



Photo: Colourbox.

Perceptions of HRM: Report of results from the Global HRM project with focus on findings from primarily small and medium-sized organisations in Denmark

Acknowledgements

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Contents

1. Executive summary
2. Introduction
3. The 'Danish' model of HRM
4. Description of the data and measurement
5. Selection of global results
6. Discussion of Danish results
7. Potential implications
8. References

1. Executive summary

In recent years, considerable attention has been focused on capturing the effects of Human Resource Management (HRM) practices on organisational performance. While much of the research conducted in this area has emphasised the importance of alignment between organisational strategy and HRM practices, there is also an growing body of academic literature arguing that the impact of strategic HRM on performance will largely depend on how these practices are *perceived* by employees within the organisations. The aim of the Global HRM project on which this report is based was thus to investigate relationships between implemented HRM practices, employee perceptions of HRM, and the impact of implemented HRM practices on direct and indirect measures of individual and organisational level outcomes. Specifically, the study was aimed at identifying the impact of what are referred to as “High Commitment HRM” practices with job satisfaction, employee engagement, workplace commitment, and creative and innovative work behaviours.

The findings presented in this report are primarily in relation to the Danish organisations participating in the Global HRM project, with data from organisations from other countries participating in the study included for the purpose of comparison. Generally, the data analyses suggest that there are considerable gaps between managers’ reports of HRM practices being implemented in the organisations and employees’ perceptions of HRM, and that these gaps appear to be larger in Denmark than in other countries participating in the study. Apparently, however, employees’ somewhat lower perceptions of HRM do not adversely impact on their satisfaction, engagement, or commitment. Further, employees’ perceptions of HRM do not appear to influence subjective evaluations of innovation performance. Possible explanations for the gaps between managers’ reports and employees’ perceptions are discussed, and implications for managers are proposed.

2. Introduction

For several decades, researchers within the field of Human Resource Management (HRM) have sought to quantify the relationship between individual HRM practices (e.g. staffing, training, or compensation) and/or HRM systems consisting of specific bundles of HRM practices and various measure of organisational performance. In particular, there has been much focus on the influence of HRM systems referred to as “High Performance Work Systems” (Huselid, 1995) and “High Commitment HRM” on organisational performance. These HRM systems, which generally include selective staffing practices, extensive training and development, performance management, and employee participation (Boselie, Dietz & Boon, 2005), are expected to impact organisational performance through their collective influence on employees’ attitudes, behaviours, and performance.

However, empirical studies have failed to provide unequivocal evidence of a relationship between HRM systems and performance in all contexts. Bowen and Ostroff (2004) maintain that conflicting findings from these studies can be due to an overemphasis on HRM content—that is, the HRM practices being implemented—and what they refer to as “HRM process”. The notion of HRM process emphasises that HRM must be effectively communicated to employees, and that potential performance outcomes from the use of HRM practices or systems is dependent on the strength of the HRM systems, which is determined by the degree to which employees perceive HRM to be *distinctive*, *consistent*, and *consensual*. Coelho, Cunha, Gomes and Correla (2012) developed and validated scales of these three measures of HRM strength that can be used to measure employee perceptions of HRM. As Sanders, Shipton and Gomes (2014:490) note, this “process-based approach highlights the importance of the psychological processes through which employees attach meaning to HRM in explaining the relationship between HRM and performance”.

The findings presented in this report are based on preliminary analyses of data collected in conjunction with the Global HRM project, which was aimed at testing assumptions proposed by Bowen and Ostroff (2004). Specifically, the Global HRM project investigates relationships between HRM content, and in particular the High Commitment HRM practices and HRM process (i.e. employee perceptions of HRM) and the effect of these on employee attitudes and behaviours as well as organisational performance.

The overall questions underpinning the study include:

- 1) Which HRM practices are being implemented, according to managers?
- 2) How are these HRM practices perceived by employees?
- 3) Is there alignment between managers' reports of implemented HRM practices and employees' perceptions of HRM?
- 4) What are the effects of implemented/perceived HRM practices on employee attitudes, behaviours, and performance?
- 5) How do results vary in participating countries and organisations?

The general model underpinning the research is shown in Figure 1.

