Testing the Effect of LMX and HR System Strength on Employee and Work Unit Outcomes

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A single, large organization with a uniform set of HR practices, was used to test a model predicting that HR system strength (HRSS) and leader-member exchange (LMX) variables will predict employee perceptions of HR practices (HRPP), which in turn predict employee job satisfaction and work unit performance. The study findings suggest that HRSS and LMX are positively related to variance in job satisfaction and work unit performance, and that part of the variance is related to work unit supervisors charged with implementing HR practices. The proposed relationships were analyzed using structural equation modeling.

Keywords: LMX, HR system strength, job satisfaction, performance

Introduction

In 1998 the Gallup organization collected data from over 2,500 business units of 24 companies and gathered responses from 105,000 employees in an attempt to identify what a “strong workplace” looked like (Buckingham & Coffman, 1999). Through their meta-analysis, they identified six questions having the strongest relationship with four separate measures of firm performance. All six questions were evaluations of the employees’ interactions with their supervisors, leading Gallup to conclude that the single greatest differentiator of firm performance was the relationship between frontline employees and their first-line supervisors. A considerable amount of research has been conducted by strategic human resource management (SHRM) scholars on the relationship between people management practices and firm performance, both before and after Buckingham and Coffman published their results in the New York Times’ Best Seller, “First, Break All The Rules” (McGregor, 2007). However, research related to the effect of variance in supervisor’s implementation of HR practices is fairly limited.

Another critical issue within the SHRM research area has been the challenge put forth by research scholars to improve the methodological approach to measurements used in the practice-to-performance research stream. Three of the most frequent and critical calls for improvement have been for the utilization of multiple sources of respondents to improve reliability, use of more proximal measures to improve validity, and the explication of what goes on in the “black box” between practice and performance to better understand how HR practices actually bring about increased performance (Boselie, Dietz, & Boon, 2005; Gerhart, Wright, & McMahan, 2000; Gerhart, Wright, McMahan, & Snell, 2000; Huselid & Becker, 2000, 2011; P. M. Wright & Boswell, 2002).
This article seeks to contribute to the SHRM research stream by presenting a model and testing it with a methodology addressing several of these critical issues. Specifically, it is proposed that in order to measure the HR practices that actually influence employee behaviors, researchers need to measure the practices at the individual employee level. It is further proposed that HR practices are related to performance through job satisfaction, and a more proximal measure of the effect of HR practices is made by measuring employees’ perception of the practices as their awareness and evaluation is required in order for the practice to have its intended effect on employee behaviors. Employee perceptions of, and experience with, HR practices comes primarily through their interactions with their supervisor. To test these proposals a model predicting a positive relationship between leader-member exchange (LMX) and employee perceptions of HR practices is presented that proposes a positive relationship between employee perceptions of HR practices and job satisfaction, and ultimately, a positive relationship between job satisfaction and work unit performance. To improve the reliability of the results, the model is tested with a single, large employer guided by a uniform set of HR policies and practices across 90 units and 40,992 nonsupervisory employees. Following is a review of the literature, presentation of the model, description of the methodology, and the results of the analysis. This article ends by summarizing the results and discussing the limitations of the study and offering suggestions for future research.

**Strategic Human Resource Management and Firm Performance**

Strategic human resource management studies are primarily concerned with understanding the relationship between firm strategies, human resource systems, and financial performance (Becker & Huselid, 2006; P. M. Wright & McMahan, 1992). The ultimate objective of SHRM studies is to identify sources of competitive advantages brought about by the design and implementation of human resource systems (Delery & Doty, 1996; Huselid, 1995; MacDuffie, 1995; McMahan, Virick, & Wright, 1999; P. M. Wright & McMahan, 1992; P. M. Wright, McMahan, & McWilliams, 1994). SHRM studies generally take one of two paths: one considers the relationship between individual, unit, and firm level employee attributes that comprise human capital resources and various measures of individual, unit, and firm performance. The other investigates the relationship between the existence of human resource management practices and firm performance (Boselie et al., 2005; P. M. Wright & McMahan, 2011). This study focuses on the practice to performance research stream of SHRM.

