HRM Practices and Perceived Service Quality: The Role of Trust as a Mediator

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ABSTRACT

The value of linkage research is in its ability to recognise the organisational practices that are the most important drivers of customer satisfaction in a specific organisation. Human Resources Management (HRM) plays a central role in the exchange relationships between the organisation’s management and its employees. Though earlier studies investigated several facets of climate as possible mediators, none of them have examined trust as a mediating variable that affects the relationship between HRM practices and service quality (SQ). In the healthcare industry, as in most other service industries, the interaction between patients and healthcare service providers (professionals and other employees) is an integral part of the service process. Yet, the provided services are highly professional, and the layman cannot always evaluate these services professionally. The current research focused on SQ as was perceived by employees, and examined the relationship between HRM practices, and SQ as well as the mediating role of trust in management in such relations in a healthcare organisation (HCO). The study, which was undertaken within an Israeli HCO that provides health services in the community, evaluated data from 411 employees and managers. The findings suggest that trust in management affects perceived SQ directly, but also mediates the relationship between employee’s perceptions of feedback and SQ. These findings are discussed in terms of relativeness for HRM policies and practices in HCOs.

INTRODUCTION

Internal organisational practices and employee perceptions have the potential to impact on customer satisfaction. The value of linkage research is in its ability to recognise the organisational practices that are the most important drivers of customer satisfaction in a specific organisation (Pugh, Dietz, Wiley & Brooks 2002). HRM practices, which play a central role in the exchange relationships between the organisation’s management and its employees, are connected to every stage of the employment circle, and through these engagements employees obtain valuable information about the organisation and the way it is managed. These activities show employees, in practice, what is valued in general, and how the organisation views them in particular. When employees deal with customers they bring to the interaction their perceptions of HRM practices (Ulrich, Halbroock, Meder, Stuchlick & Thorpe 1991).

Several studies of service organisations have examined the direct connections between HRM and aspects of SQ (Schneider & Bowen 1993, Peccei & Rosenthal 2001, Humphrey, Ehrlich, Kelly, Sandall, Redfern, Morgan & Guest 2003). Indeed, empirical studies of the healthcare industry have evaluated the relationship between HRM practices and aspects of service delivery to patients (Clark 1999, Weech-Maldonado, Dreachslin, Dansky, De Souza & Gatto 2002). These studies have provided findings to suggest that HRM practices are directly related to SQ. However, the results of other research (Ramsay, Scholarios & Harley 2000) suggest that it is more reasonable to assume that these relationships are mediated by employee behaviours, intention, and attitudes. For example, researchers (Huselid 1995, Delaney & Huselid 1996) have already proposed that organisational climate may have a mediating role between HRM and performance. Nevertheless, although earlier studies investigated several facets of climate as possible mediators, none of them examined trust as a mediating variable that affects the relationship between HRM practices and SQ. This lack of interest is surprising given social exchange theory emphasises relationship development over time (Blau 1964), and indicates that a successful social exchange circle involves trust and uncertainty. Therefore, in searching for a mediating link in the chain of organisational practices and employee perceptions, that affect customer satisfaction, the present study will investigate a conceptual model that incorporates the role of trust as a mediator between HRM and SQ in a HCO.
The first step of the analysis is to summarise the existing literature in three critical domains: SQ-HCO; HRM-SQ; HRM-trust-SQ. Specifically, the relationship between these variables and potential outcomes are addressed. The next section of the paper describes the study methodology, which includes the respondents, the procedure, employed scales and assessment tests. Part three of the paper presents the research results. In the last sections these results are discussed together with implications for the findings, and a coherent agenda for future research is proposed as well as practical guidance for managers.

**Theory and Hypotheses**

It has been shown that when the organisation nurtures relationships with employees, the result can lead to a real improvement in services provision to customers (Schneider & Bowen 1995). Employees who feel that the organisation provides them with a supportive working environment, and see that the organisation aspires to a high quality of service and excellence, are often more willing to give customers the best service. When customers meet a satisfied and enthusiastic employee, their perceptions of the service are likely to reflect the positive encounter (Schneider, White & Paul 1998). Thus, it would seem that the organisational atmosphere also helps shape customers’ perceptions of SQ.

