

**A Work Project, presented as part of the requirement for the Award of a Master's  
Degree in Management from the Nova School of Business and Economics**

**Impact of the Human Resources Management on Performance**

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**A Project carried out on the Human Resources Management course, with the  
supervision of:**

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## **Abstract**

The purpose of this Work Project is to study the relationship between the Human Resources Management and performance. To find the existence of the previous relationship, a survey was used to test if the *HR<sup>1</sup> practices* would lead to higher levels of *job satisfaction* and *engagement* (proximal outcomes) and if the *Strength of the HRM system* affects these outcomes (*job satisfaction and engagement*) or moderates the relation between the *HR practices* and the proximal outcomes. The impact of the *HR practices* on the *organizational performance* and the mediation of *Strength of the HRM system* in this relation was tested. Lastly, the sample was divided in two regional groups, to analyze differences (Western and Developing countries).

Results suggest that some *HR practices* and *Strength of the HRM system* have impact on the proximal outcomes but *Strength of the HRM system* does not moderate the relation between *HR practices* and outcomes. It was also possible to conclude that the *Strength of the HRM system* mediates the relation between *HR practices* and *organizational performance*. With the regional division, it was concluded that the *HR practices* that previously affected the proximal outcomes changed and *Strength of the HRM systems* remained significant. In the Western countries, *Strength of the HRM system* became a moderator between one of the *HR practices* and *Job satisfaction*. The regional division didn't change the relation between the *HR practices* (independent variable), *Strength of the HRM system* (mediator) and *organizational performance* (dependent variable). It was possible to conclude that effectively there is a link between the Human Resources Management (content and process) and performance (proximal and distal).

**Keywords:** Human Resources Management, *Strength of the HRM System*, Proximal and Distal Outcomes; *Organizational Performance*.

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<sup>1</sup> Abbreviation for Human Resources

## **Introduction**

As businesses became more complex, the traditional competitive mechanism has become gradually less effective. Therefore, companies have the need to find new sources of competitive advantage (Jayaram et al., 1999) and today, Human Resources are the most important asset of companies and Human Resources Management is the main source of competitive advantage.

The relationship between *HR practices* and *organizational performance* has been the object of research; although an association between these two variables has been established, the process through which it is obtained is still not well understood (Guest, 1997; 2011).

This Work Project has the purpose to test and study the relation between *HR practices* and performance. To fulfill this purpose, it was used a survey with responses from employees and supervisors about several topics of Human Resources Management. Firstly, the literature review to support the theoretical content and the hypotheses will be presented. The methodology, describes the survey used, the features of the data base and the analysis made. Then the results are shown and finally the discussion of the results.

## **Literature Review**

### *HRM<sup>2</sup> and organizational performance*

As stated before, the relation between Human Resources Management and performance has been target of many studies. In 1997, Guest divided this discussion in three parts: theory on HRM, theory on performance and theory on how the two concepts are linked (Guest 1997).

Noe, Hollenbeck, Gerhart and Wright (2006) defined the Human Resources Management as *“the policies, practices, and systems that influence employees’ behavior, attitudes, and*

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<sup>2</sup> Abbreviation for Human Resources Management

*performance*". HRM has the purpose to maximize an employee's performance considering the company's strategic goals. There are several *HR practices* to accomplish this purpose and some of them will be used in the study (*training, promotion from within, job security, decision making opportunities and rewards*).

Dyer and Reeves (1995) created three types of outcomes to measure the performance of the employees: the financial outcomes (profits, sales, ...), the organizational outcomes (productivity, quality, ...) and the HR-related outcomes (*job satisfaction, engagement, ...*). These three types of outcomes can be grouped into two categories: the proximal outcomes (HR-related outcomes), more focused on the employees' behaviors and vision about the company, and the distal outcomes (financial and organizational outcomes), which are related with the organization's results as a whole (Paauwe J., & Booselie P., 2004).

The financial measures are the most used to test the relationship between HRM and performance (Boselie P., Dietz G. & Boon C., 2005) but this is quite questionable since the financial results are influenced by other factors that have nothing to do with employees and their performance (Paauwe J., & Booselie P., 2004).