**HR Practices**

Since Huselid’s (1995) seminal study in which he hypothesized that aligning a system of high performance work practices (HPWPs) with competitive strategies leads to reduced employee turnover and increased productivity and corporate financial performance, the practice-to-performance model has inspired well over 100 published empirical studies (Boselie et al., 2005). Huselid’s 1995 study used 13 practices identified by the US Department of Labor (1993) as contributing to successful employee management and identified two key factors associated with employee turnover and productivity. They were *employee skills and organizational structures*, and *employee motivation*. In addition, he found that a one-standard deviation increase in HPWPs was associated with a 7.05% decrease in turnover and $27,044 more in sales and $18,641 and $3,814 more in market value and profits on a per employee basis, respectively.

The impact of Huselid’s (1995) findings suggesting that substantial financial benefits were associated with the use of HPWPs had the twin effect of focusing the SHRM research field on the practice-to-performance model almost exclusively, and stimulated ruminations on the methodology employed to measure HPWPs. It also stimulated contemplations regarding the implied causality of
HPWPs leading to performance, which has yet to be solidly addressed with the exception of Schneider, Hanges, Smith, and Salvaggio (2003) who make a compelling case for firm performance leading to the use of some HR practices (cf. Boselie et al., 2005; Combs, Liu, Hall, & Ketchen, 2006; Gerhart, Wright, McMahan, et al., 2000; P. M. Wright & Boswell, 2002).

As discussions over methodology and causality continued, scholars were busy searching for further support of the proposition that systems of HPWPs could yield improved performance. Combs, Liu, Hall and Ketchen (2006) published a meta-analysis of 92 practice-to-performance studies in which they found an effect size of .20 suggesting that 20% of the ability to predict performance differences among separate organizations could be attributed to their use of HPWPs. Their study also suggested that a one standard deviation increase in the use of HPWPs could translate into a 4.6% increase in ROA and a 4.4% decrease in turnover. Their meta-analysis focused on 13 most commonly studied practices including: incentive compensation, training, compensation level, participation, selectivity, internal promotion, HR planning, flexible work, performance appraisal, grievance procedures, teams, information sharing, and employment security.

**Sustained Competitive Advantage and Human Resource Systems**

The dominant theory supporting the majority of HR practice studies is the resource based view (RBV) of the firm (Boselie et al., 2005). Organizations seek to survive and thrive by attaining a sustained competitive advantage over their competitors though resources contained within the organization. SHRM scholars have argued that both human capital and HR systems are resources that meet the RBV criteria for achieving a human resource based competitive advantage (cf. Lado & Wilson, 1994; McMahan et al., 1999; P. M. Wright, Dunford, & Snell, 2001; P. M. Wright & McMahan, 1992; P. M. Wright et al., 1994; P. M. Wright, Smart, & McMahan, 1995).

RBV posits that four attributes of a resource (or capability) can provide a sustained competitive advantage given that all four are present in a particular resource. A resource must be valuable, rare, imperfectly imitable, and non-substitutable. Furthermore, the introduction of the VRIO framework (cf. Barney, 1995; Barney & Wright, 1998) adds that to achieve a competitive advantage, an organization must be capable of exploiting its resources through systems and practices designed to enable the organization to maximize the utilization of their resources.

The RBV provides a strong explanation for how one firm may create a strategic advantage over another firm through the acquisition and development of human capital and the design and implementation of HR practices to manage human capital. However, more is needed to fully understand the linkages between people, practices and outcomes. Scholars have begun to develop theories addressing how HR practices are implemented, how they influence individual behaviors, and how practices interact with dimensions of individual attributes of human capital to yield performance improvements. The following is a review of two theories that guide this study: HRSS and leader-member exchange (LMX).

