

## PERCEPTION IS REALITY: HOW EMPLOYEES PERCEIVE WHAT MOTIVATES HR PRACTICES AFFECTS THEIR ENGAGEMENT, BEHAVIOR AND PERFORMANCE

### Key Findings

- Espoused or intended HR practices have differential effects on employee engagement and citizenship behaviors depending on the underlying management motives employees attribute to those practices.
- To achieve desired organizational outcomes, it's important to have not only the right HR practices but the right employee perceptions of those practices.
- Within the service organization studied, employees were more engaged when they believed HR practices were motivated by the organization's concern for high-quality service and employee well-being. Employees were less engaged when they believed a company's HR practices were motivated by a desire to reduce costs and exploit employees.
- Employee attitudes coalesce into unit-level citizenship behaviors, some of which are associated with greater customer satisfaction.



## Topic

### Do employees' perceptions of the motivation behind HR practices influence customer satisfaction?

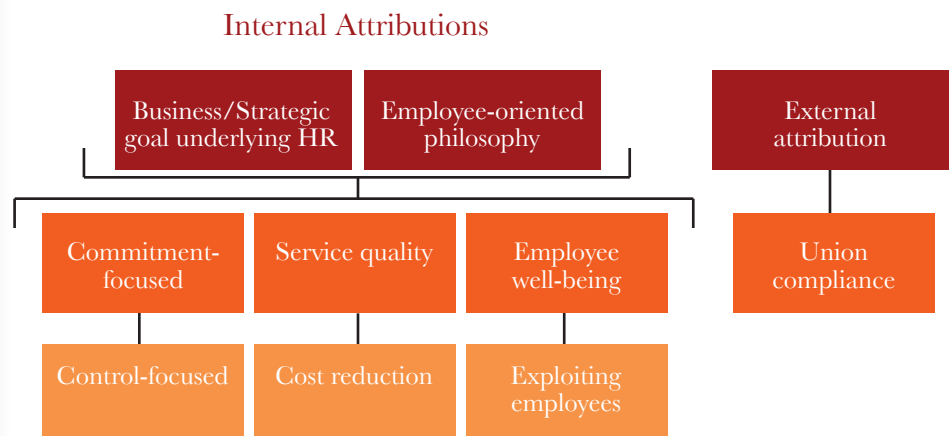
This study examines the extent to which employees' attitudes and behavior, both at the individual and unit level, are shaped by their beliefs of the motivations driving HR practices—why HR does what it does. Do employees attribute practices to a genuine concern for their satisfaction and well-being? Or do they feel the company places a higher priority on reducing costs and complying with external requirements, such as union contracts? These attributions can greatly influence organizational citizenship behaviors (OCBs)—spontaneous, cooperative actions on the part of employees that go beyond their formal job requirements—and impact customer satisfaction and the bottom line.

Researchers hypothesize that if employees attribute HR practices to a company philosophy based on seeing employees as an asset, organizational performance will be high. Likewise, attitudes and performance will be poorer if there is widespread belief among employees that the company's HR practices are aimed primarily at controlling costs.

## Study Questions

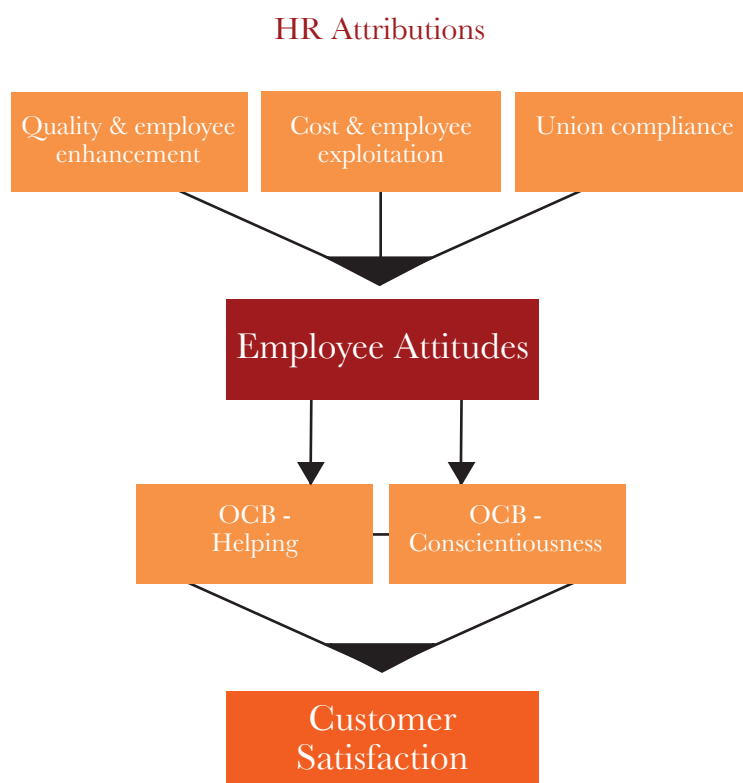
- Are employees more satisfied and committed if they believe their employer's HR practices reflect a commitment to quality and employee well-being?
- Are employees less satisfied and committed if they believe their employer's HR practices reflect a managerial philosophy that employees are costs to be controlled?
- When employees perceive HR practices to be driven by union contracts, are those perceptions at all related to satisfaction and commitment?
- At the work unit-level, do employee satisfaction and commitment affect the extent to which work unit members engage in OCBs, thereby affecting customer satisfaction?