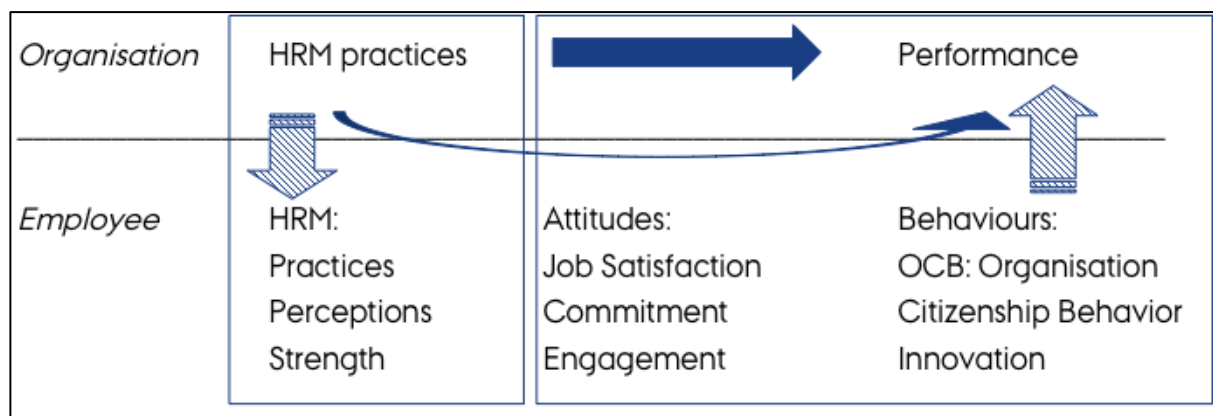


Figure 1: General Model

In this report, focus is primarily on data collected in Danish organisations as compared to data collected in organisations in other participating countries. Before presenting these findings, a brief overview of the “Danish Model of HRM” is presented.

3. The ‘Danish model’

Innovation is important for most firms today, and Denmark is generally perceived as having a relatively strong capacity for innovation. Indeed, Denmark has been designated an “innovation leader” in the Regional Innovation Scoreboard (2012). The role of HRM in supporting innovation and other measures of organisational performance in Denmark is however not clear. On the one hand, strategic HRM is describes as having low visibility

(Brewster, et al., 1992; Larsen & Brewster, 2003). Specifically, Danish HRM practices tend to be less strategic, more devolved, and involve fewer personnel specialists than other European countries (Brewster, Holt Larsen, & Trompenaars, 1992). In addition, pay bargaining in Denmark tends to be centralized above the organizational level and integration of HR practices with corporate strategies is low (Brewster et al., 1992).

On the other hand, findings from a large scale survey in Denmark concluded that “new HRM” systems are increasingly used in Danish firms, including internal and external training, planned job rotation, delegation of responsibility, functional integration, pay-for performance, interdisciplinary work groups and quality circles, and strong linkages to knowledge institutions including technical support institutions, consultancies or universities. Additionally, these HRM systems are found to positively impact innovative performance (Laursen & Foss, 2003).

Viewed together, these studies in Danish firms suggest that there may be substantive differences in (1) how HRM is practiced in Denmark as compared to other countries, (2) how HRM is perceived by employees in Denmark, relative to other countries, and (3) how HRM practices influence employees’ attitudes and innovative behaviour in Danish organisations.

In addition, most of the cross-national comparative research on HRM has been conducted in larger Danish firms, which not fully represent the Danish organisational landscape. To address this methodological constraint, the sample included in this study is not restricted to larger firms. Thus, the current study is expected to contribute to a clearer understanding of HRM in Denmark.

4. Description of the data and measurement

Data have thus far been collected in 24 organisations in nine countries (Nigeria, Tanzania, Oman, Malaysia, China, Portugal, UK, Norway² and Denmark), with a total of 1649 respondents (1490 employees and 159 managers)³. The 24 organisations include four banks, four business services organisation, three manufacturing firms, three energy firms, one producer of pharmaceutical products, two producers of commercial health care products, and seven organisations active in the tourism industry.

In Denmark specifically, survey data were collected in five firms of which the details are presented in Table 1. The HR managers or senior managers of the participating organisations volunteered to participate in the study. Two surveys, one for managers and one for employees were developed specifically for the Global HRM project, and data were collected through a secured survey website. By including both employees' perceptions and managers' perspectives from the same organisations, the data allow us to compare the HRM practices that have actually been implemented with the employees' awareness of those practices. Further, we distinguish between the HRM practices, the perceptions of HRM and HRM strength as described in the previous section.

The measurement of the constructs in the survey consisted of scales that have been validated in previous research. Respondents rated the statements on a 'Likert-type' answer scale from 1 to 5, where 1 is 'I strongly disagree' and 5 is 'I strongly agree'.

<i>Organisation</i>	<i>Employees</i>	<i>Managers</i>
1. Energy service firm	52	7
2. Manufacturing firm	79	6
3. Small service firm	35	2
4. Cooperative energy firm	51	8
5. IT and Business Process Service firm	31	3
Total	248	26

Table 1: Overview of data collected in Denmark

HRM practices

² As of august 2014, data from Norway has not yet been merged with the data set.

³ Data collection is still ongoing, and results will be updated as new data becomes available.

To measure the presence and visibility of HRM practices, a list of nine HRM practices was presented to managers and employees of the participating organisations. The objective of this question was to identify which practices are most salient the respondents' organisations. When translated to Danish, the question was presented as: 'Please check the HRM practices which you perceive as important in your organisation. Select as many options as you consider relevant.'

The list of HRM practices included: training and development, performance appraisal, career development, communication, participation in decision making, bonus and incentives, recruitment and selection, teamwork, safety in the workplace and union relations. These practices were identified in previous research by Tsui and Wang (2002) as the most common and internationally coherent HRM practices in organisations and are consistent with those included in "High Commitment HRM practices".