**Human Resources System Strength**

Bowen and Ostroff (2004) introduced a construct called HR system strength (HRSS), a dimension of an HR system that signals to employees in a way that helps them to clearly understand desired and appropriate responses to given workplace situations. HRSS helps organizational members form a collective understanding of the norms of behavior. Based on the psychological principle of situational strength, it encompasses the extent to which workplace situations induce conformity (individuals interpret and react similarly), or are interpreted as ambiguous (individuals display a variety of interpretations and responses). HR system strength creates an organizational climate that is defined as a shared perception of organizational practices, policies, procedures,
routines and rewards. Ostroff and Bowen define HRSS as, “a strong HRM system contains process mechanisms that make the set of practices coherent, salient and distinctive, and visible and understandable, the result of which builds consensus among employees about the practices and allows for shared perceptions of climate to emerge.” (Ostroff & Bowen, 2015 p. 3).

According to Bowen and Ostroff (2004), HR practices operate as communications from employers to the employees. HR practices are designed to help firms acquire and develop employees’ knowledge, skills, abilities and motivations in ways that support the implementation of organizational strategies. To create a strong situation the HRM system must be perceived as high in distinctiveness, consistency, and consensus. The characteristics of HRM associated with distinctiveness include: visibility, understandability, legitimacy of authority, and relevance. Consistency is defined as establishing an effect over time through the use of different modalities. This is achieved through instrumentality (unambiguous perceived cause-effect relationships), validity (consistency between what they purport to do and what they actually do), and consistent HRM messages (compatibility and stability in the signals sent by the HR practices). The third characteristic of a strong situation, consensus, is the result of agreement among HRM decision makers (message senders), and perceptions of the overall fairness of the HRM system. Fairness, according to their framework, is determined by the system being congruent with principles of distributive, procedural and interactional justice (Bowen & Ostroff, 2004). Increased levels of HRM system strength leads to increased uniform interpretations of messages and events that transpire in the workplace, and in turn, leads to the development of shared understandings and mental models resulting in greater alignment between intended and perceived policies and practices. They also serve to create an “influence situation whereby individuals yield to the message and understand the appropriate ways of behaving.” (Bowen & Ostroff, 2004: 213).

Leader-Member Exchange (LMX) and Employee Perceptions

LMX theory attempts to predict the dynamics associated with the relationship between supervisors and subordinates (Graen & Scandura, 1987). It ascribes to the same principles of interpersonal behavior found in social exchange theory: feelings of increased trust and gratitude, as well as a sense of obligation as the frequency of interactions increases (Blau, 1964; Greguras & Ford, 2006). Purcell and Hutchinson (2007) point out that, “HR practices perceived or experienced by employees will, to a growing extent, be those delivered or enacted by line managers, especially front-line managers (FLMs) with direct supervisory responsibility. It is often observed that there is a gap between what is formally required in HR policy and what is actually delivered by FLMs.” Their study proposes and tests a model predicting that both front line managers’ (FLMs) behavior and employees’ perceptions of HR practices will affect organizational commitment and job satisfaction. They find support for their hypotheses suggesting employee perceptions of HR practices and LMX relationships are two important sources of variance in measures of organizational commitment and job satisfaction. This study seeks to add to their findings by testing the effect LMX behaviors have on employees’ perceptions of the use of HR practices and not their assessment of the value of, or satisfaction with, the practice as has been tested previously (cf. Khilji & Wang, 2006; Purcell & Hutchinson, 2007). This provides two significant contributions. The first contribution is to measure the variance between stated HR practices and the implementation of HR practices at the lowest level possible, the level at which they are designed to affect employee behavior. The second contribution is to measure the effect the primary implementer (the line level supervisor) of HR practices has on the perceptions of HR practices. Additionally, it is proposed that these effects will also relate to job satisfaction and unit performance, both of which are intended outcomes of the design and application of HR practices.
Supervisor Role in HR System Strength

