

# **The importance of HR practices and workplace trust in achieving superior performance: a study of public-sector organizations**

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**Abstract** This paper assesses the impact of bundles of HR practices on workplace trust, job satisfaction, commitment, effort and perceived organizational performance. A theoretical model is developed and tested using data collected through a postal survey of UK local government employees. The results support the hypothesis that HR practices are powerful predictors of trust and organizational performance. These findings demonstrate the need for public organizations to re-evaluate their current battery of HR practices in an attempt to improve overall performance.

**Keywords** Human resource practices; trust; employee outcomes; organizational performance; public-sector organizations.

## **Introduction**

There is increasing interest in the notion that complementary 'bundles' of human resource (HR) practices enhance organizational performance (Marchington and Grugulis, 2000; Dyer and Reeves, 1995; Richardson and Thompson, 1999; Wood, 1999). These practices are generally referred to as 'high performance', 'high commitment' or 'high involvement' practices (Whitfield and Poole, 1997) which, according to advocates of this approach, impact positively on organizational performance regardless of industry and context (Pfeffer, 1994, 1996, 1999; Huselid, 1995; MacDuffie, 1995). It is proposed that superior organizational performance is achieved when employees exert themselves on behalf of the organization (Guest, 1997; Purcell, 1999), or, to put it another way, when employees work harder, smarter and accept more responsibility (Pfeffer, 1999).

This expectation is in line with Barney's (1995) argument that HR practices provide organizations with a sustainable source of competitive advantage. Such advantage is thought to be more pronounced when 'socially complex resources . . . [that] are difficult to imitate' (1995: 55), such as trust, friendship and teamworking, are essential components of the production process. Certainly the interest in the best practice approach has emerged at a time when the employment relationship has been subjected to major challenges caused, in part, by organizational restructuring, downsizing and an increasing pressure to provide more efficient and effective services (Coyle-Shapiro and Kessler, 2000).

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The majority of work examining the relationship between HR practices and organizational performance originates in US private-sector firms (Arthur, 1994; Huselid, 1995; MacDuffie, 1995; Ichniowski *et al.*, 1993; Youndt *et al.*, 1996). More recently, evidence is emerging in the UK (Patterson *et al.*, 1997; Guest and Conway, 1997; Wood and de Menezes, 1998), but, consistent with the stream of US research, the private sector has remained the dominant context for these studies. The lack of research conducted in public-sector organizations seems to suggest that improving organizational performance is not seen as of strategic importance to public organizations. In part, this may reflect the image of public-sector organizations as inefficient and ineffective service providers, characteristics that are not confined to the UK (Osborne and Pasterik, 1997; Wildavsky, 1988). However, public-sector organizations have been subjected to progressively tighter financial regimes, increased competitive market forces and close monitoring of organizational performance (Coyle-Shapiro and Kessler, 2000; Boyne, 1998). These regimes have resulted in many of the traditional features of management being challenged. Furthermore, recently introduced legislation in the UK is placing increasing pressure on local government to demonstrate that services are delivered efficiently and effectively (DETR, 1999; NAFW, 2000). Failing to do so could result in the transfer of service delivery to external agencies. Therefore, now appears to be a particularly appropriate time to assess the degree to which bundles of HR practices enhance individual and organizational performance in public-sector organizations.

It is becoming increasingly recognized that trust in the workplace is a critical factor leading to enhanced organizational performance. As a norm, 'high commitment' HR practices are expected to communicate to employees the extent to which organizations trust them (Guzzo and Noonan, 1994). It is therefore surprising to find that, as a distinct individual outcome, trust does not feature in the orthodox HRM models (Beer *et al.*, 1985; Guest, 1987, 1997; Hendry and Pettigrew, 1990). This is acknowledged by Purcell (1999: 29) who states that 'too much is assumed on the process connection', with the link between HR bundles and output measures 'taken for granted'. However, to a large extent the importance of trust as a mediating factor between HR practices and performance has indirectly been captured in studies examining the changing state of the psychological contract, of which trust is an integral part (see, for example, Sparrow, 1998; Guest, 1998; Guest and Conway, 1997; Coyle-Shapiro and Kessler, 2000). While noting the contribution made by these studies, more research is needed to ascertain the relationship between HR practices, trust and other key outcomes.

This paper provides the first empirical test of the impact of HR practices, personal and organizational characteristics on individual and organizational outcomes in public-sector organizations. First, the argument that bundles of HR practices lead to superior organizational performance is outlined. These practices are then described and the views of critics of this approach noted. Second, the importance of trust in today's workplace is highlighted and the concept defined. The dichotomous approach adopted by Luhmann (1979) is then used as a basis for refining the concept of trust in the workplace. Based on theories from various disciplines a theoretical model is then developed. Following this, the research context and methodology are outlined, and the final section concludes by considering the implications of the results.

## **HRM theory**

Legge (1995) states that many private-sector organizations are developing 'high trust' organizational cultures by adopting HR practices intended to reinforce trust between employees and employers. According to Arthur (1994) and others (Walton, 1985; Iles

*et al.*, 1990) 'high commitment' HR systems shape employee behaviours and attitudes by developing 'psychological links' between organizational and employee goals. Arthur argues that managers using 'high commitment' practices are essentially endeavouring to 'develop committed employees who can be trusted to use their discretion to carry out job tasks in ways that are consistent with organizational goals' (Arthur, 1994: 672). The normative HRM models build on the 'high commitment' thesis and provide intermediate links between bundles of HR practices and organizational performance (Guest, 1997; Marchington and Grugulis, 2000; Wood, 1999). In doing so, these models go some way towards explaining why HR practices impact on organizational performance by highlighting their effects on employee attitude (job satisfaction and commitment) and behaviour (exerting oneself on behalf of the organization, intention to quit the organization). However, there remains a degree of fuzziness as to the nature and types of practices that should be included in the 'high commitment' bundle (see the divergence of practices used in the studies as summarized by Youndt *et al.*, 1996). Nevertheless, Marchington and Grugulis (2000) point out that, as Pfeffer has 'inspired' much of the best practice research, his work is often used as the foundation on which progressive HR practices are developed (Guest, 1999; Guest and Conway, 1999; Wood and Albanese, 1995). Prior to describing these practices in more detail, this paper will outline the rationale supporting the notion that bundles, rather than individual HR practices, enhance organizational performance.

Ichniowski *et al.* (1993) reported that HR practices have a much greater effect on organizational performance than on individual practices. This is especially the case when the practices are mutually reinforcing or have a high degree of internal fit, creating synergy (Barney, 1995; MacDuffie, 1995; Wood and Albanese, 1995). Delery and Doty (1996) identify three ways in which researchers have examined the extent of 'internal fit', namely, the universalistic, the contingency and the configurational approaches. The universalistic perspective draws on the assumption that key HR practices can be classified as 'best practice' bundles and are appropriate in all contexts (Pfeffer, 1994, 1999; Osterman, 1994). The contingency perspective argues that the group of HR practices should be selected on the basis of an appropriate 'fit' with other organizational factors (Schuler and Jackson, 1987). The third approach is based on configurational theories, in which researchers have assessed the extent to which performance is a function of different combinations of HR practices. Advocates of this approach claim that distinctive types of 'ideal' HR systems can be identified. If an organization's HR practices are closely aligned to this 'ideal' type, and if they are consistent with the organization's competitive strategy, then superior performance will be achieved (Delery and Doty, 1996; Richardson and Thompson, 1999; Baird and Meshoulam, 1988). Certainly the evidence to date is limited and embryonic (Richardson and Thompson, 1999; Purcell, 1999) and the specific HR practices 'await a clear theoretical specification or a much stronger empirical base' (Guest, 1997: 265). Nevertheless, Pfeffer remains convinced that his prescribed set of practices work 'because they are grounded in sound social science principles that have been shown to be effective by a great deal of evidence and, they make sense' (1999: 38).