HRM Perceptions

High Commitment HRM practices were also used to measure the perceptions of HRM. Specifically, five elements of High Commitment HRM were included: 1. Extensive training, 2. Internal mobility, 3. Participation, 4. Pay – performance linkage, and 5. Employee security. Each element is represented by a number of questions. For example, an example question of the extensive training aspect is: 'I have had sufficient job-related training'. This measurement scale is a previously tested and validated survey scale developed by Sun, Ayree and Law (2007). The aspects of this measure are often summed as one overall HRM perception construct, due to their tendency to have a combined effect on employee attitudes (interaction effects). However, the elements are included separately here to support comparative analysis between the participating countries.

HRM Process

All question measuring the HRM process element are based on a previous test and validated scale by Coelho et al (2012). This relatively new concept consists of eight elements: Understandability, 2. Instrumentality, 3. Agreement, 4. Consistency, 5. Legitimacy, 6. Relevance, 7. Fairness, and 8. Visibility. One example question of the element of consistency is: 'HR practices are consistently applied over time'.

Employee attitudes

The survey also measures of employee attitudes. These include affective commitment to the organisation, work engagement, and job satisfaction, which all measure slightly different concepts. Affective commitment to the organisation is an affective or emotional bond between the employee and the organisation, which is measured according to the work of Allen and Meyer (1990). Work engagement consists of three elements representing the employees' more fluent state of work energy, including vigour, dedication and absorption. This measure is based on the work by Bakker and Schaufeli (2008). Job satisfaction measures employees' general satisfaction with their jobs and the measure for this concept is based on the work of Kim, Price, Mueller and Watson (1996).

Employee behaviour

Two existing concepts labelled Organisational Citizenship Behaviour and Innovative Work Behaviours were used to capture employees' performance and behaviours. Organisational Citizenship behaviours represent discretionary behaviours often described as 'going the extra mile'. For instance, these behaviours include eight items identified by Lee & Allen (2002): defending, safe-guarding, and performing additional tasks for the organisation. An example of the set of questions is 'I complete tasks that are not required of me, but support the organisation's image'.

In addition to these work behaviours representing the organisation, more and more employees are expected to contribute to improvement of existing procedures and coming up with new ideas. Therefore, innovative work behaviours are measured in this survey, based on the work of Scott and Bruce (1994). One of the questions included in this measure is: 'I develop necessary plans and schedules for implementation of new ideas'.

Organisation performance

In the managers' version of the survey, managers were asked to rate a series of performance indicators aimed at identifying relationships between HRM practices, perceptions and process and their effects on organisational performance. These questions consist of two sets of concepts that are rated by the manager comparing the situation in the organisation with competitors in the same industry. Organisational performance was rated on product or service to market, market share, customer satisfaction, customer retention, new customer attraction and growth. Organisational innovation was rated on (new) work methods, process or system

innovation, new ways to reach goals and job content changes. A note here is that this is a rating of how the managers compare their own organisations on the performance indicators to their perceptions of competitors' performance on these indicators. These indicators may differ between country, for instance when an industry within one national context is outperforms or is particularly innovative.

5. The results

Both employees and managers have indicated the HRM practices viewed as important in their organisations (i.e. 'yes' these are important or 'no' these are not important in our organisation). Figure 1 presents the percentage of managers that rated the particular HRM practice as important per country.

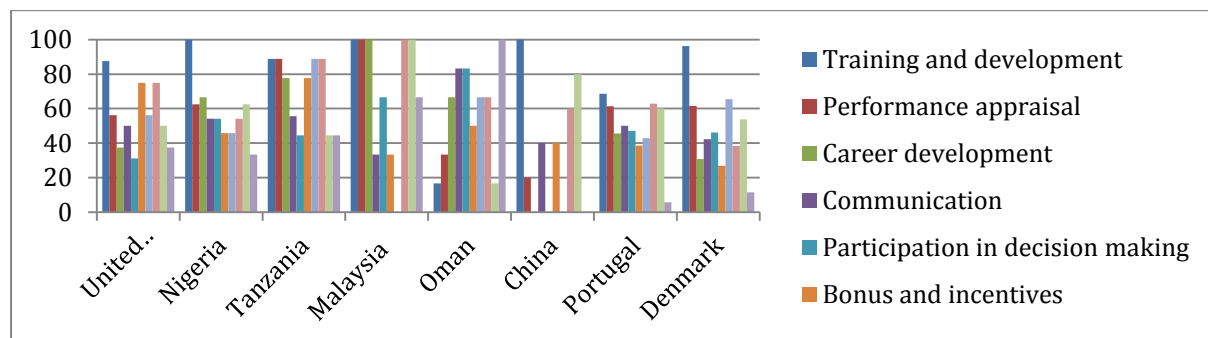


Figure 1: Supervisors on the most salient HRM practices in their organisation

A higher percentage means more managers from that country rated that particular practice as important in their organisation. Overall trends in the application of HRM practices as well as country specific trends are visible.

Figure two shows the results of how this same set of HRM practices is perceived by employees. It should be noted that the question is formulated in exactly the same way on both versions of the survey (i.e. both managers' and employees').