**Service Quality and Healthcare Organisations**

In the healthcare industry, as in most other service industries, the interaction between patients and healthcare service providers (professionals and other employees) is an integral part of the service process (Conway & Willecocks 1997, Benbassat & Taragin 1998). HCOs should be encouraged to take the role of the patient into consideration in the healthcare service process, and in order to achieve high quality service (White 1999) respond to patients’ needs and expectations. Another issue that is likely to challenge HCO management is the central role played by employees in SQ achievement. White (1995) reported cooperation between employees and managers as the key to providing high quality care, because it can compensate for the constraints imposed by cost containment and managed care. In pursuit of this objective, management might seek to implement progressive HRM practices that encourage service oriented behaviour and show concern for employees’ organisational and personal needs.

A service oriented logic is demonstrated by alignment between the service concept and employee perception. In contemporary progressive institutions this can be done by shaping practices in a way that emphasises service orientation and creates a climate for service (Schneider & Chung 1996) as well as adopting HRM practices that employees perceive as positive and considerate (Schneider & Bowen 1993, Gilson, Palmer & Schneider 2005). It is likely that such institutions will be reflected in employees’ attitudes and behaviour, which will be demonstrated in the way employees serve their customers. This potential added value of HRM practices lies in their ability to create a foundation for a work environment that encourages SQ in service organisations, given that quality and productivity in such organisations depend, to a great extent, on employee behaviour (Zerbe, Dobni & Harel 1998). Furthermore, knowing how employees perceive HRM practices may shed light on how customers perceive the service process (Schneider & Bowen 1985). Indeed, a study (Mallak, Lyth, Olson, Ulshafer & Sardone 2003) that was undertaken in two hospitals (a main hospital and a satellite hospital in the USA) showed a positive and significant correlation between employee job satisfaction and patient satisfaction.

**HRM as a Tool for Improving Service Quality**

HRM practices can potentially affect SQ along three parallel channels. The first one is a control based channel, which refers to all practices taken by the organisation in order to sustain productivity and efficiency in the service process. One example for this channel is when service employees in a call centre of a firm are being measured for their number of calls per hour and the mean length of calls. The second way in which HRM might affect SQ is through a knowledge based channel, in which HRM practices are adjusted to the service delivery process. By shaping practices in a service oriented manner employees will be more aware of the service delivery process and SQ (Schneider & Chung 1996). The third way is via a motivational based channel, in which the organisation promotes practices that are focused on employees’ well being. Research (Schneider & Bowen 1993) has shown that adopting HRM practices that employees perceive as positive and considerate, such as employment security or a compensation system that acknowledges employee efforts and contributions, results in more service committed employees. The current research is focused on the knowledge and motivational based channels because such practices are directed toward employees’ well being as well as SQ.

Some studies that were conducted in service organisations corroborated the proposition of a positive relationship between employees’ perceptions of HRM practices and customers’ rating of organisational effectiveness (Schneider & Bowen 1993, Schneider & Chung 1996). The HRM practices that were chosen to be examined in this study are: leadership and supervision; training; compensation; promotion and career development; and feedback and recognition. These practices were chosen for three main reasons. First, these HRM practices are consistent with the
universalistic view (e.g., Pfeffer 1994). Because they are universalistically approach oriented, some High Performance Work Practices (HPWP) enhances organisational performance and is appropriate for all firms (Tzafrir 2006). And according to the universalistic perspective, organisations from different sectors, across industries, and through different time periods are likely to benefit by using these HPWP (Delery & Doty 1996). Second, these practices could be valuable in achieving SQ for two reasons: (1) by providing the required knowledge for high quality service provision, and (2) through enhancing employee motivation to provide customers with high quality service. Last, the chosen HRM practices are related to the dimension of employees’ trust in their managers (Mayer, Davis & Schoorman 1995).

Employees in organisations that are characterised by high levels of service view the organisational leadership as putting a strong emphasis on meeting customer needs and delivering excellence in service through clearly stated goals and objectives (Pugh, et al. 2002). Leadership and supervision may contribute to SQ in two ways. Initially, from the knowledge based aspect, managers, by being responsive to employees’ questions and concerns and providing them with the information necessary to promote high quality service, can enhance the quality of service given by employees (Schneider & Bowen 1985, Boselie & van der Wiele 2002). And secondly, from the motivational based aspect, the way managers treat staff affects employees’ feelings of being valued, thereby affecting their morale and motivation to act according to the managers’ expectations.