#### *The 'high commitment' HR practices*

The specific list of practices is: 1) employment security, 2) selective hiring, 3) teamworking, 4) performance-related pay, 5) training and development, 6) egalitarianism and 7) information sharing (Pfeffer, 1999). These practices are thought to lead to superior performance as they tap the discretionary effort of individual workers.

Marchington and Grugulis (2000) argue that the list of ideal HR practices is fundamentally flawed because each practice is selected on the basis of very limited evidence. They suggest that Pfeffer's stance is simplistic and unitaristic as he assumes workers desire to be subjected to the prescribed practices. There is also insufficient description of each practice, making it difficult for managers to implement them and researchers to study their effects. Thus measures of HR practice vary considerably between studies (see, for example, the divergence of approaches used in operationalizing employment security by Wood and Albanese, 1995; Delery and Doty, 1996; Delaney and Huselid, 1996; Pfeffer, 1999).

Finally, a methodological limitation evident in some of the earlier studies is researchers' use of an organizational representative's perceptions of the extent and level of organizational practice (Huselid, 1995; Huselid and Becker, 1995; Ichniowski, 1990; Arthur, 1994). In such instances the respondent tends to be a senior manager who is likely to have a limited knowledge of workplace HR practice and may even provide exaggerated views of such (Ichniowski *et al.*, 1996; Gerhart, 1999; Guest, 1999). To address this issue, recent studies endeavour to collect a range of views and, in doing so, have sought front-line workers' perceptions of HR practices. This is particularly important when attempting to assess the impact of HR practices on individual performance outcomes (Marchington and Grugulis, 2000; Mabey *et al.*, 1998; Guest and Conway, 1997; Patterson *et al.*, 1997).

### **Is trust essential to achieving improved performance?**

Trust is often perceived to be the 'lubrication that makes it possible for organizations to work (Bennis and Nanus, 1985), an integrative mechanism creating and sustaining social systems (Barber, 1983; Blau, 1964) and the source of increased efficiency and effectiveness (Zand, 1972; Culbert and McDonough, 1986; Golembiewski and McConkie, 1975). Trust has been associated with enhanced social interaction between workers (Gibb, 1964), willingness to take a chance on behalf of the organization without fearing exploitation (Eddy, 1981) and the psychological contract (Sparrow, 1998). A lack of trust can lead to dysfunctional outcomes, such as cynicism, low motivation, low commitment and a lack of confidence in the organization (Kanter and Mirvis, 1989; Carnevale and Wechsler, 1992). Diffie-Couch, for instance, found that mistrust leads to decreased commitment and 'an unquantifiable cost in untapped potential' (1984: 31). However, while these early studies have considered the impact of trust on worker attitude, they have not assessed the effect of trust on worker behaviours. This is a significant omission if, as Culbert and McDonough argue, trust is critical to achieving desirable worker behaviour:

when an individual perceives that an organizational system is not trust-worthy, and does not recognise and reward contributions, the individual seeks to reduce his or her vulnerability by emphasising only those performance areas that can be objectively tabulated and defended.

(Culbert and McDonough, 1986: 179)

It is suggested that, when front-line employees interact with service users or where employees share in co-operative working practices, developing trust is a critical managerial task (Nyhan, 2000). Researchers have also reported that employees prefer to work in organizations that promote trust (Pascale and Athos, 1981; Hage, 1980), thus, as trust also appears to be associated with desirable organizational outcomes, promoting it within the organization should result in a 'win-win' situation. To some extent this may explain the recent proliferation of research conducted in this area, as evident from

this special edition of the *International Journal of Human Resource Management* (see also the special edition of *Academy of Management Review*, 23(3); Mayer *et al.*, 1995; Podsakoff *et al.*, 1996).

Luhmann (1979) proposes that trust is essentially a dichotomous concept consisting of distinct *interpersonal* and *systems* components. Interpersonal trust reflects the relationship among employees, whereas systems trust is thought to capture trust between employees and the organization as a whole. Luhmann argues that systems trust is more stable and enduring than interpersonal trust, and is not influenced by day-to-day workplace activities. Cook and Wall (1980) extend these components into a four-fold classification in which trust is viewed as *faith* in the trustworthy intentions of others and *confidence* in the ability of others.

### **The antecedents and consequences of trust**

In an attempt to identify the role of trust in theoretical HRM models the extensive body of research in the fields of organizational behaviour and organizational psychology will be used, as these refer either directly or indirectly to trust. First, the antecedents and consequences of commitment, an outcome of trust, will be outlined. Second, theories of social exchange and motivation will be used to isolate the links between HR practices, trust and commitment. Third, Barney's economic theory and the normative HRM theories will provide the final link between HR practices, trust, individual outcomes and organizational performance.

#### *Commitment models*

The concept of commitment has been extensively researched for decades (Becker, 1960; Gouldner, 1960; Buchanan, 1974; Salancik, 1977; Mowday *et al.*, 1979; Angle and Perry, 1981; Allen and Meyer, 1990). A theoretical model in which the antecedents and consequences of commitment are isolated was developed by Steers (1977) and extended to include HR practices (Guest, 1987, 1997; Walton, 1985; Beer *et al.*, 1985; Guest and Conway, 1997). Achieving high organizational commitment is one of the central aims of the normative HRM theories (Beer *et al.*, 1985; Guest, 1987, 1997; Coopey and Hartley, 1991; Morris, *et al.*, 1993). Therefore, these models will be used to identify the antecedents and consequences of trust.

**Antecedents of commitment** Steer's model isolates three antecedent categories of commitment: personal characteristics (e.g. age, educational attainment); job characteristics (e.g. task identity, feedback); and work experience (e.g. group attitudes, personal import). Mowday *et al.* (1982) and later Guest (1992) extended Steers' model by proposing two additional antecedent variables: organizational characteristics such as organizational size and HR practices. These categories of antecedents have largely remained unchanged since their inception. Personal characteristics tend to be used as descriptive statistics rather than exploratory variables, and this has resulted in little theory explaining why personal variables are related to commitment. Thus, explanations provided are primarily tentative and speculative (Mathieu and Zajac, 1990).

The empirical evidence consistently reports age and length of service as positive correlates of commitment (Steers, 1977; Angle and Perry, 1981; Meyer and Allen, 1984; Lee, 1971; Hrebiniak, 1974). This has been attributed to the accumulation of 'side-bets' that bind employees to the organization. Side-bets tend to be organization-specific benefits received by workers (such as employment status, company mortgages and pensions), which are likely to be lost if the worker leaves the organization (Becker,

1960; Mathieu and Zajac, 1990). The relationship between commitment and educational attainment is reportedly negative (Hrebiniak and Alutto, 1972; Angle and Perry, 1981; Morris and Sherman, 1981; Meyer and Allen, 1984). This is thought to reflect 'educated individuals having higher expectations which the organization may be unable to meet' (Mowday *et al.*, 1982: 32) or it may be due to 'more educated employees hav[ing] a greater number of job options and therefore less likely to become entrenched in any one position or company' (Mathieu and Zajac, 1990: 177).