Moreover, there is some debate regarding the proximal outcomes since there is no evidence that employees will perform better just because they have high levels of *engagement* and *job satisfaction*. To clarify this issue, Paauwe and Boselie (2004), argued that the financial competitiveness of an organization shouldn't be the only outcome to have into consideration since the ability of the organization to legitimize its presence towards society and relevant stakeholders is also crucial for its survival. They went further and defended that:

*"In measuring performance there should be a clear focus on more proximal outcomes in the right temporal order (both inside and outside the company) involved in either the shaping of HRM practices or affected by it."* (Paauwe J., & Booselie P., 2005, vol. 15, 4, 77)

Following that reasoning it was decided to focus the research on the proximal outcomes and the first hypothesis is:

*H1: HR practices will lead to higher levels of job satisfaction and engagement*

As previously stated, this paper is focused on the proximal outcomes. However, since the distal outcomes are also important to relate the concepts of the *HR practices* and performance, it was developed a second hypothesis:

*H2: HR practices will lead to organizational performance.*

### *Strength of the HRM System*

To better understand the link between the *HR practices* and the employees' behaviors, Bower and Ostroff (2004) developed the concept of "*Strength of the HRM Systems*" which defends the creation of strong situations. The strong situations are created through strong HRM systems who are capable to send unambiguous messages to the employees about what behaviors are appropriated. Strong HRM systems are expected to create strong organizational climates that will lead to improved *organizational performance*. They defend that strong HRM systems are the result of three features: distinctiveness, consistency and consensus.

The first feature, distinctiveness, is related to the characteristics that enable *HR practices* to stand out in the environment, capturing attention and creating interest. Distinctiveness can be divided into four metafeatures: visibility, understandability, legitimacy of authority and relevance. Visibility can be described as the degree of salience and observance of the practices. Understandability refers to clear comprehension of the *HR practices* and its lack of ambiguity. Legitimacy of authority refers to the feelings of credibility of the HRM department, and

relevance concerns situations that the employees give a high level of importance to an organizational goal.

Consistency (second feature) has the purpose to establish and promote constant perceptions over time, people and contexts and it has three components: instrumentality, validity and consistent HRM messages. Instrumentality relates to the cause-effect relationship between the employee's desired behaviors and their consequences which are supposed to be unambiguous. The second component, validity, relates what it is said to be done and what is actually done. Consistent HRM messages are the ones compatible and stable developed by the *HR practices*.

The last feature, consensus, is present whenever there is an agreement among employees. As the previous features, consensus can be divided into two metafeatures: Agreement among principal HRM decision makers and fairness. The first one aims to promote consensus among employees through the agreement between the principal HRM decision makers and the other one (fairness) includes the three types of fairness: distributive (ends achieved), procedural (means used) and interactional (information provided) (Bowen & Ostroff, 2004; Coelho, J., Cunha, R., Gomes, J., & Correia, A., 2015).

A relation between *Strength of the HRM system* and the employees' behaviors as *engagement* and *job satisfaction* (proximal outcomes) is expected to exist. This relation can be direct or as a moderator between the *HR practices* and the proximal outcomes, since *Strength of the HRM system* will reduce the variance of employees' perceptions of what is required from them, what behaviors are expected by the company. The next two hypotheses are:

*H3: Strong HRM systems lead to higher levels of job satisfaction and engagement*

*H4: Strength of the HRM systems moderates the relationship between HR practices and the proximal outcomes (job satisfaction and engagement).*

Once again, it would be interesting to note if the *Strength of the HRM system* could be a mediator between the *HR practices* and the *organizational performance*, since it is expected that it will have an effect in the way *HR practices* affect *organizational performance*:

*H5: Strength of the HRM systems mediates the relationship between HR practices and the organizational performance.*

### *National Culture Influences*

The globalization and internationalization of business brought many opportunities for the Developing countries (Latin America, China, India, South-East Asia etc.). Nevertheless, the HRM systems implemented in the Western countries may be different from the ones in Developing countries and this difference is partially related with the national culture influences. The influence of culture in the *HR practices* can be explained by “culture-free” factors (as the age and nature of organization), and also by “culture-bound” factors (as the national culture and institutions) (Budhwar & Sparrow, 1998;2002; Fisher & Shaw, 1992; Easterby-Smith et al., 1995; Hofstede, 1993; Jackson & Schuler, 1999). Boxall (1995) argued that management practices (including HRM) are not universal but “socially constructed” in each society.

In order to “capture” the national cultural effect in the *HR practices*, *five hypotheses* were formulated:

*H6a) The influence of HR practices on job satisfaction and engagement in the Western countries is different from the one in the Developing countries.*

*H6b) The influence of HR practices on organizational performance in the Western countries is different from the one in the Developing countries.*



H6c) The influence of Strength of the HRM system on job satisfaction and engagement in the Western countries is different from the one in the Developing countries.

H6d) The moderating effect of Strength of the HRM system on job satisfaction and engagement in the Western countries is different from the one in the Developing countries.

H6e) The mediating effect of Strength of the HRM system on organizational performance in the Western countries is different from the one in the Developing countries.

Figure 1 presents the proposed models that will be tested in this Work Project.