This study proposes that the actions and cognitions of an employee’s supervisor will have a direct effect on the employee’s perceptions of the HR practices an organization uses to manage employee behavior toward the achievement of organization goals and objectives. This occurs through three dimensions. The first, and possibly the most direct, is through HR practices that are implemented at the supervisor’s discretion (Purcell & Hutchinson, 2007). Practices such as flextime, performance evaluations, and compensation decisions are traditionally administered either by, or through consultation with, an employee’s direct supervisor. HR practices used to manage employees implemented through a supervisor’s discretion are, by their very nature, subject to considerable amount of variance between stated and implemented practices, and the supervisor’s interpretation and application of a given policy will more directly influence employees’ behavior than the stated policy as intended by senior leadership. The variation in supervisors’ interpretation and application of policy is a reflection of HRSS. This variation is addressed by Wright and Nishii (2011) as they suggest organization unit and organizational variance can be linked to individual outcomes. Ostroff and Bowen (2015) suggest that, “Signals sent by the (supervisor implemented) HR practices will be interpreted idiosyncratically unless other HR process mechanisms reinforce and thus help to create a strong HRM system.” The quality of the relationship between employees and supervisors also affects their perceptions and experience of HR practices. As theorized in the LMX relationship research, subordinates have access to better and more information and opportunities as a result of their relationships with their super-ordinates (Harris & Kacmar, 2005).

To test these predicted relationships, the following hypotheses are presented:

Hypothesis 1 – HRSS is positively related to employee perceptions of HR practices.
Hypothesis 2 – HRSS is positively related to employee job satisfaction.

In addition, it is proposed that the quality of the relationship between employees and supervisors will be related to levels of job satisfaction. Based on social exchange theory (Alfes, Shantz, Truss, & Soane, 2013; Blau, 1964; Gilbert, De Winne, & Sels, 2011; Gooty & Yammarino, 2013), which suggests that higher quality exchange relationships yield increased access to resources, support, trust and consideration from and for the supervisor, the quality of the LMX relationship will be directly reflected in measures of employee job satisfaction.

To test this relationships, the following hypotheses are presented:

Hypothesis 3 – LMX is positively related to employee perceptions of HR practices.
Hypothesis 4 – LMX is positively related to employee job satisfaction.

Organizational leaders are responsible for developing policies and procedures for managing a firm’s resources. As previously discussed, an organization’s human resources have the potential to provide an organization with a sustained competitive advantage. Successful organizations attempt to select the top available talent and provide employees with opportunities for career development and advancement, flexible and satisfying working conditions, and allow them to participate in the decisions that affect their workplace. They also seek to recognize and reward employees with financial and other incentives for continuing the employer/employee relationship. It is proposed that intended HR practices are designed to create working environments and relationships that satisfy the needs and desires of employees and the degree to which employees are aware of these practices will be reflected in their level of satisfaction with the employee/employer relationship. To test this proposition, the following hypotheses are presented:
Hypothesis 5 – Employee perceptions of HR practices are positively related to employee job satisfaction.

The ultimate goal when designing a system of HR practices is to achieve the maximum level of operational performance. HR practices are designed to attract, develop and retain highly productive employees. HR practices affect performance by increasing the productivity per unit of cost per worker (Huselid, 1995; Ichniowski, Shaw, & Prennushi, 1997; MacDuffie, 1995). HR practices also are designed to facilitate the coordination, communication and cooperation among coworkers. Creating an HR system that engenders job satisfaction is not mutually exclusive from a system that achieves performance. HR systems can, and should, do both. Past research has shown a link between job satisfaction and performance (Purcell & Hutchinson, 2007). As an additional test of these relationships, the following hypotheses are proposed:

Hypothesis 6 – Employee perceptions of HR practices is positively related to unit performance.
Hypothesis 7 – Employee job satisfaction is positively related to unit performance.

Figure 1. Model of Predicted Relationships

Method

To test the hypotheses (shown in Figure 1 above) a single large public sector organization with employees guided by a single set of formally documented HR practices was used. This helped to minimize extraneous variance and is consistent with current HR practice implementation research (Khilji & Wang, 2006; Nishii, Lepak, & Schneider, 2008). The sample was randomly selected from available responses of the organization’s annual 85 item employee survey. It contained complete responses from 40,992 employees across 90 separate agencies. Work unit size ranged from 12 employees to 2,294 with a mean size of 455 and median of 197. The demographic composition of the sample was 55.7% female, 80% white, 11.7% black or African American, 6.6% American or Alaska Native, 2.1% Hispanic or Latino, and 1% Asian. The age of the respondents was distributed as follows: 42% were in the 50 to 59 year old range, 27.6% were 40 to 49, 15.4% were 30 to 39, 10%
were 60 and older, and less than 5% were under the age of 30. The distribution of respondent’s unit
tenure suggests that 36% have been employed in their unit 15 to 20 years, 26.5% from 11 to 14
years, 20.2% from 6 to 10 years, 6.1% from 4 to 5 years and 10.7% 3 years or less.