Promotion and career development could be related to SQ in knowledge as well as motivational aspects. From the knowledge based view, caring for career development and promoting service employees who are already service minded and customer oriented will strengthen the perceptions of employees as well as customers that the organisation is service oriented. Indeed, researchers (Schneider & Bowen 1995) found that organisational career facilitation is related to customer perceptions of SQ. From the motivational view, the promoted employees feel valued by the organisation, and understand that the organisation is willing to invest in them in the long term (Pfeffer 1994). In this way they are motivated to reciprocate to the organisation by investing efforts to provide quality service to customers.

Training is also a recognised essential component of high performance work systems. From the knowledge perspective, such service workers should be trained to identify and resolve problems, to promote changes in work methods and to take responsibility for quality. Adequate training enables the generation of a work force that is multi skilled, adaptable to rapid changes and has wide conceptual knowledge of the production system (Pfeffer 1998). From the motivational perspective, it is reasonable that employees would feel valued by the organisation that chooses to invest in their professional development. Positive perceptions of training are associated with employees’ perceptions of the organisation as having a strong service orientation (Schneider & Bowen 1993).

Compensation is another important facet of organisational success. First, it is a concern of equity and fairness. Employees whom expend more efforts and creativity in doing their job and see that their results benefit the employer will expect remuneration in exchange for their efforts. If employees do not receive any appreciable return, it is reasonable to expect that they will stop trying. Second, contingent compensation serves as a motivational tool, because employees know that they will share in the results of their work (Pfeffer 1998). Therefore, a compensation system based on excellence will result in increased employee performance (Boselie & van der Wiele 2002). Internal equity of compensation was found to be related to employees’ perceptions of the organisation as having a strong service orientation (Schneider & Bowen 1993).

Feedback is a basic requirement for enhancing employee performance. From the knowledge aspect, employees need to know whether they are performing their job satisfactorily, and if not, how they might improve their job activities. Providing employees with structured and accurate information about their performance together with suggestions for improvement is an acceptable strategy that is likely to help them to focus on the evaluation of problematic areas, and hence, lead to better levels of performance. From the motivational aspect, employees who make an effort to improve their service performance will be more motivated to do so if they feel that the organisation and their managers recognise their efforts. Finally, a comprehensive and accepted evaluation system can provide valuable feedback to employees and assist managers in making decisions regarding the individual employee (Cleveland, Murphy & Williams 1989). This literature provides the underpinning for hypothesis H1.

H1: Employees’ perceptions of HRM practices will be related to perceived SQ.

Trust, HRM Practices, and Service Quality

HRM practices are an important part of the social exchange that characterises employment relations, and in which the components of trust come into play. In the organisational setting, mutual trust has the potential to enhance cooperation (Mayer, et al. 1995), and increase the sharing of information between employees and managers (Spreitzer & Mishra 1999) as well as among organisational units, which may eventually improve organisational performance (Collins & Poras 1997, Sako 1998). Trust, therefore, appears to be an essential intangible resource in organisations, which bonds managers and their subordinates (Tzafrir & Dolan 2004). Trust is defined as “… willingness to increase one’s resource investment in another party, based on positive expectation, resulting from
past positive mutual interactions.” (Tzafrir & Dolan 2004: 116). Trust develops through the social exchange process in which employees interpret managerial practices, procedures, and actions and reciprocate to the organisation accordingly (Whitener 2001). When management uses procedurally fair practices it affects employees’ trust in management because these procedures demonstrate respect for the rights and dignity of individual employees (Folger & Konovsky 1989, Gilson, et al. 2005). By offering promotion opportunities and adequate training, the organisation signals to employees that they are valued (Pfeffer 1998), and that the organisation will ‘go the extra mile’ to meet their organisational and personal needs (Schneider & Bowen 1993). In response, employees’ trust in the organisation and their manager is likely to increase, and in this work climate job incumbents can be more willing to take a long term view of their job and organisational performance (Pfeffer 1998). In addition, leadership and supervision, which are perceived by employees as facilitating their work through decentralisation of decision making and the sharing of information, may lead to employees’ feeling that management or their immediate supervisor trusts them (Pfeffer 1998), which can promote a platform for increased trust in management. Finally, performance appraisal and feedback that are perceived as accurate and satisfactory, and compensation that reflects equity and emphasises excellent performance has potential to enhance employee efforts and performance through the knowledge that their efforts will be noticed and rewarded (Tzafrir, Harel, Baruch & Dolan 2004). These linkages are likely to result in increased employee trust in their managers, which is expressed as hypothesis H2.

H2: Employees’ perceptions of HRM practices will be related to employees’ trust in their managers.