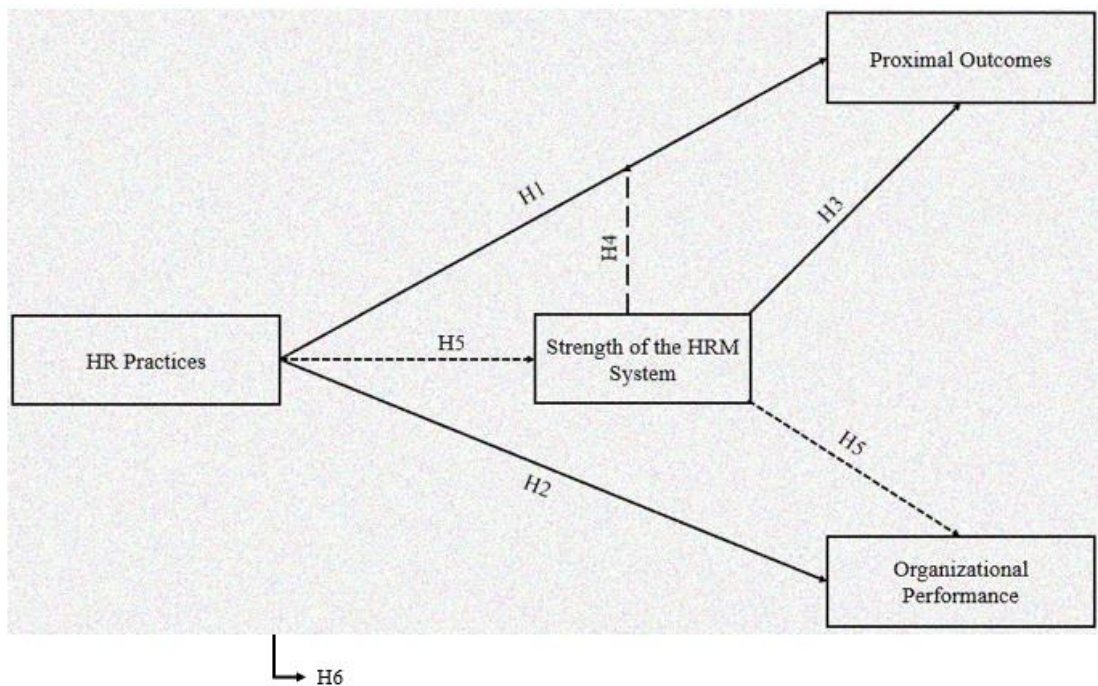


Figure 1- Proposed model of impact of the *HR Practices* and *Strength of the HRM system* in Outcomes (Proximal and Distal) and in *Organizational Performance* considering Regional differences.

## Methodology

### *Survey and Sample*

The hypotheses described above were tested using a survey, provided by professor Rita Campos e Cunha, that investigates the influence of content and process of Human Resources Management. The survey was answered by 3110 workers (346 supervisors and 2764 employees) from eleven different countries (China, Denmark, Indonesia, Malaysia, Norway, Nigeria, Oman, Portugal, Spain, Tanzania and UK) (see figure 2). To answer hypothesis six (H6), the countries will be divided in two groups: the Western countries (Denmark, Portugal, Spain and UK) and the Developing countries (China, Indonesia, Malaysia, Nigeria, Oman and Tanzania). The results from Norway will not be grouped in any of the groups because it is an outlier.

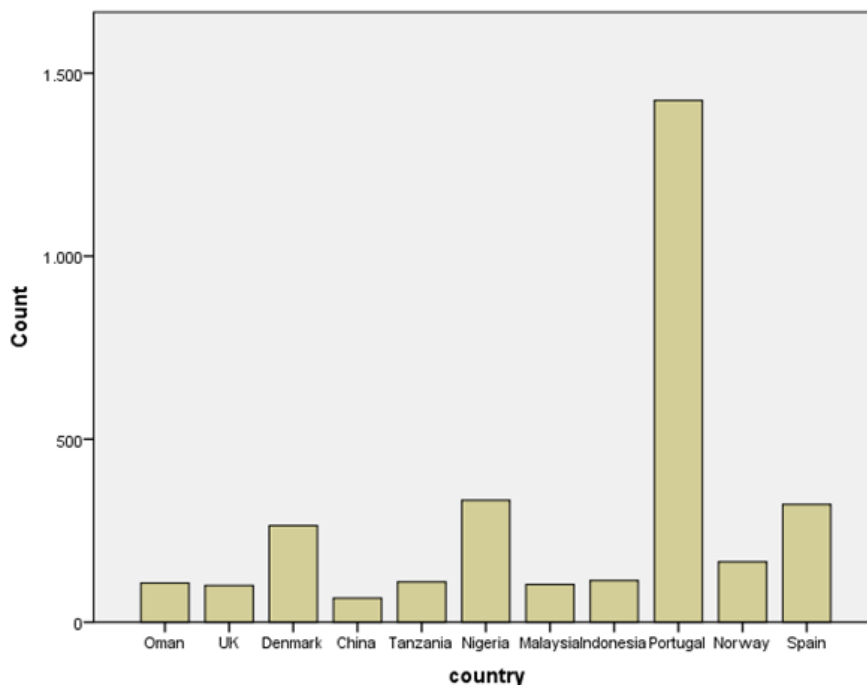


Figure 2- Distribution of employees and supervisors by country.