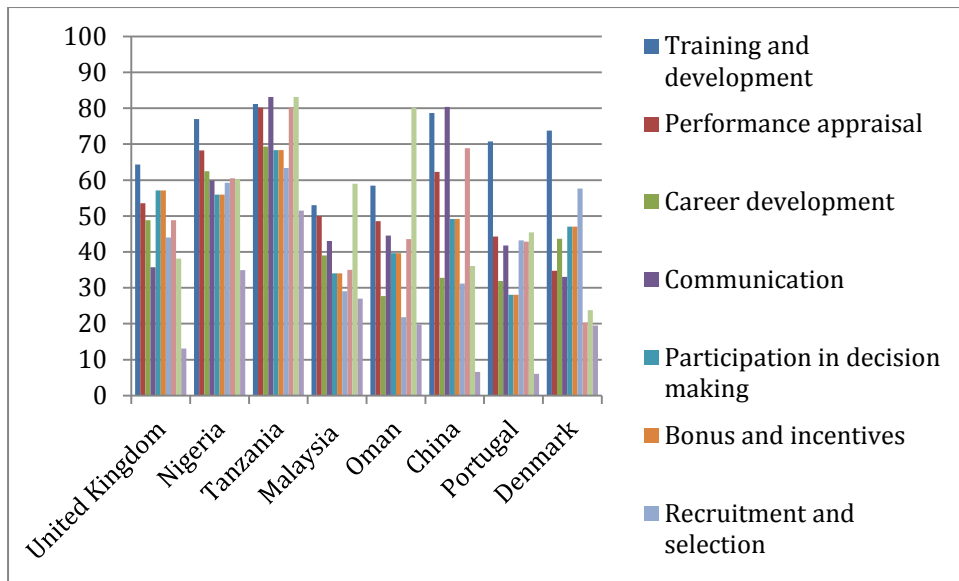


Figure 2: Employees on the most salient HRM practices in their organisation

Differences between employee and managers' responses were evident in the data, as shown in Figure 3. For each organisation the percentage of managers indicating each HRM practice as salient was calculated. Then, the employees' indication was subtracted from the organisation managers' average, which resulted in a difference score. Positive difference scores (above zero) indicate managers find a HRM practice more salient, whereas negative (below zero) difference scores result when employees find the HRM practice more salient than managers. Overall, the results demonstrate that employees seem to experience 1. a difference in which particular practices are salient in their organisation, and 2. an overall lower number of HRM practices are experienced as salient.

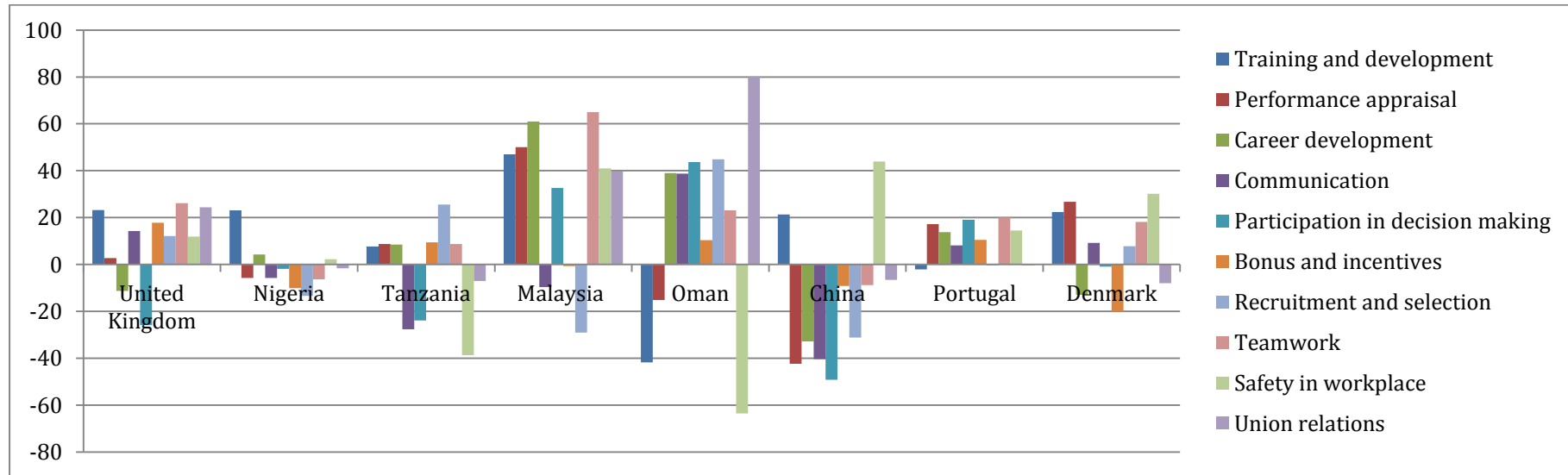


Figure 3: Organisation managers' average minus employees' perceptions of HRM practices salient in their organisation

The perceptions of High Commitment HRM practices are presented in a similar manner, except that this measure was rated by managers on a 1-5 Likert scale. Figure 4 presents the managers' ratings of the five HRM practices, where 5 represents the most positive agreement with the statements and 1 represents the lowest and most negative reaction to the statements, with an average score of 2.5.