Research has confirmed that individuals who are given clearly defined and challenging job assignments are more committed than those who are not (Hrebiniak and Alutto, 1972; Buchanan, 1974; O'Reilly and Caldwell, 1980; Morris and Sherman, 1981). There is no evidence supporting the proposition that occupational groupings have an impact on organization commitment, in that managers are found to have similar commitment levels to front-line workers (Steers, 1977; Morris and Steers, 1980).

There are competing arguments concerning the relationship between commitment and organizational size. One argument proposes that it is more difficult for employees to form personal attachments and identify with organizational goals in large organizations; thus they are likely to be less committed. The opposing view argues that large organizations provide individuals with greater opportunities for promotion and interpersonal interactions and thus employee commitment is enhanced (Stevens *et al.*, 1978; Mathieu and Zajac, 1990). These views are based principally on researchers' intuition. The evidence however is far from conclusive and thus it is difficult to predict the direction of the relationship between organizational size and commitment.

Finally, Iles *et al.* (1990) suggest that bundles of HR practices send very 'tangible' signs to the workforce of the extent to which the organization cares about them. The normative HRM theories (Walton, 1985; Guest, 1987; Pfeffer, 1994, 1995) propose that a prescribed bundle of HR practices results in greater employee commitment. In this instance, the hypothesis is based on the assumption that HR practices provide the link between lower-range behavioural theories, such as expectancy theory of motivation, and commitment (Porter and Lawler, 1968; MacDuffie, 1995; Guest, 1997). There is now increasing evidence supporting this argument (Dillon and Flood, 1992; Guest *et al.*, 1993; Gould-Williams, 1998; Guest, 1992, 1997; Iles *et al.*, 1990; Ogilvie, 1987; Guest and Conway, 1997; Patterson *et al.*, 1997; Benkhoff, 1997b; Nyhan, 1999, 2000).

**Commitment outcomes** The outcomes of commitment that have received most attention from researchers are labour turnover, intention to quit, absenteeism and job performance. It is proposed that committed employees are less likely to leave the organization, which, if we assume employees have an affective attachment to the organization (Meyer and Allen, 1997), is a desirable outcome in terms of developing sustainable HR practices. Committed employees are thought to be more motivated to attend work but, as noted by Steers and Rhodes (1978), may lack the ability to attend. Therefore, absenteeism is only partly affected by employee commitment (Guest, 1992). Similarly, with regard to job performance, expectancy theories of motivation (e.g. Porter and Lawler, 1968) identify several confounding variables that affect individual performance. Committed employees may want to improve their performance but they may lack the ability to achieve enhanced performance due to external and internal constraints (e.g. lack of resources and equipment, inadequate training, physical disabilities). The empirical evidence shows a weak, positive relationship between commitment and job performance (Morris *et al.*, 1993; Legge, 1995; Guest, 1992).

Finally, Bass (1985) argues that organizations will be in a position to achieve enhanced performance only if employees extend themselves beyond the written employment contract. This argument is endorsed by McAllister (1995) who illustrates how employees need to exert discretionary effort if higher levels of performance are to be achieved: 'one has only to witness the disruption that occurs when employees limit their contributions exclusively to what is specified in their job descriptions to realize [the need to rely on discretionary effort]' (1995: 33). Similarly, the normative theories of HRM hypothesize that committed employees are more likely to exert themselves on behalf of the organization (Guest, 1997). However, as noted by Kinicki *et al.* (1992), there appears to be a growing trend among workers either to under-perform or to do as little work as possible. Therefore, according to the normative theories, organizations should introduce HR bundles designed to enhance organizational commitment in an attempt to achieve desirable behavioural outcomes in pursuit of superior organizational performance.

**Differentiating between commitment and job satisfaction** It should be noted that, while the concept of organizational commitment appears to be similar to that of job satisfaction, several distinctions have been made between the two constructs. First, commitment is considered to be a global concept, reflecting an individual's affective attachment to the organization as a whole, whereas job satisfaction is more specific, in that it is a positive emotional state resulting from the appraisal of one's job or job experiences (Locke, 1976). Thus, organizational commitment is regarded as being stable over time, so, while certain transitory events may positively or negatively affect an individual's job satisfaction, they are unlikely to affect their overall attachment to the organization. Furthermore, Mowday *et al.* propose that:

commitment attitudes appear to develop slowly but consistently over time as individuals think about the relationship between themselves and their employer ... [whereas] satisfaction ... has been found to be a less stable measure over time, reflecting more immediate reactions to specific tangible aspects of the work environment (e.g., pay, supervision).

(Mowday *et al.*, 1982: 28)

Therefore, if we accept this view, it is necessary to differentiate between job satisfaction and organizational commitment when assessing attitudinal outcomes.

*Trust: the intervening variable between HR practices and individual outcomes*

Guest and Conway (1999) argue that trust is an intervening variable explaining how HR practices impact on employee attitudes. This is consistent with social exchange and mutual obligations theories, which, according to Rousseau (1989), form part of the employment contract. Social exchange is thought to be fundamental to organizational membership and has been defined as co-operation between two or more individuals for mutual benefit. According to Robinson *et al.* (1994: 140), trust is 'the essence of social exchange' and as trust develops the extent of exchange increases. On the other hand, obligations are beliefs that are held by two parties involved in the employment contract in which each of the parties is bound, by promise or debt, to an action or course of actions in relation to the other party (Robinson *et al.*, 1994). If obligations are not fulfilled however, the relationship between the parties is put at risk. For example, where organizations violate or fail to deliver on a promise, employees' faith and trust diminish (MacNeil, 1985), and their perceptions of what is owed and what they are prepared to offer the organization are negatively affected (Robinson *et al.*, 1994). Under such

circumstances employees may feel less committed and disinclined to exert themselves on behalf of the organization. Furthermore, where organizations offer short-term employment contracts, employees are likely to reciprocate with low commitment behaviours. This is consistent with the norms of reciprocity in which it is postulated that, when an individual receives something that is of benefit to them, they become indebted to the one providing the benefit, causing them to respond in kind. Therefore, as HR practices send powerful signals to employees about the extent to which the organization trusts them (Iles *et al.*, 1990; Guzzo and Noonan, 1994), if organizations fail to deliver on contractual or other promises, employees' sense of indebtedness or mutual obligations will be reduced. This may arise if, for example, organizations do not deliver on individual career development programmes or promised working conditions. Therefore trust appears to be an important intervening variable mediating the relationship between an organization's HR practices and individual outcomes.

### *Organizational performance*

Finally, according to Guest's (1997) normative theoretical model, individual behavioural and attitudinal outcomes are predicted to have a direct impact on organizational performance. The impact of HR practices is anticipated to be less due to intervening factors, but may nevertheless be significant. Similarly Storey notes: 'the demonstration of a causal linkage between different HR practices and business performance is fraught with immense difficulties because of the vast range of confounding variables' (1992: 40).

However, if we adopt Barney's view of achieving sustained competitive advantage, then HR practices may moderate the relationship between an organization's human capital and attaining superior performance (Barney, 1995; Wright *et al.*, 1994; Sparrow *et al.*, 1994). If so, then HR practices may, both directly and indirectly (through trust and individual outcomes),<sup>1</sup> impact on organizational performance.