Measures

Survey items were measured on a 5-point scale with anchors such as “strongly agree” and
“very good” assigned a value of 5 and “strongly disagree” and “very poor” assigned a value of 1.
Using factor analysis with principal axis factoring and Varimax rotation, the factors designed to test
the hypotheses were confirmed. They include: LMX measured with four items consistent with
Graen and Uhl-Bien’s (1995) LMX-7 scale (Cronbach’s $\alpha=.896$); sample items include, “I have trust
and confidence in my supervisor,” and “Overall, how good a job do you feel is being done by your
immediate supervisor/team leader?”

HR Practice Perceptions (HRPP) was a composite factor comprised of 6 items (Cronbach's
$\alpha=.922$) assessing the existence and use of the following HR practices: internal promotion,
performance-based pay and rewards, training and needs assessment, employment security, and
grievance procedure. Sample items included, “Promotions in my work unit are based on merit,”
“Pay raises depend on how well employees perform their jobs” and “Employees have electronic
access to learning and training programs readily available at their desk.” Job Satisfaction (4 items,
Cronbach's $\alpha=.805$) included items such as, “I like the kind of work I do,” “I know how my work
relates to the agency’s goals and priorities,” and “The work I do is important.”

In an organization with high levels of HRSS, it is expected that employees and supervisors
will have similar evaluations of organizational goals, policies, and priorities as set by senior
leadership. In order to calculate HRSS first an Evaluation of Leadership (5 items, Cronbach's $\alpha=.928$)
variable for every employee was calculated. The sample items included, “Managers communicate the
goals and priorities of the organization.” and “How satisfied are you with the policies and practices
of your senior leaders?” Increased distance between employees and their supervisors’ evaluations
will reflect weak system strength, signaling the potential lack of consistency and consensus (Bowen
& Ostroff, 2004). It is proposed that weak system strength will increase the variability of the
implementation of stated HR practices such that an employees’ perceptions and experience of stated
practice will be a reflection of the degree to which supervisors uniformly communicate and utilize
the stated practices.

While it was not possible to match individual supervisors and their direct reports, the
variation between an individual employee’s perception of organizational policies and those of the
unit’s supervisors was measured. To calculate the HRSS variable, first the mean of the aggregated
responses for all unit supervisors (n=8,965) by each unit for the Evaluation of Leadership factor was
computed (Cronbach's $\alpha=.928$). Next, the value was subtracted from each individual unit’s
employees’ responses taking the absolute value as the difference between employee and supervisor
perspective. This step captures the distance between employee and supervisor attitudes towards the
goals, policies, and practices put in place by senior management. Finally, the absolute value was
multiplied by negative one in order to align the variable with the construct as defined and simplify
interpretation, i.e., multiplying by negative one makes stronger HRSS to be represented by larger
values and weaker HRSS to be represented by smaller values. For robustness, a simple subtraction
operationalization was checked; the model differences were insignificant (p>.10). The Unit
Performance variable was created using the mean of the aggregated unit managers’ (n=5,583)
responses to the (4 item) factor measuring unit work quality (Cronbach’s $\alpha=.703$). Sample items
include: “The people I work with cooperate to get the job done,” and “How would you rate the
overall quality of work done by your work group?”
Analysis

The hypotheses were tested using structural equation modeling within LISREL 8.80. The analysis began with a confirmatory factor analysis (CFA) to determine item loadings on the appropriate factor to determine how well the data fit the proposed five-factor structure model. Model fit ranged from good to fair with $\chi^2_{(96)} = 24,325.76 (p < .01)$, CFI=0.947, RMSEA=0.08, and SRMR=0.050. To further address concerns of dimensionality, several additional models were run to confirm the proposed factor structure. All tests for alternate forms of dimensionality using $\chi^2$ difference testing led to the conclusion that the five-factor structure model was most appropriate.