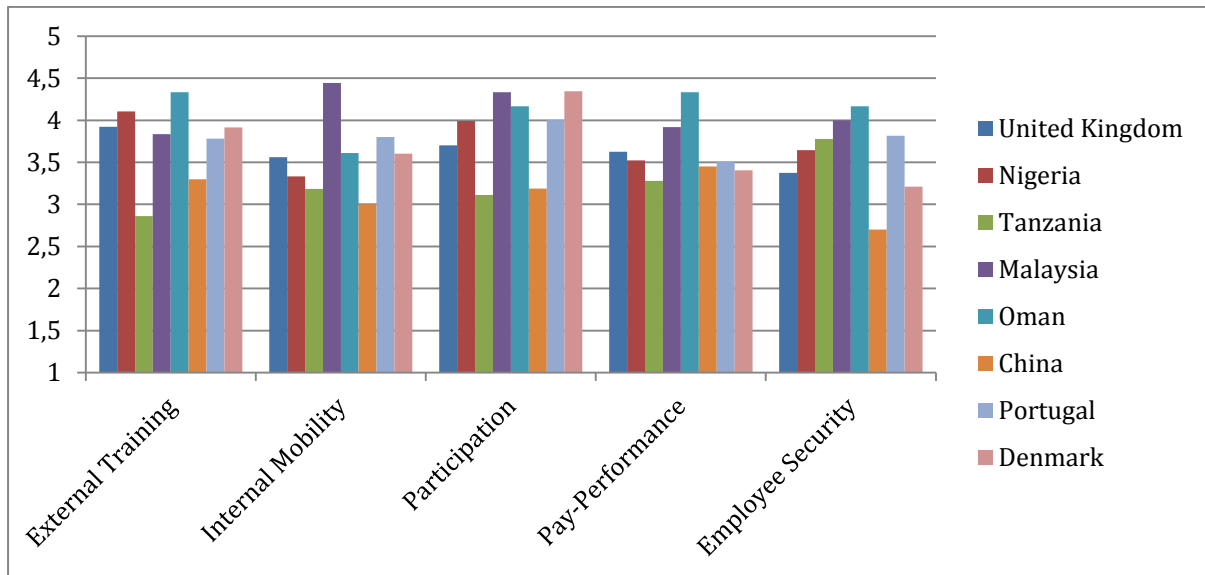


Figure 4: Managers' perspective of High Performance HRM

Figure 5 presents the results of the employees for the same constructs and same questions.

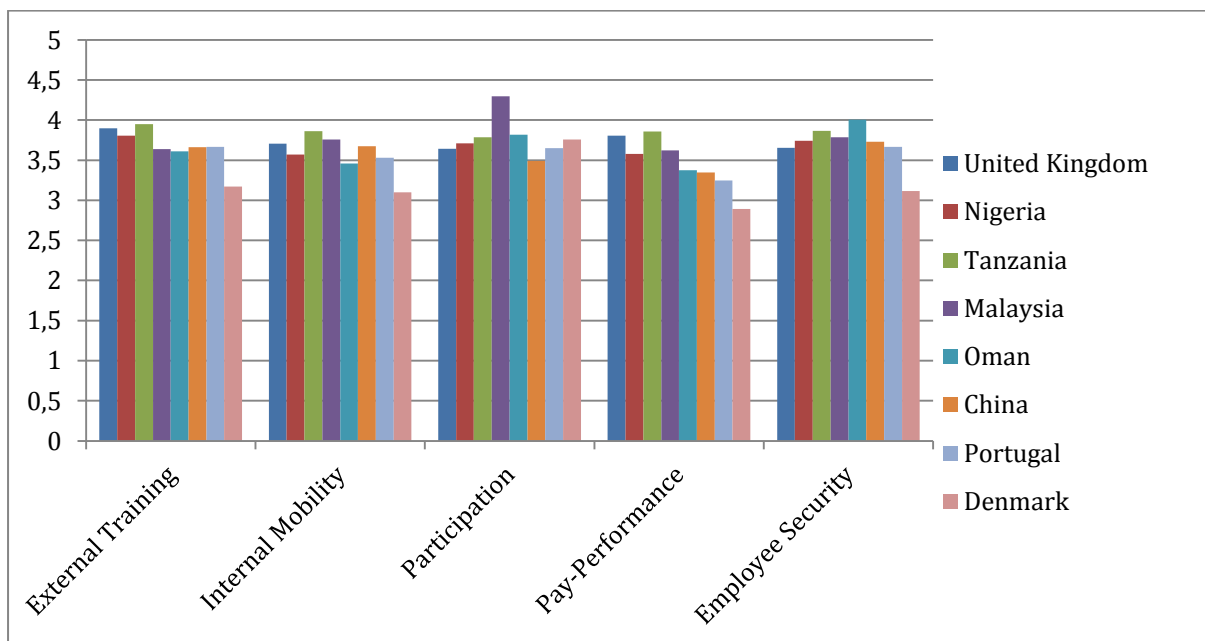


Figure 5: Employees' perspective of High Performance HRM

Figure 6 represents the differences between managers and employees calculated in the same fashion. The average per company for all managers was calculated and the average score of the individuals working in this company was subtracted.