### **Relationship between explanatory and dependent variables**

The relationships between interpersonal trust, organizational trust and their respective antecedents and outcomes are outlined in Figure 1. The cells containing a '?' indicate that there is insufficient theory or empirical evidence to predict the direction of the sign between the two variables. As highlighted in Figure 1, trust's antecedents include individual characteristics (gender, length of service, job position, age, type of contract and salary) and organizational characteristics (HR practices, organizational size). The proposed outcomes of trust are classified as attitudinal (commitment and job satisfaction), behavioural (effort, intention to quit the organization) and organizational performance.

### **Methodology**

#### *Research context*

The research setting for this empirical analysis is local authorities in Wales. This was considered to be a particularly appropriate context as recent legislation, namely the Local Government Act (1999), requires local authorities in England and Wales to demonstrate 'continuous improvement' in performance through a 'Best Value' regime (DETR, 1999; Nafw, 2000). This regime places a statutory duty on local authorities to review the processes used in delivering services in an attempt to optimize the effectiveness and efficiency of current provision. Part of the review involves a period of consultation with internal and external stakeholders. The purpose of this is to identify



<i>Antecedents</i>	<i>Systems &amp; interpersonal trust</i>	<i>Organizational commitment</i>	<i>Job satisfaction</i>	<i>Effort</i>	<i>Intention to remain*</i>	<i>Organizational performance</i>
<i>Organizational characteristics</i>						
HR practices	+	+	+	+	+	+
Size of organization	?	?	?	?	?	?
Employment contract	+	+	?	+	+	+
<i>Personal Characteristics</i>						
Age	?	+	?	?	+	na
Length of service	+	+	+	+	+	na
Qualifications	?	-	?	?	-	na
Job position	+	?	?	?	?	na
Gender	?	?	?	?	?	na
<i>Outcomes</i>						
Commitment	na	na	na	+	+	+
Job satisfaction	na	na	na	+	+	+
Effort	na	na	na	na	na	+
Intention to leave	na	na	na	na	na	-

*Notes*

+ = positive relationship.

- = negative relationship.

? = insufficient theory/empirical evidence.

\* positively worded.

**Figure 1** *Anticipated sign of relationships between independent and dependent variables*

areas in which service delivery may be improved. The processes used during the review period are then scrutinized by external auditors. This climate of evaluation, self-assessment and external scrutiny may encourage or even force managers to change their approach to HR management, possibly in line with the 'high commitment' response made by their counterparts in the US and other nations (Nyhan, 2000). This is certainly the expectation of central government, as, according to the Welsh legislative guidance:

Best Value is not only about reviews, performance indicators and performance plans; it is a fundamental cultural change. It requires new attitudes to current and prospective service users, and openness to other organizations. The processes set out in this guidance will support that cultural change ensuring staff and members are fully involved, and creating a commitment to quality and efficiency and a determination to make a difference. . . . Staff at all levels have important experiences and perceptions of the efficiency and effectiveness of services, as well as insights into the means of achieving improvement.

(NAFW, 2000: 3, 17)

Thus central government anticipates that 'high involvement' HR practices will lead to changes in employee attitude (greater commitment to quality) and enhanced organizational performance. Based on early survey results it appears that Best Value processes have had some impact on service performance (Boyne *et al.*, 2001), but, as the contribution of HR practices was not considered at that stage, their relative importance has yet to be ascertained.

*Data collection*

A postal survey was used to collect empirical data from a cross-section of public-sector workers. The questionnaire was piloted prior to distribution, using two groups of fifteen

local government employees during August 2000. The purpose of this pilot study was to ensure that the statements used in the questionnaire were understood and interpreted consistently by respondents. For instance, due to the complexity and size of local government, respondents' interpretation of 'organization' was explored. The pilot group discussions indicated that respondents viewed their respective departments, which ranged in size from fifty to 1,000 persons, as organizational units. Therefore to ensure continuity between respondents, the questionnaire referred to 'department' rather than 'organization'.

Following the pilot study, a total of 293 questionnaires were distributed to a cross-section of front-line workers, supervisors and managers working in eight service departments between November 2000 and April 2001. The departments covered community services, school-meal catering, engineering, central support services, library services, legal and planning services, environmental services and grounds maintenance. In the two weeks following the distribution of questionnaires, reminder letters were sent to the sample. Respondents returned their completed questionnaires directly to the researcher by 'Freepost'. A total of 191 questionnaires were returned in this way, providing a high response rate of 65.2 per cent. While this response rate appears to be particularly high for a postal questionnaire survey, it is lower than the response rate of 70.3 per cent achieved by Balfour and Wechsler (1991) in a survey of local government employees.

### *Sample*

The sample of 191 workers had the following characteristics: 39.3 per cent male, 60.7 per cent female; 75.7 per cent union members; 16.1 per cent 18–30 years old, 41.4 per cent 31–45 years old, 40.8 per cent 46–60 years old and just 1.7 per cent over 60. The average length of service was 7.57 years (standard deviation 6.98); 17.8 per cent had no formal qualifications whereas 22.5 per cent had a university degree; 52.6 per cent were front-line workers, 26.3 per cent supervisors and 21.1 per cent middle managers.

### *Measures*

#### **Antecedents of trust**

1. *Employee characteristics* Gender (1=male, 2=female); length of service (years); job status (frontline worker=1, supervisor=2, middle manager=3); salary (<£8,000, coded 1; £8,001–£16,000, coded 2; £16,001–£24,000, coded 3; £24,001–£32,000, coded 4; >£32,000, coded 5); contract (temporary=1, fixed term=2, permanent=3); age (18–30, coded 1; 31–45 coded 2; 46–60 coded 3; 60+ coded 4).
2. *Organizational characteristics* In line with previous research, the assumption that a 'bundle' of HR practices impacts on performance was adopted (Guest and Conway, 1997). As Guzzo and Noonan (1994) argue, it is the collective interaction of HR practices that affect employee and ultimately organizational performance. Therefore, the overall level of HR practices was examined when considering their impact on performance. Pfeffer's list of HR practices was used as a basis for this analysis and respondents were asked to indicate the extent to which they strongly agreed or disagreed with each statement using a seven-point Likert scale. The perception scores were aggregated to give a summated measure of HR activity (see also Guest, 1999).

**Trust** Cook and Wall's (1980) trust scales were used as measures of systems trust (seven items) and inter-personal trust (three items).

**Attitudinal and behavioural outcomes** The hypothesized outcomes of trust are attitudinal (organizational commitment, job satisfaction) and behavioural (worker effort, intention to remain with the department).