Since employment relations are based on social interactions, employees are also engaged in a social exchange that is based on the norm of reciprocity (Gouldner 1960). Being psychologically and physically close to employees the customer is exposed to the organisational climate. Management should be aware of this closeness, which has a strong influence on a customer’s perceptions of SQ (Schneider & Bowen 1993). Therefore, it seems that trusting behaviour, which is an integral part of the dynamics of employment relationships, is likely to impinge on the employee customer interaction, and consequently, contribute to customer perceptions of SQ. Moreover, it is a contention in the literature, that trust is associated with positive and desirable organisational outcomes (Mishra & Mishra 1994, Mayer & Gavin 1999). Hence, it is reasonable to speculate hypothesis H3.

H3: Employees’ trust in managers will be positively related to perceived SQ.

Evidence (Glade & Ivery 2003) has been presented to show the importance of organisational climate as a mediator between HRM and positive organisational outcomes. For instance, results of a study conducted in credit unions have shown that trust in management serves as a partial mediator of the relationship between perceptions of organisational support and organisational commitment (Whitener 2001). Another study (Aryee, Budhwar & Chen 2002) found that the relationships between distributive and procedural justice, and employees’ attitudes toward their work was partially mediated by trust in the organisation. In addition, it was demonstrated that trust in the employer mediated the relationship between a breach in the psychological contract, and the work outcomes of psychological withdrawal behaviour, civic virtue, as well as turnover intentions (Lo & Aryee 2003). Furthermore, there is a widely held perspective if employees perceive HRM practices as an indicator of organisational belief in them (Schneider & Bowen 1993), they will reciprocate to the organisation accordingly, through expressing their own commitment to the organisation (Settoon, Bennett & Liden 1996). This dedication may be reflected in how they perceive SQ. Thus, it could be assumed that trust mediates the relationship between employee perceptions of HRM activities and perceptions of SQ. Therefore, this proposition is reflected as hypothesis H4.

H4: The relationship between employees’ perceptions of HRM practices and perceived SQ will be partially mediated by trust.

**Methodology**

**Site and Sample**

Rousseau and Fried (2001) contend that organisations should not be examined out of the context in which they operate. Aligned with this perspective the laboratory for this study was a HCO that provides healthcare services in Israel for rural and urban populations. This organisation is well unionised and most of the employees are working under a collective agreement. The research concentrated on the urban clinics within one district. There were 49 primary care clinics and seven specialist clinics, which together employ about 1300 people providing services to patients. In order to adjust the sample size to the restrictions placed by the organisation, clinics with less than 15 employees were excluded from the sample. Finally, 1040 employees and managers from 24 primary care clinics (528 employees) and seven specialist clinics (512 employees) received questionnaires. Completed questionnaires from two clinics were apparently lost, so they were excluded from the sample. This gave a total of 1006 distributed questionnaires.
Procedure

Distribution of the questionnaires started at the beginning of June 2003. Using the organisation’s internal mail system, each clinic manager received the questionnaires, with addressed return envelopes, and was directed by a letter from the general manager of the district to distribute a questionnaire to each service employee (of all kinds) who worked in the clinic. Also, a cover letter from the researchers was attached to each survey stressing the aspects of confidentiality and anonymity and an empty addressed envelope was supplied for respondents to return their completed questionnaires to the researchers. Two weeks after the questionnaires were distributed reminders were sent to the clinic managers by emails and telephone calls in order to improve the response rate. By the end of the process a total of 411 completed questionnaires were received (a response rate of 41%).

Table 1 shows the distribution of respondents’ gender, age, years of learning, profession, tenure in job, and tenure in the organisation. Women (78%) formed the majority of respondents, which corresponds to the estimated proportion of female employees in the health sector (Central Bureau of Statistics 2003). Most respondents had held their positions for more than five years (nearly 79%), and served in the organisation for more than six years (69%). There was an objective difficulty in comparing the current sample to the general healthcare sector’s population in Israel because there is no updated data base for the medical professions and their distribution in the healthcare sector (Ministry of Health 2002).