## Typology of HR Attributions



## Results

- When employees perceive that HR practices reflect a commitment to quality, and are based on seeing employees as assets, they have higher commitment and satisfaction. If employees viewed a practice as a sign that the company values quality service or products, and will empower employees to produce them, employees were more satisfied.
- When employees perceive that HR practices are based on controlling costs, they have more negative attitudes. When employees believed that HR practices reflected the company's view that employees were a cost to be contained, employee satisfaction and commitment dropped.
- Employee attitudes were unrelated to whether they perceived HR practices as being based on compliance with union contracts. When employees think HR practices are dictated by union contracts, it does not tell them anything about management's employee-oriented strategy or philosophy; thus, these perceptions do not affect satisfaction with, or commitment to, the employment relationship.
- Employee attitudes were associated with unit-level organizational citizenship behaviors (OCBs), of which one type—OCB-helping—led to higher customer satisfaction. Although originating with individuals, employee attitudes are likely to become shared within units through common experience, work environments, tasks, rules and procedures. These shared attitudes translate into OCBs. This study looked at two facets of OCBs: "helping," the willingness of employees to assist their fellow employees; and "conscientiousness," or a willingness to conscientiously follow rules and expectations. Of these two, OCB-helping was linked to greater customer satisfaction.



## Practices and Perception

In 2004, groundbreaking research by Bowen and Ostroff<sup>1</sup> argued that in order for HR systems to lead to desired performance, they must elicit clear and shared perceptions of the work climate and of the behaviors that management expects, supports and rewards. That study suggested that HR outcomes depend on employee perceptions.

Here, researchers build on that theory by focusing on employees' beliefs about why HR adopts certain practices, which hasn't been previously studied. This is also the first study to focus on employees' perceptions, rather than relying on management's definitions of what constitutes an "emphasis on quality" HR practice versus a "cost control" practice.

The shift in focus is important because historically researchers have focused primarily on intended HR practices as described by managers, but not employees' perceptions of or reactions to them, thereby (implicitly) assuming that HR practices function as intended. Yet in reality, the same HR practice is often regarded in different ways. For example, some employees may view a pay-for-performance system as a sign of empowerment—management rewards workers who provide high-quality service or produce high-quality products. Others, however, may see this practice as a means of controlling costs and getting as much productivity out of workers as possible, with little concern for their well-being.

Even within a firm, the same HR practice may be viewed differently by different employees. But the effect is the same; if employees feel they're being valued, they respond more positively, whether or not the HR practice in question is actually, by management's definition, a "quality" HR practice.

Clearly, employees are going to assign meanings to the HR policies that govern their daily working lives. Individual attitudes, in turn, tend to accumulate into unit-wide perceptions. Members of the same work unit often come to hold similar views through what's known as a "double interact" process (Morgeson and Hoffman, 1999). This occurs when one employee shares a sentiment with a colleague, who responds, after which the first employee responds back—a reinforcement that creates collective attitudes. Once a unit has established a distinct character, it often self-perpetuates that character by attracting like-minded new employees and losing through attrition those who don't share the unit's views.

This is especially important for service-oriented companies to consider, since an impressive body of research (e.g., Schneider, Erhart, Mayer, Saltz & Niles-Jolly, 2005) shows a clear relationship between service quality, customer satisfaction and financial returns. It's reasonable to expect, then, that unit-wide perceptions will have a strong effect, particularly as those perceptions are manifested in OCBs that can be very helpful to the company.

The bottom line is that although employees' perceptions of HR practices can vary from person to person, companies that ignore those perceptions risk hurting their bottom line.

## Data Source

Data came from surveys completed by 4,208 employees and 1,010 department managers of a supermarket chain with stores that each contain approximately 18 departments, which allowed for meaningful evaluation of data within and between units. Respondents came from 362 departments across 95 stores; more than 90 percent of respondents worked in unionized stores.

Additionally, customer satisfaction data for each department were available from the supermarket chain. Researchers used this information to measure performance.

## Takeaway

- Management should communicate the intentions of HR practices in an unambiguous, salient manner, both through official channels and indirectly through line managers.
- Organizations should expand the way they use employee surveys. Asking employees their perceptions on why HR adopts the practices that it does can provide valuable information about why those policies work or don't work. This kind of assessment can highlight areas managers may not view as problematic but that employees do.
- If there's a difference in opinion about motivations, management should try to understand what links those differences: are they related by location, by department, by job type? This may give managers some insight into how to revise the problematic practice or improve communication surrounding it.
- First impressions can be the most enduring, so organizations should pay special attention to recruitment and early work experiences. Employees are likely to seek explanations for HR practices when they first join a company, and afterward those opinions may be resistant to change (Ross & Lepper, 1980).

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