Figure 7 shows the results of the HRM process, in which employees rate eight distinct element of the HRM process. The figure shows the average employee rating per country.

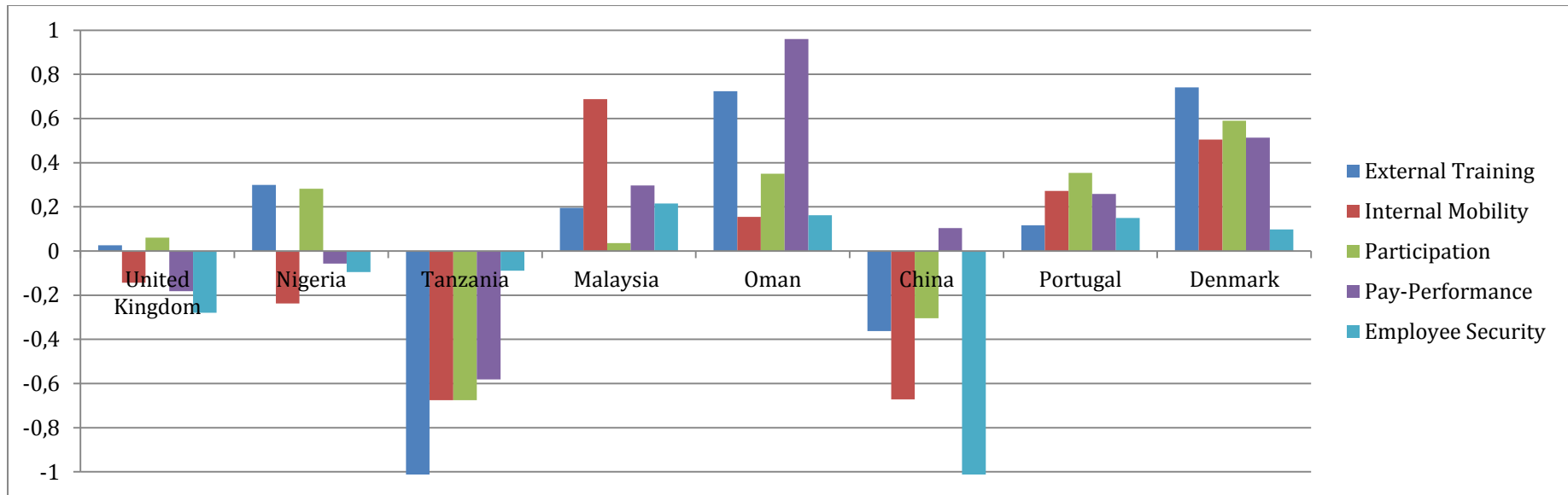


Figure 6: Organisational average of managers' perspective minus employees' perspective of HPHRM per country

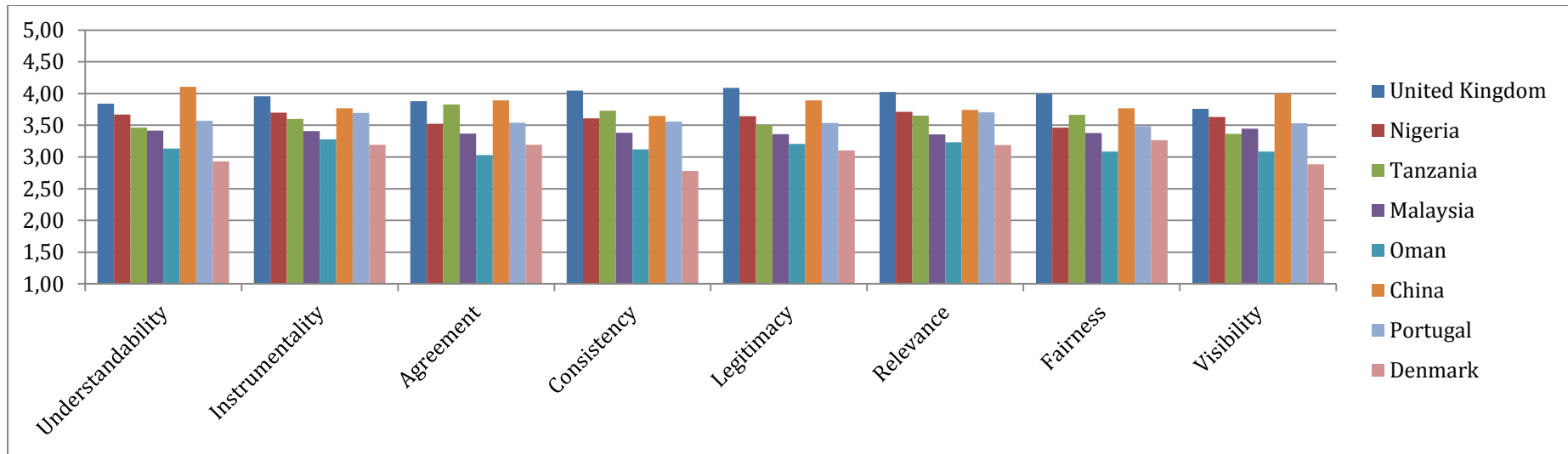


Figure 7: HRM process rated by employees by country

The following two figures display the employees' self-report of attitudes and behaviours in their organisations. Figure 8 presents the five employee attitudes, the three types of work engagement, job satisfaction and affective commitment to the organisation. Figure 9 presents the levels of organisational citizenship behaviour and innovative work behaviours.