<table>
<thead>
<tr>
<th>Table 1 Demographics % (N = 411)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>&lt; 35</td>
</tr>
<tr>
<td>Age (years)</td>
</tr>
<tr>
<td>35-54</td>
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<tr>
<td>&gt; 54</td>
</tr>
<tr>
<td>&lt; 13</td>
</tr>
<tr>
<td>Formal Education (years)</td>
</tr>
<tr>
<td>13-14</td>
</tr>
<tr>
<td>&gt; 14</td>
</tr>
<tr>
<td>Physician</td>
</tr>
<tr>
<td>Nurse</td>
</tr>
<tr>
<td>Profession</td>
</tr>
<tr>
<td>Administrative worker</td>
</tr>
<tr>
<td>Para-professional</td>
</tr>
<tr>
<td>Pharmacist</td>
</tr>
<tr>
<td>&lt; 2</td>
</tr>
<tr>
<td>Job Tenure (years)</td>
</tr>
<tr>
<td>2-5</td>
</tr>
<tr>
<td>&gt; 5</td>
</tr>
<tr>
<td>&lt; 6</td>
</tr>
<tr>
<td>Organisational Tenure (years)</td>
</tr>
<tr>
<td>6-10</td>
</tr>
<tr>
<td>&gt; 10</td>
</tr>
</tbody>
</table>
### Measurement

Table 2 summarises the scale reliabilities and sample items.

<table>
<thead>
<tr>
<th>Scale Names &amp; Sample Items</th>
<th>#</th>
<th>Alpha</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership &amp; supervision</td>
<td>4</td>
<td>.83</td>
<td>My manager is available whenever I need him.</td>
</tr>
<tr>
<td>Promotion &amp; career</td>
<td>5</td>
<td>.81</td>
<td>The organisation prefers to promote people from within.</td>
</tr>
<tr>
<td>Training</td>
<td>5</td>
<td>.85</td>
<td>The training I receive encourages qualitative customer service.</td>
</tr>
<tr>
<td>Compensation</td>
<td>4</td>
<td>.62</td>
<td>Does the system by which you are paid motivate people to work especially hard?</td>
</tr>
<tr>
<td>Feedback &amp; recognition</td>
<td>6</td>
<td>.92</td>
<td>The feedback on my performance recognises the attention I give to customers.</td>
</tr>
<tr>
<td>Trust in manager</td>
<td>16</td>
<td>.91</td>
<td>Management considers employees’ needs and desires.</td>
</tr>
</tbody>
</table>
| Perceived SQ              | 22| .93   | • Expectation: Customers should be able to feel safe in their transactions with employees of such an organisation.  
• Perception: Customers feel safe in their transactions with employees of this organisation |

### Perceived Service Quality

The met-unmet expectations framework underpins the perceived level of service satisfaction. When customers evaluate the quality of service they receive (met), they compare their perceptions of the service performance to previous service expectations (Parasuraman, Zeithaml & Berry 1988). A service that does not match the expected level of service, is considered to be unmet. Earlier studies found that there is a positive correlation between employees’ and customers’ perceptions of SQ (Schneider & Bowen 1993, Johnson 1996). Following previous studies of healthcare services (O’Connor, Trinh & Shewchuk 2000) the SERVQUAL questionnaire was used, which was originally designed to measure customers’ rating of SQ (Parasuraman, et al. 1988). The SERVQUAL was adjusted (for this study) so as to measure employee perceptions of how customers rate SQ.

Measuring employee perception is an acceptable way for dealing with HCOs that provide high contact, customised personal services (Bowen 1990). This type of service is fertile ground for the emergence of closeness between patients and employees. As closeness increases, employees and customers have much more influence on each other, and share more information (Pugh, et al. 2002). The significance of this closeness is worthy of exploration and further investigation in organisations whose services are based on intensive contact between employees and customers. In this light, HCOs are a most interesting example since in HCOs interaction with patients is very close, and yet, the services are highly professional and the interaction is not always carried out with the same provider.

This interaction is characterised by professional imbalance between doctors (and the medical staff) and their patient. Gaps in information between the service provider and the patient are one factor in this imbalance. Using such measurement is likely to yield a stronger correlation with actual SQ because of the two primary characteristics of the healthcare industry: (a) the gap between the professional knowledge of the medical staff and the patient, and (b) internal information, most of which patients are unfamiliar; for example, different medications that have different costs.