In addition, the possibility of common method bias was investigated using a Harmon’s one-factor test. Model fit ($\chi^2_{(106)} = 302,971.20, p < .01, CFI = 0.23, RMSEA = 0.26, SRMR = 0.16$) dropped drastically with the fit indices indicating a poorly fitting model. Further, a $\chi^2$ difference test between the five-factor structure model and a one-factor structure model confirmed the model was significantly worse ($p<.01$); leading to the conclusion that common method bias does not significantly affect the analysis.

All hypotheses were tested using a full structural model with all factors included. Model fit was acceptable with $\chi^2_{(98)} = 24,387.9 (p < .01)$, CFI=0.94, RMSEA=0.08, and SRMR=0.050. Note that, although the RMSEA is above the more stringent .06 cut-off recommended by Hu & Bentler (1998), the RMSEA is below .08 cut-off for reasonable model fit. The full structural model (Figure 2) is shown with LISREL ML estimates.

Figure 2. Path Diagram and Results

Results

Hypothesis 1 is strongly supported in the full structural model. The path is positive and significant ($\beta=1.15, p<.01$), suggesting that HRSS, measured as the separation between employee and supervisor evaluations of leadership’s communication of goals and priorities, has a positive effect on HR practice perceptions. Stated another way, less dissimilarity between ratings of supervisors and employees predicts levels of higher HR practice perceptions. Similarly, hypothesis 2 is strongly
supported ($\beta= .04, p<.01$), suggesting that HRSS is positively related to employee job satisfaction. Standardized path coefficients suggest that the relationship between HRSS and HR practice perceptions is stronger than the relationship between HRSS and job satisfaction.

Hypothesis 3 is strongly supported ($\beta=.65, p<.01$), suggesting that LMX, measured as employee evaluations of supervisors, is positively related to HR practice perceptions. Additionally, hypothesis 4 proposing that LMX is positively related to job satisfaction finds strong support ($\beta=.32, p<.01$). Similar to hypotheses 1 and 2, a comparison of the standardized coefficients suggests that LMX is more strongly related to HR practice perceptions than to job satisfaction.

Hypothesis 5, suggesting that HR practice perceptions is positively related to job satisfaction, is strongly supported ($\beta=.28, p<.01$). While the effect size is modest, a relationship between perceptions of HR practices and job satisfaction is clearly identified. Additionally, hypothesis 6, predicting a positive relationship between HR practice perceptions and unit performance also finds support ($\beta=.03, p<.01$). However, the effect size is small suggesting that the relationship while statistically significant it is of limited practical value. And lastly, hypothesis 7 finds support ($\beta=.00, p<.05$) with an extremely small effect size. Again, the relationship while statistically significant is practically insignificant. A summary of the findings is included in table 1.

### Table 1. Summary of Findings

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Results</th>
<th>Standardized Coefficient</th>
</tr>
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<tbody>
<tr>
<td><strong>H1</strong> HRSS is positively related to employee perceptions of HR practices.</td>
<td>Supported</td>
<td>0.15**</td>
</tr>
<tr>
<td><strong>H2</strong> HRSS is positively related to employee job satisfaction.</td>
<td>Supported</td>
<td>0.04**</td>
</tr>
<tr>
<td><strong>H3</strong> Leader/Member Exchange is positively related to employee perceptions of HR practices.</td>
<td>Supported</td>
<td>0.65**</td>
</tr>
<tr>
<td><strong>H4</strong> Leader/Member Exchange is positively related to employee job satisfaction.</td>
<td>Supported</td>
<td>0.32**</td>
</tr>
<tr>
<td><strong>H5</strong> Employee perceptions of HR practices is positively related to employee job satisfaction.</td>
<td>Supported</td>
<td>0.28**</td>
</tr>
<tr>
<td><strong>H6</strong> Employee perceptions of HR practices is positively related to unit performance.</td>
<td>Supported</td>
<td>0.03**</td>
</tr>
<tr>
<td><strong>H7</strong> Employee job satisfaction is positively related to unit performance.</td>
<td>Supported</td>
<td>0.00*</td>
</tr>
</tbody>
</table>

