2.3.2 Moderating Variable 1 - LMX*

In order to measure the leader member exchange the scale developed by Liden and Maslyn (1998) could be distributed to the employees. During the last decades the multidimensional LMX scale called LMX MDM developed by Liden and Maslyn (1998) was often used preferably over conventional unidimensional LMX scales (e.g. LMX 7 see Scandura & Graen, 1984). This multidimensional scale consists of 11 items where two to three items measure one of the four dimensions. As an example item, the variable loyalty is measured with the item "My supervisor would come to my defense if I were 'attacked' by others". It is a reliable scale however the original scale was only developed to assess the perception of subordinates on their relationship to their supervisor. Greguras and Ford (2006) developed a slightly modified scale that assesses the perception of supervisors on the relationship to their subordinates. The SLMX MDM scale does not only mirror the subordinate's scale but rather changed the scale so that the perception of the relationship to the subordinates is captured in the answers of the supervisors (Greguras & Ford, 2006). This version could be distributed to the supervisors.

#### *4.2.3.3 Moderating Variable 2 - Psychological Contract*

The last scale has the aim to identify if the psychological contract holds more relational or transactional elements. An appropriate scale was developed by Millward and Hopkins (1998). This scale consists of 33 items that can be divided into two subscales. One scale tests the relational dimension (13 items) and the other examines the transactional dimension (20 items) of the psychological contract. One example item from the relational dimension is "I feel this company reciprocates the effort put in by its employees". Cronbach's alpha reach a value of 0.86 for the relational subscale and 0.88 for the transactional subscale and therefore confirm the reliability.

### 4.2.4 Control Variables

This study should control for two variables. The first control variable should be implemented to see how many experiences the individual respondents were able to collect in the past. Thereby it is important to investigate how long the supervisors and subordinates work together. The longer their work relation lasts, the more experiences they were able to gain with the supervisor or the subordinate. In addition the depth of the relationship between the employee and the supervisor is likely to depend on the duration of collaboration and might therefore influence the study results.

A related variable should control for the approximate number of contact hours during one week. Not all employees might spend the same amount of time with their supervisors and might therefore miss the chance to learn more about the supervisor himself and the HR practices that the line managers implement. Therefore they might not be able to give valuable answers.

## 5. CONCLUSION

It is the goal of every HR department to have the designed HR practices implemented in a way that all employees react and behave as desired. It seems logical to believe that HR messages that are distinctive, consistent and that show a consensus are more likely to be perceived as desired. However, employee perception is likely to be affected by factors that can be found on individual, departmental or organizational levels.

It turned out that the supervisor-subordinate relationship seems to be able to affect the messages that HR practices are supposed to deliver. High quality relationships that are characterized by a close interaction between employees and their supervisors are supposably able to improve the visibility of the HR practices, the understandability and the relevancy of the practices. This is likely to be possible through the supervisors that already proved to be legitimate and credible authorities. A high distinctiveness of HR practices would be an important step on the way to align actual and perceived HR practices.

In comparison the employer-employee relationship is rather able to influence the consistency of the HR practices. Hereby it is the aim to generate a common interpretation among the employees. The theoretical considerations above suggest that this relationship is able to improve the instrumentality and the validity of the HR practices when employees collected positive experiences in the relationship with their employer.

It turned out that the examined relationships can have a positive influence on employees' perception by strengthening the HRM system so that the HR practices are perceived as intended among all employees. However, it seems that the single factors are able to influence only parts of the features that create a strong HRM system. The prevailing relationships that employees experience are likely to influence the degree of distinctiveness as well as consistency, respectively. However, their bundled influence should be able to strengthen a HR system and therefore to improve the implementation process of HR practices.

## 5.1 Limitations

This paper is only based on theoretical considerations. Due to missing chances to conduct a study in an organization it has not been researched if the presented factors have these positive implications for the strength of the HR system as suggested. Furthermore the number of factors that could be discussed in this paper is limited. Additional factors would have exceeded the scope and the time frame of this thesis.

## 5.2 Future Research

Past research was focused on the design of appropriate HR practices and the best possible combination of practices. Recent literature rather investigates the implementation of HR practices. The overview of the current literature presented in this paper shows that not the whole implementation process has been researched extensively. Literature can be found on the transition of intended and actual HR practices and the transition of perceived HR practices and their consequences. However, there is very little literature available on the transition between actual and perceived HR practices, even though it is an important process step that has a major influence on the following incidents. Future research should focus on these steps in order to create a complete picture of the process so that ways can be found to reach intended performance outcomes. One way of doing this would be through a study that tests the introduced propositions. Thereby it would be important to test if the presented factors really have an influence on the perception of employees and how they might be interrelated with each other. Rousseau (2001) already investigated the relation between psychological contracts and schemas. However, it seems that experiences are very relevant for the development of relationships and therefore possibly on perception. A closer research on the influence of experiences would be required. As the previous sections clarify, many factors can be detected that probably take an influence on the perception of human beings. Future research will also need to investigate which other factors might exist and how influential they are.