1. *Organizational commitment* While there are several measures of organizational commitment (Porter *et al.*, 1974; Meyer and Allen, 1997; Salancik, 1977; Buchanan, 1974; Cook and Wall, 1980) the most popular of these is Porter *et al.*'s Organizational Commitment Questionnaire (OCQ). This instrument has been extensively criticized with regard to the utility of its measurement scales, its conceptual underpinnings and combining measures of the commitment construct with commitment outcomes (Fenton-O'Creevy *et al.*, 1997; Singh and Vinnicombe, 2000). An alternative to the OCQ is the British Organizational Commitment Scale (BOCS) (Cook and Wall, 1980), which has also received some criticism (Dunham *et al.*, 1994; Benkhoff, 1997a), but, according to Peccei and Guest, it 'should be seen as a UK alternative to the OCQ and is the main measure of OC which has been used in the UK' (1993: 3). Recent studies have used the BOCS in line with this recommendation (for instance, Patterson *et al.*, 1997; Coyle-Shapiro and Kessler, 2000), and similarly the BOCS is used as the preferred measure of commitment in this study. The mean of the perception scores for each of the items comprising the BOCS was calculated to give an overall organizational commitment score.
2. *Job satisfaction and intention to remain with the organization* Employees' job satisfaction and intention to remain with the department were each assessed using single-item measures. Respondents were asked to indicate the degree to which they agreed with the statements: 'Overall, I am very satisfied with my job and couldn't be more satisfied' and 'I do not intend to leave this department'.
3. *Effort* An eight-item measure designed to capture employee discretionary effort was developed based on the discussions held with the pilot groups. Respondents identified the following factors as indicators of effort: 1) staying late to fulfil an assignment or meet a deadline; 2) accepting or volunteering to take on additional duties or responsibilities; 3) helping a fellow worker, especially new recruits, when not required to do so; 4) making suggestions to improve service delivery. The latter indicator was regarded as being an important aspect of working not only 'harder' but 'smarter'. Also, in an attempt to capture 'discretionary' effort, respondents were asked to consider whether they worked hard because they felt they *had* to or *wanted* to. The mean of the perception scores for each of these items was used to give an overall measure of effort.

**Organizational performance** Previous studies have relied on perception ratings of organizational performance (Kalleberg and Moody, 1994) where objective measures of performance are not available. Such ratings tend to suffer from common method variance unless perceptions of performance are obtained from an alternative source. In the case of public-sector organizations, independent 'Best Value' performance indicators are in the process of being developed by the Audit Commission which, when available, should provide more objective measures of performance. However, for the purpose of this study, self-reported perceptions of performance are captured through a

multi-dimensional measure consisting of value for money, service quality and service efficiency. The mean of the perception scores for each of these items was used to give an overall measure of departmental performance.

## Results

This section first provides an outline of the summary statistics of the measures used to assess the relationships between the dependent and independent variables. Following this, multiple regression analyses are used to test statistically the extent to which the antecedent variables explain change in seven dependent variables, namely, 1) organizational trust, 2) interpersonal trust, 3) organizational commitment, 4) job satisfaction, 5) employee effort, 6) employee intention to quit and 7) organizational performance. A path diagram is used to illustrate the significant interrelationships between the antecedents and consequences of trust.

### *Descriptive statistics*

**HR practices** Table 1 shows the extent to which the eight departments were perceived to have used the various elements of the bundle of HR practices. Overall, these results suggest that there has not been a surge in the up-take of 'high commitment' practices other than teamworking (mean 4.7, SD 1.8) and promotion from within (mean 4.5, SD 1.8). There appears to be little attempt to involve workers in decision-making processes (mean 3.4, SD 2.0), keep them up-to-date with business-related issues (mean 3.3, SD 1.8), make jobs interesting (mean 3.6, SD 1.6), or reduce the status differential between management and staff (mean 4.3, SD 1.8). The practice with the lowest mean score was managers' attempts to relate performance to pay (mean 2.3, SD 1.6). These results suggest that only a limited number of the bundle of HR practices have been adopted. To assess variation in perceptions across the sample, the mean scores were compared at the authority and departmental levels. Consistent with our interpretation of organization, the findings showed that perception ratings differed significantly by departments but not by authority.<sup>2</sup>

**Trust** Table 2 provides the summary statistics of systems' and interpersonal trust. Respondents considered that they were treated fairly by their respective departments (mean 4.5, SD 1.6), and, while they did not trust managers to seek their best interests (mean 3.7, SD 2.3), they did not believe managers would deliberately gain advantage over them by deceiving them (mean 3.4, SD 1.9). In contrast to these scores, respondents expressed confidence in their fellow workers' skills (mean 5.3, SD 1.5) and their willingness to work (mean 5.4, SD 1.5).

The summated measures of interpersonal trust, organizational trust, commitment, effort and organizational performance were found to be internally consistent as is evident from the Cronbach alpha values (Tables 2 and 3), which, according to Hair *et al.*'s (1995) benchmarking criteria, exceed the minimum required (.70) for acceptable levels of homogeneity.

**Outcomes** Table 3 provides the summary statistics of the individual and organizational measures of performance. Overall, employees displayed high levels of commitment and indicated that they had exerted themselves on behalf of the department. However, the overall mean for job satisfaction was not significantly above the mid-point, but the ANOVA value shows that employees working in some departments were far more satisfied with their jobs than others. Thus, it appears that job satisfaction is a

**Table 1** Means and standard deviations of HR practices

HR practice	N	Mean (SD)	t test Difference between mean and mid-point (4)	ANOVA between group differences F value
1 I am provided with sufficient opportunities for training or development	187	4.2 (2.1)	1.3	6.1***
2 This department keeps me informed about business issues and about how well it is doing	182	3.3 (1.8)	-5.4***	3.5**
3 There is a clear status difference between management and staff in this department	183	4.3 (1.8)	2.2*	.45
4 This department attempts to make jobs as interesting and varied as possible	183	3.6 (1.6)	-3.2*	1.6
5 Team working is strongly encouraged in our department	184	4.7 (1.8)	5.6***	4.7***
6 A rigorous selection process is used to select new recruits	181	3.9 (1.7)	-.70	2.8*
7 I feel my job is secure	186	4.0 (1.7)	.04	1.2
8 When new management positions come up, the department normally tries to fill them with people from within the department or authority rather than recruiting from outside	182	4.5 (1.8)	4.1***	.90
9 This department tries to relate your pay with your performance in some way	184	2.3 (1.6)	-14.0***	2.2*
10 Management involves people when they make decisions that affect them	180	3.4 (2.0)	-3.8*	3.1**

**Notes**

\* statistically significant at .05 level.

\*\* statistically significant at .01 level.

\*\*\* statistically significant at  $\geq .001$  level.

function of the nature of public-sector work undertaken, rather than public-sector work *per se*.

**Bivariate relationships** The bivariate relationships between the antecedents and outcomes of trust are outlined in Table 4. HR practices, size of department (negative) and qualifications gained by workers (negative) were all found to be statistically significant correlates of trust. The correlation between interpersonal and systems trust is sufficiently low ( $r = .45$ ) to justify treating these measures as separate dimensions of trust. These results suggest that trust is associated with smaller organizations and less qualified workers. The extent to which organizations adopted HR practices was found to be the most significant correlate of both systems and interpersonal trust ( $r = .57$  and  $.46$ ,  $p > .001$  respectively) and is consistent with previous research.