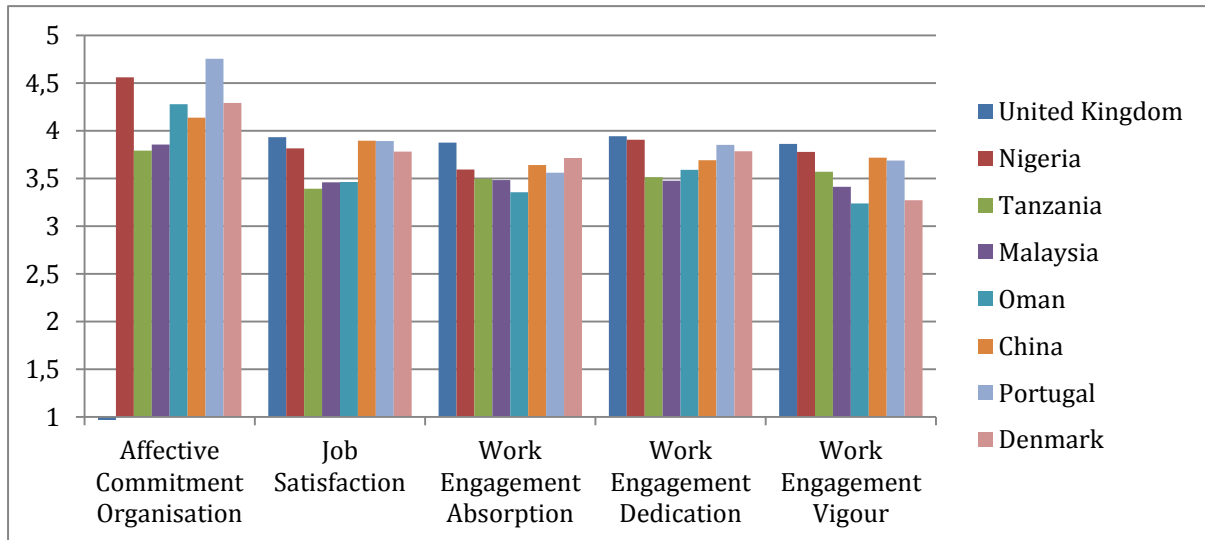


Figure 8: Employee attitudes per country

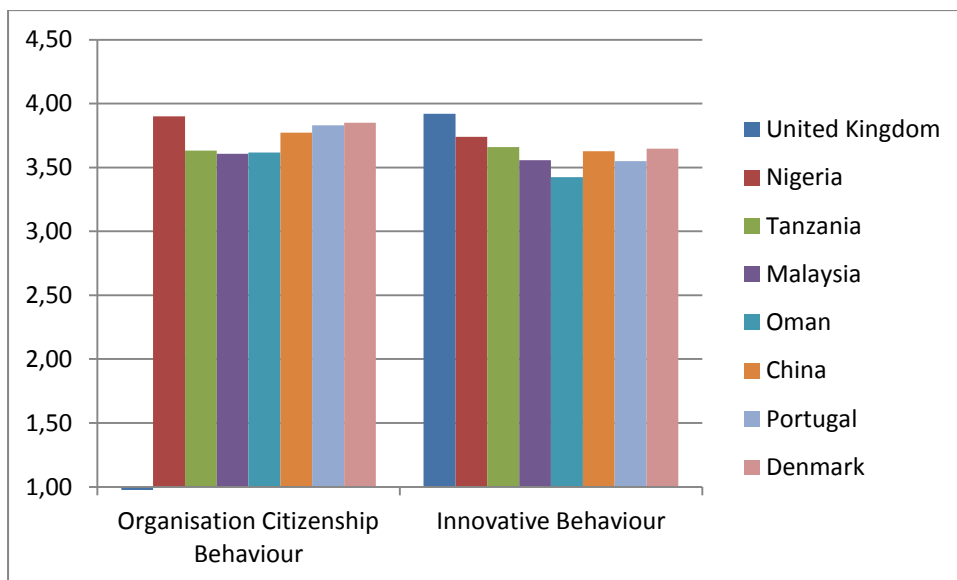


Figure 9: Employee behaviours per country

Figure 10 shows insight into the organisational performance of the organisations in the sample per country. The ratings are split up between performance and innovative performance and are based on the ratings of managers of their organisations in comparison to competitors.