**Significant at p<.01, *Significant at p<.05**

### Limitations

The results of this study using HR practice perceptions at the individual level with a large sample of employees managed under a single set of HR practices contributes to the SHRM research area with a unique empirical test of the effects of HR system strength. However, there are some limitations affecting the study that need to be discussed. First, although the study’s sample size is large which helps to strengthen arguments of generalizability, because of the nature of the data set, a
pooled cross-sectional analysis method was used. This limits the ability to make causal inferences. Second, all data was gathered from a single large public sector firm, which may limit generalizability to other firms such as large for-profit corporations and small and medium private organizations. Furthermore, because of data constraints, it was not possible to directly match each employee to each particular supervisor, which prevents a perfectly dyadic relationship when examining congruence between supervisor and employee evaluations of leadership. Additionally, the research design was cross-sectional so no assentation about causality can be made. Lastly, the study used secondary data not designed specifically for this study which was collected in environments outside of the control of the authors. This also may limit some of the inferences that can be made and supported by the study results.

Conclusion

The objective with this study is to identify the influence supervisors have on employee perceptions of HR practices in order to contribute to the discussion on the methodological problems associated with the traditional manner in which HR practices-to-performance process research is conducted. In the typical hierarchical organizational structure designed to disseminate communications, address uncertainty, and manage individual employees (Galbraith, 1973), the main source of information and responsibility for decisions affecting the employer/employee relationship is through an employee’s immediate supervisor. The analysis shows that positive relationships exist between LMX and HRSS, and employees’ perceptions of HR policies and practices. This, in turn, is related to increased job satisfaction and work unit performance. These results suggest a confirming test of the effects of HRSS in relation to the effectiveness of HR practices.

HR policies and practices are designed and implemented by organizations to maximize desired employee behaviors such as job satisfaction and job performance. Uniformly communicating and administering policies is essential to achieving the desired outcomes. Supervisors are a critical link in the communication and implementation of policies and practices, and contribute to the varying degree to which the policies and practices achieve their intended effect. This study suggests that researchers and practitioners alike could benefit from further exploring the linkages between HR policies and practices designed to affect employee behaviors at the organization level and the actual implementation of policies and practices that the targets of the practices, the individual employees within an organization, actually experience. The study suggests that a greater difference between these two levels equates to a loss of potential performance.

These results also support that the concerns raised by scholars regarding the reliability of using single, distal sources for identifying the use of HR practices across an organization is well placed. When a study uses the perceptions of a single top level manager as the source of an organization’s intended HR practices used to influence employee behaviors, it is a bit of a stretch to infer that the response is actually connected to measured behavior. A succinct example of the chasm that may exist between intended and realized practices may be best illustrated by this simple anecdote. One of the authors of this paper was attending a Society of Human Resource Management presentation given by Scott Cawood, who at the time was a Vice President with the Great Places to Work Institute, producer of Fortune’s "100 Best Companies to Work For" list. At this meeting Dr. Cawood asked attendees to provide an example that differentiated a good place to work from a great place to work. Lacking a response from the audience, he provided this succinct example, “a good place to work has a flextime policy; a great place to work lets you use it.” This unambiguous example illustrates that having a policy is not the same as utilizing a policy to achieve a desired behavioral outcome. A future research stream with the potential to improve SHRM
researchers’ understanding of practice to performance linkages might be measuring the effects on performance brought about by differences between espoused practices and the actual implementation of practices. Is this relationship constant, curvilinear, or moderated by some other condition? As the field of SHRM matures, it is critical to incorporate improved measures of predictor and response variables to allow for better inferences regarding the relationship between HR practices and firm performance. This, in turn, will provide scholars and practitioners alike with a greater understanding of which practices stimulate desired behaviors and how they work.

References


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