Nine variables were significantly correlated with perceived organizational performance. These were in decreasing order: systems trust, commitment, satisfaction, HR practices, interpersonal trust, intention to remain, size of department (negative), effort and qualifications gained by workers (negative). In the main, these relationships are as

**Table 2** *Systems and interpersonal trust*

<i>Items</i>	<i>N</i>	<i>Mean (SD)</i>	<i>t test Difference between mean and mid-point (4)</i>	<i>ANOVA between group differences F value</i>
<i>Systems trust (Cronbach alpha for summed measure = .90)</i>				
1 I am treated fairly by this department	183	4.5 (1.6)	4.1***	5.5***
2 In general, I trust this department to keep its promises or commitment to me and other employees	184	4.0 (1.8)	-.41	4.5***
3 This department has always kept its promises about my career development	184	4.0 (1.8)	-.42	2.8*
4 This department has always kept its promises about the demands of my job and the amount of work required of me	185	3.7 (1.8)	-2.5**	4.5***
5 I trust management to look after my best interests	185	3.7 (2.3)	-2.0*	1.9
6 Our management would be quite prepared to gain advantage by deceiving the workers	180	3.4 (1.9)	-4.1***	1.7
7 We need better managers if this department is to improve	181	4.3 (2.1)	2.0	2.2*
<i>Interpersonal trust (Cronbach alpha for summed measure = .76)</i>				
1 Most of my fellow workers would get on with their work even if supervisors were not around	186	5.4 (1.5)	12.9***	2.9**
2 I have full confidence in the skills of my work mates	185	5.3 (1.5)	12.3***	4.6***
3 My colleagues do the minimum amount of work just to get by.	152	2.5 (1.5)	-11.9***	1.8

*Notes*

\* statistically significant at .05 level.

\*\* statistically significant at .01 level.

\*\*\* statistically significant at  $\geq .001$  level.

anticipated. The literature review provided inconclusive evidence of the relationship between organizational size and performance. Here we report a negative relationship. This may be attributed to large, 'politically sensitive' departments, such as Education and Social Services, having 'plenty of staff' because of surplus budgets, whereas, in relative terms, smaller less 'politically' sensitive departments (e.g. Internal Support Services) were understaffed with limited budgets. Managers in 'well-staffed' departments were thought to create tasks simply to fill workers' time, and had difficulty in effectively monitoring staff performance. Given the increasing pressure for some departments to down-size, respondents who had already experienced severe reductions in the number of workers may be more inclined to report higher levels of departmental performance than those working in larger departments where colleagues were thought

**Table 3** *Individual and organizational performance outcomes*

	<i>Items</i>	<i>N</i>	<i>Mean (SD)</i>	<i>t test Difference between mean and mid-point (4)</i>	<i>ANOVA between group differences F value</i>
<i>Satisfaction</i>					
1	Overall, I am very satisfied with my job and couldn't be more satisfied	187	4.2 (1.7)	1.3	3.7***
<i>Commitment (Cronbach alpha for summated measure = .75)</i>					
1	I am quite proud to be able to tell people who it is I work for	188	4.1 (1.9)	.81	6.4***
2	I sometimes feel like leaving this employment for good	190	4.0 (2.0)	.19	2.6**
3	I'm not willing to put myself out just to help the department	186	2.8 (1.7)	-10.0***	1.8
4	Even if the department was not doing too well, I would be reluctant to change to another employer	187	3.9 (1.8)	-.80	1.4
5	I feel myself to be part of the department	185	5.1 (1.6)	9.1***	2.8*
6	In my work I like to feel I am making some effort, not just for myself but for the department as well	184	5.7 (1.1)	22.0***	2.1*
7	The offer of more money with another employer would make me think of changing my job	190	5.1 (1.9)	8.4***	1.9
8	I would not recommend a close friend to join our staff	189	3.5 (2.0)	-3.3**	1.1
9	To know that my own work had made a contribution to the good of the department would please me	183	6.1 (1.1)	24.9***	.57
<i>Effort (Cronbach alpha for summated measure = .78)</i>					
1	I help new workers, even when not required to do so	187	5.8 (1.2)	21.2***	3.2**
2	I stay late if necessary to help out	186	5.8 (1.4)	18.2***	2.9**
3	I make suggestions for improvements	185	5.6 (1.3)	15.8***	.93
4	I volunteer for things that are not part of the job	183	5.1 (1.6)	9.4***	1.8*
5	I avoid extra duties and responsibilities	184	2.3 (1.5)	-15.5***	1.5
6	I always work particularly hard	187	5.9 (1.1)	23.8***	4.5***
7	I seek out training and other ways of improving my performance at work	186	5.2 (1.5)	10.8***	3.2**
8	I work hard because I want to	186	5.6 (1.2)	17.2***	2.2*

Table 3 *continued*

Items	N	Mean (SD)	t test Difference between mean and mid-point (4)	ANOVA between group differences F value
<i>Intention to remain</i>				
1 I do not intend to leave this department	185	4.1 (2.0)	.58	1.5
<i>Organizational outcomes (Cronbach alpha for summated measure = .87)</i>				
1 This department provides excellent service	186	4.7 (1.7)	5.9***	8.2***
2 This department provides excellent value for money	184	4.7 (1.6)	6.2***	8.4***
3 Service users have very little cause to complain	185	4.4 (1.8)	2.7**	11.2**
4 This department wastes resources	184	3.4 (1.9)	-4.2***	2.6*
5 Overall, I think this department performs extremely well	190	4.8 (1.5)	7.1***	8.3***

*Notes*

\* statistically significant at .05 level.

\*\* statistically significant at .01 level.

\*\*\* statistically significant at  $\geq .001$  level.

to shirk. However, prior to making any substantive conclusions, it is important to consider the relative impact of the independent variables on performance outcomes.

**Regression analyses** Overall, the seven regression equations (see Table 5) provide an adequate explanation of variation for each of the dependent variables, with the adjusted  $R^2$  ranging from .17 (equation 2, dependent variable interpersonal trust) to .54 (equation 7, dependent variable organizational performance). When systems and interpersonal trust are the dependent variables, two independent variables consistently predicted change: HR practices ( $\beta = .65, p \geq .0001$  and  $\beta = .30, p \geq .0001$  respectively) and size of department ( $\beta = -.19, p .01$  and  $\beta = -.24, p .0001$  respectively). The combined effect of the antecedents of trust together with the two dimensions of trust on attitudinal and behavioural outcomes are outlined in equations 3 to 6 and illustrated in Figure 2. Systems trust was found to have a significant predictive effect in four of the five regression equations, with the effect being strongest for the dependent variables job satisfaction and commitment ( $\beta = .55, p \geq .0001$ ). In each equation, systems trust was found to have the greatest predictive effect on the dependent variables.

HR practices had a significant positive effect in six of the seven equations. A non-significant result was obtained when the dependent variable was employees' intention to remain. Therefore, these results highlight the important role of HR practices in generating superior performance: the more HR practices used within the organization, the greater the impact on performance. HR practices had a particularly strong predictive effect on perceptions of systems trust ( $\beta = .65, p > .001$ ), therefore they appear to have



**Table 4** *Correlation matrix of antecedents and outcomes of interpersonal and systems trust*

	<i>n</i>	<i>Mean</i>	<i>SD</i>	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1 Org. performance	190	4.6	1.4														
2 Commitment	188	4.6	1.0	.61***													
3 Effort	188	5.5	.88	.27***	.42***												
4 Satisfaction	187	4.2	1.7	.52***	.60***	.33***											
5 Intent to remain*	185	4.1	2.0	.36***	.61***	.22**	.44***										
6 Systems trust	187	4.0	1.4	.69***	.65***	.29***	.65***	.46***									
7 Interpersonal trust	188	5.4	1.2	.46***	.42***	.17*	.29***	.24***	.45***								
8 Length of service	168	7.6	7.0	-.09	-.03	-.09	.01	.10	-.05	-.10							
9 Size of department	182	535.0	265.2	-.36***	-.15*	.00	-.18	-.08	-.29***	-.25***	-.06						
10 HR practices	188	35.5	10.4	.51***	.50***	.35***	.49***	.36***	.57***	.46***	-.02	-.06					
11 Qualifications	169	3.0	1.6	.22**	-.18*	-.01	-.20**	-.31**	-.24***	-.28**	-.08	.37***	-.04				
12 Job position	175	1.8	.93	-.05	.09	.09	-.02	-.03	-.07	-.14	.18*	.05	.05	.22**			
13 Gender	183	1.6	.51	.04	.03	.16*	.09	.09	.08	.08	-.18*	-.03	.05	-.20**	-.36***		
14 Contract	176	2.8	.54	-.05	-.02	.08	-.14	-.14	-.09	-.07	.09	-.01	.02	.15	.15*	-.22**	
15 Age	174	2.3	.75	.13	.23**	.06	.04	.04	.03	.13	.24*	-.05	.13	-.08	.31***	-.06	.25**

**Notes**

\* statistically significant at .05 level.