To study the *HR practices*, it is common to use one of these two approaches: the additive and the multiplicative approach. This work project followed MacDuffies's (1995) additive approach because it is easier to group practices that are not theoretically defined.

#### *Variables measures*

The survey is divided in six sections, HRM content (S1), HRM Process (S2 and S3), Individual outcomes (S4), Climate and Culture (S5) and *Organizational Performance* (S6). The first three sections are answered by both, employees and supervisors. Section four is answered only by the employees. In section five, the employees answer the questions about the climate and the supervisors the ones about the culture. Finally, section 6 is answered only by the supervisors. All the questions are answered on a 0 to 4 scale (0 = strongly disagree, 1 = disagree, 2 = somewhat disagree, 3 = somewhat agree, 4 = agree). The average age of employees and supervisors is, respectively 35,4 and 38,3 years.

For this study, it was only necessary to use four of the six sections of the survey. The sections used were the following: S1- HRM content (*HR practices*). S3- HRM Process (*Strength of the HRM system*). S4- Individual outcomes (*job satisfaction and engagement*) and S6- *organizational performance*.

*HR practices* were measured using the scale by Sanders *et al*, 2008, which contains seventeen (17) items grouped into five indicators: *training* (four items), *promotion from within* (three items), *decision making opportunities* (four items), *rewards* (four items) and *job security* (two items). The Cronbach's alpha for the *HR practices* (all together) is 0,908.

*Training*, concerns the number of training programs in the company and the quality of its training. Cronbach's alpha for this variable is 0,865.

*Promotion from within* considers promotion opportunities for the current workers of the company. Cronbach's alpha for this variable is 0,809.

*Decision making opportunities* measures the employees' degree of freedom to make their own decisions and suggestions. Cronbach's alpha for this variable is 0,825.

*Rewards* can be seen as a form of recognition for the work developed in terms of praises and pay raises. Cronbach's alpha for this variable is 0,861.

Finally, *job security*, is the employees' confidence level about their future presence in the company. Cronbach's alpha for this variable is 0,804.

*Strength of the HRM system* was measured using the scale developed by Coelho *et al*, (2015). It is composed by fifteen (15) questions. Cronbach's alpha for this variable is 0,955.

*Job satisfaction* is measured as the degree of employee satisfaction with their work (Babin & Boles, 1998). Cronbach's alpha for this variable is 0,812.

*Engagement* is measured as the level of an employee enthusiasm about his work, using Schaufeli & Bakker's scale (2003). An "engaged employee" will take positive actions which will benefit the company. Cronbach's alpha for this variable is 0,851.

*Organizational performance* was assessed as the opinion of supervisors on the comparative performance of their companies in relation with the competitors. It was impossible to calculate the Cronbach's alpha for this variable because there were too few cases for the analysis.

### *Analysis*

To test hypotheses 1 to 6, linear regression was used. The linear regression model was chosen because it estimates an expected value for a dependent variable based on the independent ones, then it compares the real values of the dependent variable with the estimated ones and based on the difference between both it is possible to conclude the "power" of the estimation.

In order to compute the model with the linear regressions the program SPSS was used, because of its efficiency to study discrete variables. To make the regressions it was used the "stepwise"

method where “*at each step, the independent variable not in the equation that has the smallest probability of F is entered, if that probability is sufficiently small. Variables already in the regression equation are removed if their probability of F becomes sufficiently large. The method terminates when no more variables are eligible for inclusion or removal*”. (IBM Knowledge Center, SPSS Statistics)

To test the moderator effects, the interaction variables were created and then introduced in the regression.

To examine the issue of multicollinearity it was calculated the variance inflation factors (VIFs) for all variables. The highest VIF within the model is 4,427 which is below 10 (common maximum allowed).

## **Results**

### *Hypotheses 1, 3 and 4*

Hypotheses 1 and 3 propose the impact of *HR practices* and *Strength of the HRM system* on *job satisfaction* and *engagement*. Hypothesis 4 proposes a moderating effect of *Strength of the HRM system* on the impact of *HR practices* on these proximal outcomes.

To test the moderating effect of the *Strength of the HRM system*, five interactions (five new variables) were created. These interactions are calculated as the multiplication of the values of each one of the *HR practices* and the *Strength of the HRM system*. Since all the variables were calculated as averages there are no problems of “magnitudes”. If one of the interactions is significant, it means that there is a moderation effect between the *Strength of the HRM system* and the *HR practice* in question.

