

“Is My Company Looking Out for Me?”

Employee Interpretation of Human Resource Practices and Its Impact on Unit Performance

David Lepak

SMLR Research Brief No. 5

Rutgers University
School of Management and Labor Relations
Janice H. Levin Building
94 Rockefeller Road
Piscataway, NJ 08854

www.smlr.rutgers.edu

RUTGERS
School of Management
and Labor Relations

In the first study of its kind, three researchers examined how employee perceptions of human resource practices can impact performance within a company. The findings underscore the importance of clear, unambiguous information about personnel policies to eliminate misperceptions or morale problems.

Well-designed human resource programs have generally been shown to improve worker performance, although the link between the two has not been definitively established. Companies adopt certain policies on training, pay, benefits and other personnel matters for a number of reasons. It could be to boost service quality by improving morale and employee well-being. Or, on the other end of the scale, it might be to cut costs or achieve productivity gains at the expense of workers.

The implementation of these practices does not take place in a vacuum, however. Employees routinely assess the motivation for specific human resource policies, and it has been suggested that the attitudes and behaviors that arise from this interpretative process have a bearing on job performance.

This 2008 study was the first to focus on employee interpretations of human resource practices – what the authors call “attributions” – and whether they affect performance within a company. It was conducted by David Lepak, human resource management chair of Rutgers University’s School of Labor and Management Relations, and two other researchers, Lisa Nishii of Cornell University and Benjamin Schneider of the University of Maryland.

“We argue that the attributions that employees make about the reasons why management adopts the HR practices that it does have consequences for their attitudes and behaviors, and ultimately, unit performance,” the three authors wrote.

The Study

The authors chose a supermarket chain as their test subject, in part because of the wealth of data the company had collected on customer satisfaction for each of the roughly 18 departments within its stores.

Employees were given a questionnaire that asked why the company had adopted certain personnel practices regarding training, benefits, hiring policies, pay scale and shift scheduling. Workers were told to assign one of five motivating factors to each category:

1. **help employees deliver quality service**
2. **promote employee well-being**
3. **meet union contract requirements**
4. **try to keep costs down**
5. **exploit or get the most work out of employees.**

Union compliance ultimately was not seen as a factor in shaping attitudes, probably because the mandates come from outside the company and are not subject to management control.

The remaining results were broken down by department. That data was then compared to each unit’s scores on customer satisfaction and a management rating of “organizational citizenship behaviors,” or the department’s willingness to work as a team.

The hypothesis: Units in which employees collectively view the company’s human resource practices as positive and well-meaning should perform better. Those that perceive negative motivations for personnel policies should perform less well.

The study drew on a sample of 4,208 employees and 1,010 department managers.

The Results

On a department-by-department basis, the supermarket chain employees did not respond uniformly to the same set of human resource practices. Units with a more positive view of the company’s motives for implementing specific HR practices scored higher on customer satisfaction and “organizational citizenship behaviors” ratings, and vice versa.

“The implication is that it is not just the HR practices themselves, but rather also employees’ perception of those HR practices that are important for achieving desired organizational outcomes,” the authors wrote.

Implications

Open communication is vital when it comes to human resource practices, particularly with new employees, the authors found. Workers make ongoing assessments of a company’s purpose in adopting certain HR practices, so managers need to play an active role in framing those interpretations.

“When organizational communicators are not seen as credible then employees may be more likely to rely on their own subjective perceptions as well as those of their coworkers when interpreting HR practices,” the authors wrote.

Companies should also take into account employees’ opinions of human resource programs and not just rely on management’s sense of their suitability.

“Doing so may help illuminate problematic areas that are not viewed as problematic by managers but are perceived as so by employees,” the authors wrote.

Motivating Factors for HR Practices

	Internal Factor	Internal Factor	External Factor
Commitment-focused	Service quality	Employee well-being	Union compliance
Control-focused	Cost reduction	Exploiting employees	



David P. Lepak - Professor and Chair, Human Resource Management Department. David’s research focuses on the strategic management of human capital as well as managing contingent labor for competitive advantage. He has published numerous articles on these topics in the *Academy of Management Journal*, *Academy of Management Review*, *Journal of Management*, *Journal of Management Studies*, *Human Resource Management Review*, *Research in Personnel and Human Resource Management*, among others. He is associate editor of *Academy of Management Review* and currently serves on the editorial boards of *Academy of Management Journal*, *Human Resource Management*, *Journal of Management Studies*, *Human Resource Management Journal*, and *International Journal of Learning and Intellectual Capital*.

About the School

- The School of Management and Labor Relations (SMLR) is the leading source of expertise on managing and representing workers, designing effective organizations, and building strong employment relationships.
- Founded by state decree in 1947 as the Institute of Management and Labor Relations, SMLR became a School in 1994. The School is housed in 2 buildings on the Rutgers New Brunswick campus: the Janice H. Levin Building on Livingston, and the Labor Education Center on Cook/Douglass.
- The School contains two excellent Departments – Human Resource Management and Labor Studies and Employment Relations – which together have one of the greatest concentrations of talent in the world on workforce issues.
- Our mission is to deliver cutting-edge education, research, and outreach activities to benefit the employers and workers of New Jersey, the United States, and the world.

Education

The School offers a full range of degree and non-credit learning opportunities, with scholarship assistance available to highly qualified applicants.

UNDERGRADUATE

In partnership with the School of Arts and Sciences and select community colleges across NJ, SMLR offers:

- A Bachelor of Arts in Labor Studies and Employment Relations
- An Undergraduate Minor in Human Resource Management
- A Bachelor of Science Degree in Labor and Employment Relations

PROFESSIONAL MASTERS

The School offers three master degree programs and has taken the lead in creating a fourth program that covers all of Rutgers.

- **Master of Human Resource Management** – to develop strategic HR leaders
- **Master of Labor and Employment Relations** – to develop individuals for a wide range of positions in building effective workplaces
- **Global Executive Master in Human Resource Leadership** – targeted at leaders with the potential to run the HR function for a global company
- **Master of Business and Science** – combining courses from 15 Schools across all 3 Rutgers campuses

DOCTORATE

We offer an interdisciplinary PhD in Industrial Relations and Human Resources.

CONTINUING EDUCATION

We offer a wide range of short course offerings, both public and custom in-house, through the Center for Management Development and Labor Extension program.

Research

SMLR's greatest strength is its world-leading faculty and staff. Among their accomplishments are:

- Producing the highest impact research in the world's leading academic workforce-related journals when benchmarked against the top business schools and peer institutions
- Writing many of the main books that have shaped the field