\*\* statistically significant at .01 level.

\*\*\* statistically significant at  $\geq .001$  level.

Positively worded statement.

Table 5 Regression analysis

Explanatory variables	INDIVIDUAL OUTCOMES					ORGANIZATIONAL OUTCOMES	
	TRUST		Equation 3		Equation 4		Equation 7
	Equation 1	Equation 2	Equation 3	Equation 4	Equation 5	Equation 6	
	Systems trust	Interper. trust	Satisfaction	Commitment	Effort	Intention to remain	Organizational performance
	Standardized $\beta$	Standardized $\beta$	Standardized $\beta$	Standardized $\beta$	Standardized $\beta$	Standardized $\beta$	Standardized $\beta$
Effort							-.005
Intention to remain							-.06
Commit						.43***	.23***
Satisfaction			.51***	.51***	.32**	.15	.05
Systems trust			-.03	.09	-.24*	.14	.40***
Interper. trust			.27***	.18**	-.01	.00	.12*
HR practices	.65***	.30***	-.00	-.06	.31***	-.05	.16**
Length of service	-.09	-.11	-.01	.08	-.11	.18*	
Size of dept	-.19**	-.24***	-.01	.07	.04	.13	
Qualifications	-.11	.01	-.10	-.07	.01	-.17*	
Job position	-.02	-.16	.06	.11	.26**	-.13	
Gender	-.01	.02	.06	.04	.29***	-.08	
Contract	-.12	-.07	-.02	.04	.13	.03	
Age	-.07	.14	-.10	.15*	-.13	.13	
adj $R^2$	.50***	.17**	.49***	.48***	.29***	.42***	.54***
F value	19.7	4.8	14.9	14.6	6.0	9.9	31.9
n	148	149	147	148	148	147	146

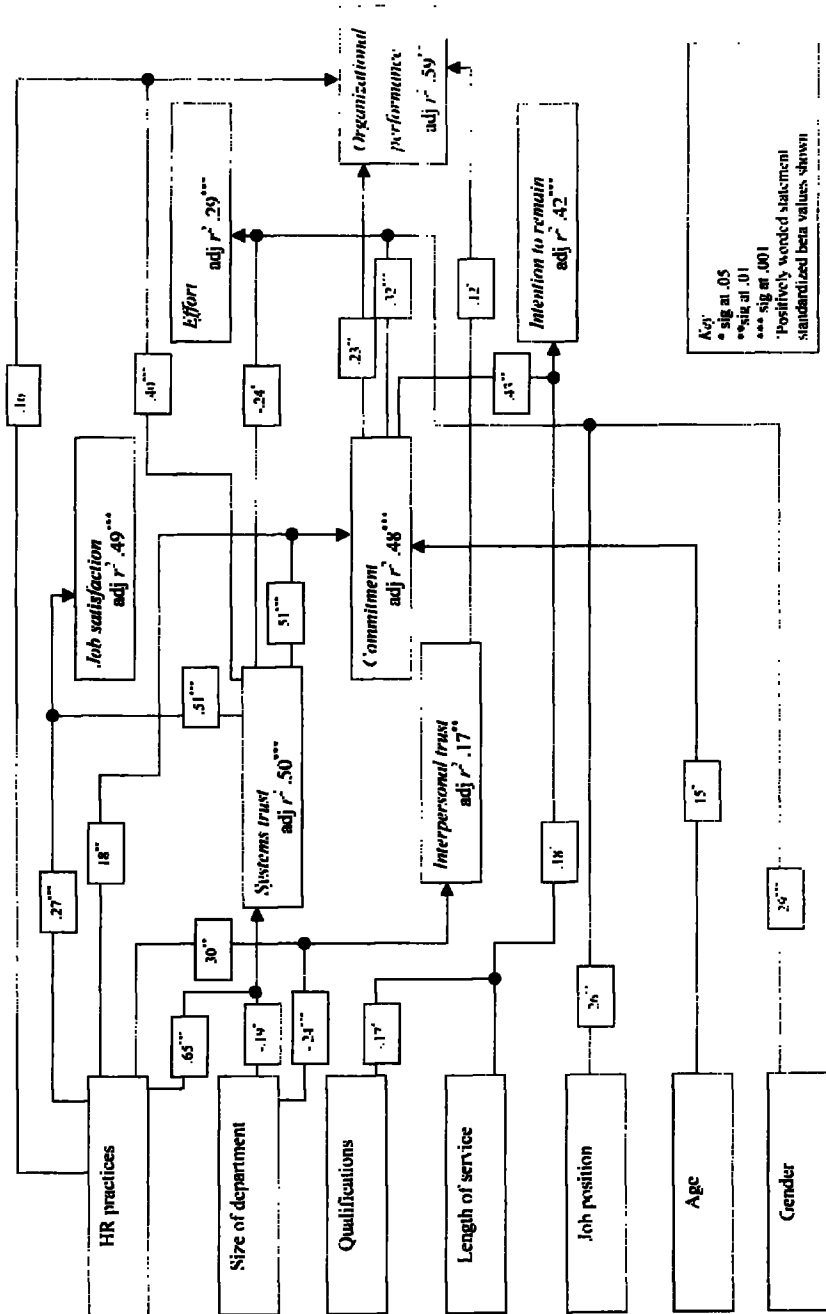


Figure 2 Path diagram showing significant relationships between variables

both a direct (equation 7) and an indirect impact (equations 1, 2, 3, 4, 5) on organizational performance.

The significant variables outlined in equation 6 (dependent variable, intention to remain) are consistent with previous research, in that length of service ( $\beta = .18, p.05$ ) and qualifications ( $\beta = -.19, p.05$ ) are significant predictors of propensity to stay (Mowday *et al.*, 1982; Morris and Sherman, 1981; Mathieu and Zajac, 1990). This is thought to reflect the greater opportunities for alternative employment for more qualified workers, along with the increased accumulation of 'side-bets' with length of service. The independent variables having the greatest predictive effect on employee effort (equation 5) are commitment ( $\beta = .32, p.001$ ), HR practices ( $\beta = .31, p.001$ ), gender ( $\beta = .29, p.001$ ) and job position ( $\beta = .26, p.001$ ). These results suggest that, contrary to early findings, committed public-sector workers appear to exert themselves for the benefit of the organization, with female workers exerting themselves more so than male workers (Buchanan, 1974, as referred to in Balfour and Wechsler, 1991). Similarly, supervisors and managers reportedly exerted themselves more than front-line staff. This may reflect the transferability of some managerial tasks in that, unlike many front-line workers, managers are able to work at home or out of hours. The finding that HR practices significantly predicted employee effort may be a consequence of employees feeling indebted to the organization due to the implementation of 'desirable' practices. It was anticipated that systems trust would have a positive effect on worker effort, but instead a negative effect was observed ( $\beta = -.24, p.05$ ). However, a positive bivariate relationship was noted between systems trust and worker effort; thus it would appear that the negative relationship is due to the interactive effect of other explanatory variables included in the model.