The model that analyses the impact of the *HR practices* and the *Strength of the HRM system* (direct impact or as a moderator) in *job satisfaction* has an adjusted R<sup>2</sup> of 0,296 and the model that analyses the same variables in *engagement* has an adjusted R<sup>2</sup> of 0,302.

Prox. Outcome	Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics
		B	Std. Error	Beta			VIF
Job Satisfaction	(Constant)	1,876	,089		21,019	,000	
	Strength	,281	,022	,291	12,634	,000	1,770
	Decision_making_Opportunities	,217	,020	,218	10,613	,000	1,413
	training	,128	,021	,145	5,996	,000	1,949
Engagement	(Constant)	2,157	,075		28,940	,000	
	Strength	,287	,019	,357	15,371	,000	1,790
	Decision_making_Opportunities	,144	,017	,174	8,442	,000	1,410
	training	,086	,018	,117	4,798	,000	1,968

Table 1- Linear Regression for *Job Satisfaction* and *Engagement*.

With the information from table 1 it is possible to conclude that the variables that have impact on *job satisfaction* and *engagement* are the same. Therefore, hypotheses 1 and 3 are supported by the data but hypothesis 4 is not because *the Strength of the HRM system* acts directly and not as a moderator.

#### *Hypothesis 2 and 5*

To test if the *HR practices* have impact in the *organizational performance* (with the supervisors' perspective), all the *HR practices* were grouped together (average) in order to simplify the model (hypothesis 2).

To test if the *Strength of the HRM system* mediates the relation between the two variables (hypothesis 5), a total of four regressions were computed: i) a simple linear regression with the *organizational performance* as the dependent variable and the *HR practices* as the independent one; ii) a simple linear regression with *Strength of the HRM system* as dependent variable and the *HR practices* as the independent one; iii) a simple linear regression with the *organizational performance* as the dependent variable and *Strength of the HRM system* as the independent one and finally, iv) a multiple linear regression with the *organizational performance* as the dependent variable and the *HR practices* and the *Strength of the HRM system* as the independent ones. The first three regressions will prove if effectively the relations between the variables are significant. The fourth regression will show if there is any, partial or full mediation.

The effects of all variables are significant and their adjusted R<sup>2</sup> are respectively the following: 0,248; 0,527; 0,325; 0,338.

Regression	Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics
		B	Std. Error	Beta			VIF
1	(Constant)	2,297	,217		10,566	,000	
	Hrpractices	,503	,047	,500	10,635	,000	1,000
2	(Constant)	,606	,066		9,176	,000	
	Hrpractices	,832	,015	,726	55,097	,000	1,000
3	(Constant)	2,211	,189		11,697	,000	
	Strength	,532	,042	,571	12,744	,000	1,000
4	(Constant)	1,923	,214		8,995	,000	
	Strength	,407	,061	,437	6,695	,000	2,156
	Hrpractices	,186	,066	,184	2,812	,005	2,156

Table 2- Linear Regressions for *Organizational Performance*.

The results suggest that hypothesis 2 is supported since the *HR practices* are significant in the first regression. Regarding the hypothesis 4 it is possible to conclude that there is a partial mediation. The mediation is not total because in regression 4 the variable *HR practices* is still significant. The indirect effect that results from the mediation, following the Sobel product of coefficients approach, is: Beta of the mediator (r4) \* beta of the independent variable (r1) =  $0,407 * 0,832 = 0,338$ .

### Hypothesis 6

To analyze the differences between regions, four extra models were developed, two for *engagement* and other two for *job satisfaction*. The models analyze the previous relationships in different regions. The adjusted  $R^2$  for *engagement* in the western countries is 0,328 and in the developing countries is 0,305. The adjusted  $R^2$  for *job satisfaction* in the western countries is 0,355 and in the developing countries is 0,315.

Table 3 and 4 present the results for these four models.

Proximal Outcome	Region	Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics
			B	Std. Error	Beta			VIF
Engagement	Western	(Constant)	2,160	,089		24,397	,000	
		Strength	,225	,025	,293	8,876	,000	2,511
		Decision_making_Opportunities	,178	,021	,214	8,381	,000	1,507
		training	,072	,022	,099	3,262	,001	2,115
		Rewards	,056	,020	,087	2,800	,005	2,239
	Developing.	(Constant)	2,036	,128		15,923	,000	
		Strength	,360	,035	,402	10,190	,000	1,711
		training	,101	,029	,135	3,452	,001	1,683
Job_security		,066	,022	,104	2,979	,003	1,329	

Table 3- Linear Regression for *Engagement* considering regional differences.