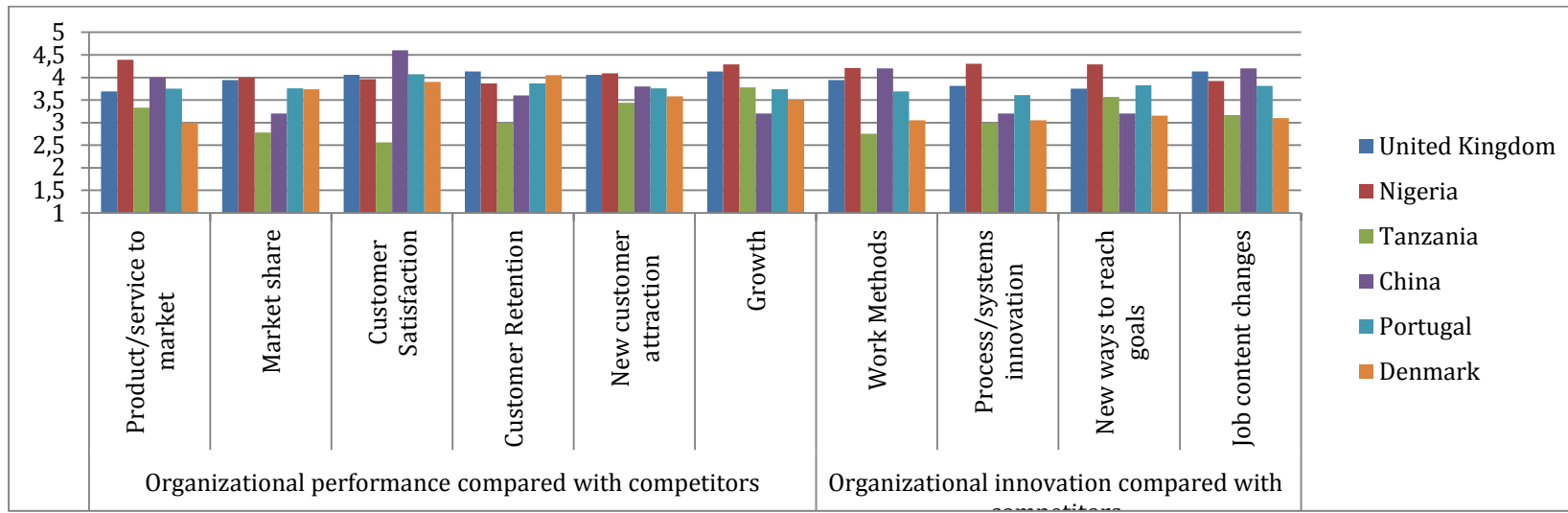


Figure 10: Organisational performance rated by managers average for the organisations per country

6. Discussion of Danish results

Generally, our findings show that there are differences between managers' reporting of HRM practices (i.e. the HRM practices managers' reports on which HRM practices are most salient, or "most important" in their organisations) and employees' perceptions of these HRM practices. Specifically, we found that Danish employees perceived bonus and incentives and career development as more salient in their organisations than the managers of these Danish organisations. On the other hand, Danish managers perceived training and development, performance appraisal and safety in the workplace as most important HRM practices in their organisation, whereas the employees of these organisations rated these practices as less salient. The importance of communication, recruitment and selection, and union relations were rated similarly by managers and employees.

In addition, Danish managers indicated that their firms provide sufficient and on-going external training opportunities, whereas employees indicated a less positive perception of the external training opportunities. This type of discrepancy is similar for internal mobility, participation and pay-performance linkages.

As employee perceptions are highly subjective and experiential measures of HRM practices, these major discrepancies suggest that employees are not experiencing the support and opportunities HRM managers feel the organisations are providing. In particular, the data from the Danish organisations demonstrate that HRM is perceived as not being wholly consistent or coherent. This gap between managers' reports of HRM and employees' perceptions of HRM was found to be significantly larger in Denmark than many of the other countries included in the project. This finding suggests that Danish employees may be less aware of the HRM practices implemented in their organisations and consider HRM less consistent and coherent in their organisations than employees in other countries.

Although there did not appear to be a clear link between employees' perceptions of HRM in their organisations and their reported behaviours, employee engagement was also found to be lower in Denmark than many of the other countries participating in the study. As vigor, one of the three components of engagement, has been associated with innovative work behaviour (e.g. Bakker and Schaufeli, 2008), the lower levels of employee engagement may be related to the somewhat lower reported innovation performance in Danish organisations. However, it is important to remember that Denmark is considered to have a high level of innovation

capacity, and therefore managers' ratings of their innovative performance relative to their competitors may be unintentionally biased (i.e. managers' standards for their own organisations' innovative performance may be skewed due to high levels of innovation in Denmark).

7. Potential implications

The findings presented in this report should be interpreted with caution, as they represent only the results of the preliminary analysis. Further, the size of the sample of Danish organisations participating in the study is quite small and can therefore not be considered representative of all Danish organisations. Moreover, there is considerable variation between the types of firms, including their industry affiliation, which can decrease generalizability of the findings.

Nonetheless, the findings presented here have important implications for (HRM) managers in that they identify a trend concerning employees' perceptions of HRM. Given the extensive evidence of the important role HRM plays in supporting successful organisational performance through employee attitudes and behaviours (e.g. Boselie et al, 2005), as well as emerging support for the notion that employee perceptions influence the HRM-performance link (Bowen & Ostroff, 2004; Sanders et al, 2014), managers should seek for ways to ensure that HRM is communicated more strongly to their employees.

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