Finally, equation 7 (organizational performance) outlines the collective impact of HR practices, trust, individual behavioural and attitudinal outcomes on perceived organizational performance. The significant predictors were systems trust ( $\beta = .40, p.001$ ), commitment ( $\beta = .23, p>.01$ ), HR practices ( $\beta = .16, p.01$ ) and interpersonal trust ( $\beta = .12, p.05$ ). These results support the argument that bundles of HR practices and trust are key factors influencing performance. While interpersonal trust was not found to have an impact on predicting the intermediary individual outcomes, it had a direct impact on organizational performance. It was surprising to note, however, that individual behavioural outcomes had no significant effect on predicting organizational performance. This finding is inconsistent with the argument that workers need to exert themselves in order for the organization to achieve superior performance (McAllister, 1995; Bass, 1985).

## Conclusions

This paper has outlined a performance model based on theories of organizational behaviour, organizational psychology, social exchange and human economics. The model delineates the relationships between HR practices, trust, individual and organizational outcomes. Data collected from a cross-section of local government employees were used to test the theoretical model empirically. The results support the overarching hypothesis that HR practices lead to superior organizational performance (Pfeffer, 1999; Huselid, 1995; MacDuffie, 1995). Further, HR practices were observed to have a significant predictive effect on both systems and interpersonal trust, with systems trust positively predicting changes in employee satisfaction, organizational commitment and organizational performance (see Diffie-Couch, 1984; Zand, 1972; Culbert and McDonough, 1986; Golembiewski and McConkie, 1975).

It was anticipated that enhanced trust would lead to employees exerting greater effort at work (Robinson *et al.*, 1994). However, while the bivariate relationship between systems trust and employee effort was in the anticipated direction, the regression equation revealed a significant negative effect. If we accept this finding at face value then it appears that trust does not lead to greater effort. Or, to put it another way, low-trust employees exert themselves more than their high-trust colleagues. This may be a consequence of higher workloads or broken psychological contracts leading to decreased trust but higher exertion. Also, there was evidence of collinearity between commitment and systems trust. Therefore, further research is needed to explore this phenomenon in an attempt to investigate how the distinctive contributions of these variables may be retained. Further, the findings also revealed that effort did not have the anticipated significant effect on organizational performance. This is particularly surprising as 'effort' was operationalized to capture the notion that employees work 'harder and smarter' (Pfeffer, 1999). However, given that the concept was developed on the basis of discussions during the pilot phase, the items used as measures of effort may have failed to capture some of the critical dimensions of worker effort and may require further refinement.

Interpersonal trust was not found to predict change in employee outcomes, but it did have a significant effect on organizational performance. This is not to suggest that interpersonal trust does not have any direct benefits to employees. For instance, interpersonal trust may enhance the working environment and employees may enjoy a sense of well-being through positive social interactions with colleagues. These dimensions are not captured in this study, but they may nevertheless contribute to enhanced performance. Further, it was proposed that interpersonal trust is critical when workers have to co-operate with each other or interact with service users (Nyhan, 2000). This may in part explain why interpersonal trust had a direct impact on organizational performance. Contrary to Nyhan's findings however, the results reported here revealed that systems trust predicted performance rather than interpersonal trust. This may simply reflect differences in the way in which trust was operationalized. Cook and Wall's (1980) items were used as measures of trust in this study, with managers viewed as organizational representatives, and interpersonal trust based on the relationships between colleagues, rather than between workers and supervisors. Thus, these results are not directly comparable with Nyhan's findings. The consequences, however, are similar, in that organizations need to develop trust between workers (bottom-up approach, worker-led) and between organizational representatives and workers (top-down, policy driven).

Prior to discussing the implications of the results, the following limitations should be considered. First, the data presented are based on self-completed questionnaires and may suffer from common method variance (Podsakoff and Organ, 1986). Future research in local government organizations will benefit from the publication of Audit Commission performance indicators. These will provide independent assessments of departmental performance (Boyne *et al.*, 2001), which should overcome the issues of common method variance. Second, some may argue that more objective measures of HR practices should have been obtained based on policy documents. However, even if such documents were subjected to content analysis, this would possibly not result in a more robust data set in that researchers have reported wide discrepancies between organizational policy and practice. Also, as noted by Meyer and Allen (1997), employees' perceptions of 'reality' are likely to influence their performance more than formal documentation does. Third, these results are based on data collected from a regional sample of two authorities with eight participating departments. To some extent

this may limit the degree to which the results can be generalized, but they nevertheless provide an important initial insight into the effects of HR practices on a range of outcomes.

Consistent with Barney's (1995) argument, HR practices were found to predict performance positively in public organizations. To date however, the overall up-take of innovative practices appears to be low. If we assume that the relationship between bundles of HR practice and performance is linear, then public managers should endeavour to implement an increasing number of consistent practices over time. Furthermore, consistent with social exchange and mutual obligations theories, trust was found to be a significant intervening variable between HR practices and individual outcomes (Rousseau, 1989). Therefore public organizations should endeavour to fulfil any explicit or implicit promises to enhance employees' sense of indebtedness, which in turn should lead to desirable outcomes (Robinson *et al.*, 1994).

Future work may wish to consider the following issues. The results showed that not only did female workers perceive that they exerted themselves more than male workers but they tended to occupy lower-status jobs. To what extent does this imply that female workers are exploited at work and have to work harder for the same rewards as male workers? Or are female workers more likely than male workers to *want to* exert themselves on behalf of others within the workplace? The implications of such findings would have significant policy implications (see Thomas and Davies, forthcoming; Wilson, 1995). The theoretical model did not assess the effect political decision makers have on worker trust and performance. There is evidence that organizational politics increases stress, intention to quit and job satisfaction, and reduces organizational commitment and job performance (see Witt *et al.*, 2000). Thus the role of local politicians, who are key decision makers in public authorities, is likely to be significant.

Finally, this paper assumed that the effect of HR bundles is additive and universal. An equally valid argument could be that different combinations of HR practices have a positive impact on performance based on configurational or contingency theories (Delery and Doty, 1996). As few studies have tested the validity of these competing approaches, further research is needed in this area. For instance, as HR practices have been found to communicate to workers the extent to which organizations trust them, do key practices act as dominant cues in comparison with others? If so, this would suggest that organizations should first focus on the 'essential core' prior to developing complementary practices (see also Guest, 1997). Certainly more work is needed to clarify the relationship between HR practices and a range of performance outcomes in public-sector organizations.

## Notes

- 1 It is assumed that trust has a direct and indirect relationship with organizational performance, whereas personal characteristics are assumed to be indirectly associated.
- 2 A complete version of the results is available on request from the author.

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