Proximal Outcome	Region	Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics
			B	Std. Error	Beta			VIF
Job Satisfaction	Western	(Constant)	2,078	,122		16,981	,000	
		Strength	,178	,038	,199	4,641	,000	4,427
		Decision_making_Opportunities	,285	,025	,295	11,565	,000	1,563
		training	,092	,025	,108	3,644	,000	2,134
		Rewards	,050	,023	,067	2,170	,030	2,287
		Job_security	-,040	,015	-,060	-2,615	,009	1,249
		strenxprom	,010	,005	,085	2,048	,041	4,140
	Developing	(Constant)	1,497	,154		9,743	,000	
		Strength	,403	,042	,363	9,522	,000	1,696
		training	,195	,034	,212	5,656	,000	1,640
Job_security		,064	,027	,081	2,407	,016	1,317	

Table 4- Linear Regression for *Job Satisfaction* considering regional differences.

Results show that H6a) is supported because the *HR practices* that influence *job satisfaction* and *engagement* are not the same in the two groups. Furthermore, it is also possible to conclude that H6c) is not supported by the results, since the *Strength of the HRM system* has a direct impact on the two proximal outcomes in both regional groups and H6d) is partially supported by the results (only in the case for *job satisfaction*) because the *Strength of the HRM system* moderates the relationship between *promotion from within* and *job satisfaction* in the western countries (H2 would therefore be supported if only western countries were considered).

In terms of H6b) and e), results presented in table 5 show the differences of *HR practices* and *Strength of the HRM system* on *organizational performance*, in the two geographical regions. The only exception is that in the Developing countries, the effect of *Strength of the HRM system* on *organizational performance* is a full mediation, whereas in the western countries it is partial.

The adjusted R<sup>2</sup> for the four regressions in the Western countries are respectively the following: 0,264; 0,596; 0,342; 0,350. On the other hand, the adjusted R<sup>2</sup> for the four regressions in the Developing countries are respectively the following: 0,215; 0,308; 0,297; 0,328.

Region	Regression	Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
			B	Std. Error	Beta			VIF	
Western	1	(Constant)	2,279	,234		9,740	,000		
		Hrpractices	,500	,051	,516	9,892	,000	1,000	
	2	(Constant)	,698	,192		3,626	,000		
		Hrpractices	,830	,042	,773	19,961	,000	1,000	
	3	(Constant)	2,178	,204		10,670	,000		
		Strength	,531	,045	,587	11,869	,000	1,000	
	4	(Constant)	1,974	,226		8,724	,000		
		Strength	,420	,070	,465	5,995	,000	2,487	
		Hrpractices	,153	,075	,158	2,037	,043	2,487	
	Developing	1	(Constant)	2,233	,546		4,086	,000	
			Hrpractices	,546	,123	,476	4,459	,000	1,000
		2	(Constant)	1,413	,532		2,657	,010	
Hrpractices			,644	,118	,565	5,471	,000	1,000	
3		(Constant)	2,181	,469		4,645	,000		
		Strength	,576	,107	,554	5,371	,000	1,000	
4		(Constant)	1,504	,575		2,617	,000		
		Strength	,433	,128	,417	3,382	,000	1,468	
		Hrpractices	,290	,146	,244	1,983	,052	1,468	

Table 5- Linear Regressions for *Organizational Performance* considering regional differences.

It is possible to say that the regional differences didn't change the relation between the *organizational performance*, *HR practices* and *Strength of the HRM system*. The only "characteristic" that changed was the type of mediation and the "power" of the indirect effect, which is 0,210 for the Western countries and 0,236 for the Developing countries.

## Discussion

### *Job Satisfaction and Engagement*

*Strength of the HRM system* is the only variable present in all four regressions of tables 3 and 4. This presence means that the variable has impact on both outcomes despite the regional location. The regional differences, as the national culture or perspectives about the work life, will not bias the relation between the *Strength of the HRM system* and the outcomes (*job satisfaction* and *engagement*). As stated before, *Strength of the HRM system* is measured as the companies' capacity to send unambiguous messages to the employees about what behaviors are appropriated. Naturally, a company able to send unambiguous messages, will share feelings of fairness and justice by the employees. The shared perspective of fairness will increase the credibility and reputation of the company and consequently the employees' levels of *job satisfaction* and *engagement*.

In the Western countries, *decision making opportunities*, *training* and *rewards* influence the two proximal outcomes (*job satisfaction* and *engagement*).

The “freedom” to make autonomous decisions (*decision making opportunities*) is being increasingly valued by the employees, in the Western countries, because it means that the company values their thoughts and ideas. Usually, an increase of the “freedom” will also increase the employees' satisfaction and engagement while working. On the other hand, this variable does not appear in any of the regressions for the group of the developing countries, perhaps because workers are more concerned with their future presence in the company instead of taking risks to be more “satisfied”.