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## APPENDIX A

### (1) HRM System Strength Items

The HR department works too much behind the scenes. (R)
Employees are regularly informed about the initiatives taken by the HR department.
In this organization it is clear what belongs to the tasks and what's outside the field of the HR department.
The actual functioning of the HR department is a mystery to a large part of the employees. (R)
The procedures and practices developed by HR are easy to understand.
Employees in this organization understand the HR strategy.
The HR department gives understandable information on most HR topics.
Employees in this organization often wonder about the usefulness of specific HR practices. (R)
The HR department undertakes exactly those actions that meet our needs.
The HR department in this organization has a high added value.
In this organization HRM is synonymous with excellent work.
In this organization, employees believe that HR plays an important role in developing a competitive advantage.
In this organization the HR function is not a full management function. (R)
The HR department does not succeed in actively changing my behavior. (R)
The HR instruments for employee appraisal succeed in encouraging the desired behavior.
The suggestions, procedures and practices developed by the HR department, actually add value to the functioning of the organization.
The appraisal procedure developed by the HR department, has in practice other effects than the intended effects. (R)
There is a wide gap between intended and actual effects of HR initiatives. (R)
The HR practices implemented in this organization sound good in theory, but do not function in practice. (R)
In this organization HR policy change every other minute. (R)
The successive initiatives introduced by the HR department often clash badly. (R)
In this organization there is clear consistency of HRM messages between words and deeds of the HR department.
Top management and HR management clearly share the same vision.
HR management in this organization is established by mutual agreement between HR management and line management.
HR management and line management are clearly on the same wavelength.
Management unanimously supports HR policy in this organization.
If employees perform well, they get the necessary recognition and rewards.
Employees consider promotions as fair in this organization.
Rewards are clearly related to performance in this organization.
The results of the yearly appraisals are generally considered as fair in this organization.
Some employees in this organization get a preferential treatment because they are friends with HR staff. (R)
The HR department regularly takes decisions based on favoritism. (R)
The HR department takes decisions with two shapes and sizes in this organization. (R)

## (2) Leader Member Exchange Items

**Subordinate Items by Liden and Maslyn (1998)**

I like my supervisor very much as a person.
My supervisor is a kind of person one would like to have as a friend.
My supervisor is a lot of fun to work with.
My supervisor defends my work actions to a superior, even without complete knowledge of the issue in question.
My supervisor would come to my defense if I were 'attacked' by others.
My supervisor would defend me to others in the organization if I made an honest mistake.
I do work for my supervisor that goes beyond what is specified in my job description.
I am willing to apply extra efforts, beyond those normally required, to meet my supervisor's work goals.
I do not mind working my hardest for my supervisor.
I am impressed with my supervisor's knowledge of his/her job.
I respect my supervisor's knowledge of and competences on the job.
I admire my supervisor's professional skills.

**Supervisor Items by Greguras and Ford (2006)**

I like my subordinates very much as a person.
My subordinates are the kind of persons one would like to have as friends.
My subordinates are a lot of fun to work with.
My subordinates defend my decisions, even without complete knowledge of the issue in question.
My subordinates would come to my defense if I were 'attacked' by others.
My subordinates would defend me to others in the organization if I made an honest mistake.
I provide support and resources for my subordinates that goes beyond what is specified in my job description.
I am willing to apply extra efforts, beyond those normally required, to help my subordinates meet their work goals.
I do not mind working my hardest for my subordinates.
I am impressed with my subordinates‘ knowledge of their jobs.
I respect my subordinates‘ knowledge of and competences on their jobs.
I admire my subordinates‘ professional skills.

## (3) Psychological Contract Items based on Millward and Hopkins (1998)

**Relational items**
This job is a stepping stone in my career development.
I expect to develop my skills (via training) in this company.
I expect to gain promotion in this company with length of service and effort to achieve goals.
I expect to grow in this organization.
To me working for this organization is like being a member of a family.
I feel part of a team in this organization.
I go out of my way for colleagues who I will call on at a later date to return the favor.
My job means more to me than just a means of paying the bills.

I feel this company reciprocates the effort put in by its employees.
The organization develops/rewards employees who work hard and exert themselves.
I am motivated to contribute 100% to this company in return for future employment benefits.
I have a reasonable chance of promotion if I work hard.
My career path in the organization is clearly mapped out.

**Transactional items**
I do this job just for the money.
I prefer to work a strictly defined set of working hours.
I do not identify with the organization's goals.
It is import not to get too involved in your job.
I expect to be paid for any overtime I do.
I come to work purely to get the job done.
I intend to stay in this job for a long time (i.e. over 2 or 3 years). (R)
My long-term future does o lie with this organization.
My loyalty to the organization is contract specific.
I only carry out what is necessary to get the job done.
As long as I reach the targets specified in my job, I am satisfied.
I work only the hours set out in my contract and no more.
It is important not to get too attached to your place of work.
I work to achieve the purely short-term goals of my job.
My commitment to this organization is defined by my contract.
My long-term future lies within this organization. (R)
I will work for this company indefinitely. (R)
My job means more to me than just a means of paying the bills. (R)
It is important to be flexible and to work irregular hours if necessary. (R)
I am heavily involved in my place of work. (R)