Possibly, *training* is valued by the employees because its quality and quantity will have impact on their future performance. Workers feel “happier” as their feelings about the contribution to the company increase because no one likes to feel insignificant or useless. Employees' future performance will also influence their future career path, which may increase their “*engagement*” by reaching important positions.

*Rewards* are a relevant variable for *job satisfaction* and *engagement* in the Western countries because it is the way companies use to recognize and compensate the effort of the employees. When the effort is recognized and rewarded, workers usually feel more satisfied about their work and committed with the company.

Furthermore, *job satisfaction* is also influenced by two more variables in the Western Countries. The variables are the *job security* and *promotion from within* (moderated by the *Strength of the HRM system*).

Surprisingly, *job security* has a significant but negative impact on *job satisfaction*. This may happen because in the recent years the idea of a “life time job” was disappearing. Nowadays, in the Western countries, workers are no longer worried about their “safety” at work because the markets are now worldwide with a huge scale of new opportunities.

*Promotion from within* is the unique variable that affects *job satisfaction* through the moderation effect of the *Strength of the HRM System*. The moderation effect will “transform” the way that the two other variables are related. Promotions will only increase *job satisfaction* if they (the promotions) are seen as fair by all the employees. On the other hand, companies with high levels of the *Strength of the HRM Systems* transmit unambiguous messages which create an environment of fairness and justice. By knowing this, it is possible to assume that promotion is a variable that influences *job satisfaction* only if the *Strength of the HRM System* is high.

In the Developing countries, *job satisfaction* and *engagement*, are influenced by the same two variables (excluding the *Strength of the HRM system*): *training* and *job security*.

*Training* plays a particularly important role in the Developing countries, since the level of education in these countries is lower. Therefore, *training* is of vital importance because it will prepare the employees for their tasks and daily work, replacing in some way the lack of schooling. By having a good *training*, workers will feel more satisfied at work because they feel they are prepared for the tasks and they will feel more committed because they know they are important for the company.

In contrast to Western countries, *job security* has a positive impact on *job satisfaction*, in the Developing countries. In cultures with low political and economic stability, employees tend to value the safety of their jobs and salaries in order to guarantee the survival of their families. The cultural characteristic for families with many children in the Developing countries can also contribute for the relevance of the *job security*, since it is harder to sustain big families. The feeling of safety will arouse other feelings such as *engagement* because they will make an extra effort to be committed with the company and *job satisfaction* because they will feel less worried about future economic problems.

### *Organizational Performance*

From table 5, it is possible to say that in the Western countries the *HR Practices* have a direct significant impact on the *organizational performance* and also have a significant impact on the *Strength of the HRM System*, which in turn, has a significant impact on the *organizational performance* (partial mediation). These relationships mean that the *Strength of the HRM system* is responsible for some, but not all, of the relationship between the *HR practices* and *organizational performance*.

On the other hand, in the Developing countries, there is a full mediation between the three variables, *HR practices*, *Strength of the HRM System* and *organizational performance*. In this case, the *Strength of the HRM System* drops the relation between the *HR practices* and *organizational performance*, which is completely explained by the *Strength of the HRM System*.

In the Western countries, companies have *HR practices* more developed and well established than the ones in the Developing countries. This difference in the degree of development of the *HR practices* could possibly explain the difference between the mediations results. When the *HR practices* are well developed, they will affect the *Strength of the HRM system* but also other variables that can affect the *organizational performance*. Even if the *Strength of the HRM system* is low, there is still a relation between the *HR practices* and the *organizational performance*. When the *HR practices* are not so well developed, they will only lead to *organizational performance* when the *Strength of the HRM system* is high.

## **Limitations**

This work project faced several limitations. The first limitation regards the existence of correlation between the independent variables (*HR practices*) that can bias the final results. This limitation was decreased through the use of the stepwise method which developed the regressions with low values for the VIF's.

The second limitation regards the very large difference in the number of responses between employees and supervisors. The disparity exists because each company has on average eight employees for each supervisor.

The third limitation is related with the hypotheses 2 and 5 which were only responded by the supervisors because the *organizational performance* was evaluated as the supervisors' perspective of their company performance.

The fourth limitation is related with the number of responses by country where Portugal appears as the country with the highest number of responses (see figure 2 on page 10).

The last limitation regards the disparity between cultures in the same regional group. The group of Developing countries includes countries as China, Nigeria or Indonesia whose cultures are completely different and consequently their employees' behaviors.

## **Conclusion**

This Work Project, by being based on a large sample provides support to the impact of the *HR practices* and *Strength of the HRM System* on *organizational performance*, both proximal (*engagement* and *job satisfaction*) and distal (*organizational performance*) outcomes. It highlights the role of both content (*HR practices*) and process (*Strength of the HRM system*) variables, that should be considered by organizations.

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## Extra Annexes

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Annex 1- Questionnaires used to compute the Variables. S1 (HRM Practices, S3 (*Strength of the HRM System*), S4 (proximal outcomes), S6 (*organizational performance*).

S1. Below are some questions about Human Resource Management (HRM) in your organisation. Please indicate your level of agreement with each statement.		Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree
1.1	I am given a real opportunity to improve my skills through education and training programs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.2	I have had sufficient job-related training	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.3	I receive on-going training, which enables me to do my job better	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.4	HR practices here help me a great deal to develop my knowledge and skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.5	This organisation prefers to promote from within	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.6	This organisation always tries to fill vacancies from within	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.7	People inside the organisation will be offered a vacant position before outsiders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.8	My job allows me to make decisions on my own	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.9	I am provided the opportunity to suggest improvements in the way things are done	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.10	Supervisors keep open communications with me on the job	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.11	I am often asked to participate in decisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.12	There is a strong link between how well I perform in my job and the likelihood of receiving recognition and praise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.13	There is a strong link between how well I perform in my job and the likelihood of receiving a pay raise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.14	There is a strong link between how well I perform in my job and the likelihood of receiving high performance appraisal ratings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.15	There is a strong link between how well my team performs and the likelihood of receiving a pay raise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.16	Employees like me can expect to stay with this company for as long as they wish	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1.17	In my organisation job security is almost guaranteed to employees like me	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

S3. Please indicate your level of agreement with each of the following statements.		Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree
3.1	HR practices are well known by everybody in my organisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.2	HR practices are not ambiguous in my organisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.3	The HR department contributes to defining the strategy of my organisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.4	HR practices in my organisation contribute to its competitiveness	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.5	HR practices in my organisation contribute to having highly skilled employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.6	I feel that the criteria used in this organisation's performance appraisal reflects what employees do in their job	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.7	The aims of HR practices in my organisation fit together well	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.8	Managers in my organisation agree on how to follow HR guidelines	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.9	Supervisors make an effort to treating staff fairly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.10	HR practices contribute to improve performance in this organisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.11	In my organisation skills and competencies acquired through training are applied to the work we do	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.12	HR practices complement each other and contribute to meeting the goals of my organization	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.13	HR practices are applied consistently across departments in my organisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.14	In my organisation, rewards are given to those who really deserve them	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.15	HR practices are consistently applied over time	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

S4. The following statements are about your organisation, your work and your out of work life. Please indicate to what extent you agree or disagree with each of the following statements.		Strongly disagree	Disagree	Somewhat disagree	Somewhat agree	Agree	Strongly agree
5.1	Most days I am enthusiastic about my job (JS)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.2	I do not feel a strong sense of 'belonging' to my organisation (OC)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.3	At my work, I feel bursting with energy (WE)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.4	I am enthusiastic about my job (WE)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.5	I find enjoyment in my job (JS)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.6	I do not feel 'emotionally attached' to my organisation (OC)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.7	I am immersed in my work (WE)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.8	At my job, I feel strong and vigorous (WE)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.9	Overall I am satisfied with my job (JS – own)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.10	I do not feel like 'part of the family' at my organisation (OC)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.11	I get carried away when I'm working (WE)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.12	This organisation has a great deal of personal meaning for me (OC)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.13	My job inspires me (WE)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.14	When I get up in the morning, I feel like going to work (WE)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.15	I feel happy when I am working intensely (WE)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.16	I am proud of the work that I do (WE)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.17	I attend functions that I'm not required to but that help the organisational image (OCB)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.18	I keep up with developments in the organisation (OCB)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.19	I defend the organisation when other employees criticize it (OCB)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.20	I am proud when representing the organisation in public (OCB)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.21	I offer ideas to improve the functioning of the organisation (OCB)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.22	I express loyalty toward the organisation (OCB)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.23	I take action to protect the organisation from potential problems (OCB)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.24	I demonstrate concern about the image of the organisation (OCB)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.25	I often generate creative ideas (IB)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.26	I promote and champion ideas to others (IB)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.27	I investigate and secure funds needed to implement new ideas (IB)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.28	I develop adequate plans and schedules for the implementation of new idea (IB)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.29	I am an innovative person (IB)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

S6. Please indicate to what extent your organisation performs better than its competitors in the following dimensions:

		Much worse	Worse	Slightly worse	Slightly better	Better	Much better
5.1	Satisfying our customers/clients	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.2	Growth	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.3	Securing market share	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.4	Launching new products and services in the market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.5	Retaining existing customers/clients	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.6	Attracting new customers/clients	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>