SERVQUAL is a 22 item instrument for assessing perceived SQ by measuring the gap between customer’s expectations and perceptions of service (Parasuraman, et al. 1988). Each item is ranked on a seven point Likert scale (‘strongly disagree’, to ‘strongly agree’). The results of the gaps between expectations and perceptions ranged from minus six, representing the gap between the highest expectation and the lowest perception of a service element, to six, representing the gap between the lowest expectation and the highest perception of a service element. Some adjustments in items terminology were made in the survey in order to fit it to the services provided.
Perceptions of HRM Practices

According to Wright, Gardner, and Moynihan (2003) measuring HRM practices via employee’s perceptions is crucial. The five HRM features of the research were based on the Index of Organisational Reaction (IOR), with some adjustments (Dunham, Smith & Blackburn 1977, Zerbe, et al. 1998). The IOR has been widely validated and enjoys broad use as an employee opinion survey. The five dimensions for HRM practices (i.e., leadership and supervision, promotion and career development, training, compensation, and feedback and recognition) are shown in Table 2. Each item of the HRM scales is ranked on a five point Likert scale (responses range from 1 = ‘strongly disagree’ to 5 = ‘strongly agree’).

Trust

Trust researchers use different terms and scales for measuring trust in the organisational context (Fried, Tiegs & Bellamy 1992, Robinson & Rousseau 1994, McAllister 1995). It is worth noting that scholars do not always agree as to what instrument is the ‘best’ for measuring trust (Tzafrir & Dolan 2004). For example, using a group of five doctoral students to elaborate questions related to dimensions of trust, Cummings and Bromiley (1996) developed the Organisational Trust Inventory (OTI). This instrument measures trust from a multidimensional perspective, which includes keeping of commitments, negotiating honestly, and avoidance of taking excessive advantage. In addition, these scientists base their “…theory and measurement of trust as a belief on the assumption that trust should be assessed across three components: an affective state, cognition and an intended behaviour.” (Cummings and Bromiley 1996: 305). Yet, the OTI was developed to measure trust between units in organisations or between organisations.

Butler (1991) made an important attempt to develop and validate an instrument for measuring antecedents to trust. The measure of Conditions of Trust Inventory (CTI) intended to assess interpersonal trust between two people, can be used for measuring trust between a manager and subordinate. However, the building blocks of this instrument were 84 managers and no employees, whereas trust has been perceived as a concept that emphasises the exchange process. Trust in an organisational setting involves at least two specific parties: a trusting party and a party to be trusted (Driscoll 1978). Thus, skipping one side of the equation of dyadic trust, namely the employee, could affect the results.

In the current study, which was undertaken in the organisational setting, an attempt was carried out to find a scale of trust which takes into consideration the employees as well as the exact context where trust happens. Therefore, in order to measure trust a 16 item instrument, developed and validated by Tzafrir and Dolan (2004), and presented as Table 3, was used to measure employees’ trust in management.

The following instructions prefaced the scale. Indicate the degree to which you agree with each statement by using the following scale: Disagree strongly (1) to agree strongly (5). Think about specific core manager(s) in your organisation. For each statement, write the number that best describes how much you agree or disagree with each statement.

Table 3 Tzafrir and Dolan’s Trust Scale (2004)

1. Employees’ needs and desires are very important to managers.
2. I can count on my managers to help me if I have difficulties with my job.
3. Managers would not knowingly do anything to hurt the organisation.
4. My managers are open and up front with me.
5. I think that the people in the organisation succeed by stepping on other people. (R)
6. Managers will keep the promises they make.
7. Managers really look out for what is important to the employees.
8. Managers have a lot of knowledge about the work that needs to be done.
9. Managers are known to be successful at the things they attempt to accomplish.

10. If I make a mistake my managers are willing to ‘forgive and forget.’

11. Managers’ actions and behaviours are not consistent. (R)

12. Managers take actions that are consistent with their words.

13. It is best not to share information with my managers. (R)

14. There is a lot of warmth in the relationships between the managers and workers in this organisation.

15. Managers would make personal sacrifices for our group.

16. Managers express their true feelings about important issues.

Note. R indicates the item is reverse scored.

Each item of the trust scales is ranked on a five point scale (responses range from 1 = ‘strongly disagree’ to 5 = ‘strongly agree’). To check the problem of mono-method bias, a confirmatory factor analysis on the 40 rating items was performed, which measured the five forms of HRM and trust. The result supported a six factor structure with a Normed fit index (NFI) of .93; the root mean square error of approximation (RMSEA) was .05.

Demographics

Nine demographic properties were evaluated. The following demographic variables were added to the model as controls: age (by year), gender, years of education, profession, position (full/part time), job (managerial/non-managerial), tenure in job, tenure in the organisation and the type of clinic (primary care/ specialised care).

Analysis

The questionnaires were designed to gather information about employees’ perceptions. First, it had to be determined whether the fact that an employee belongs to a certain clinic had a significant meaning for the study. To ascertain this, the Hierarchical Linear Modelling (HLM) test was used, which takes into consideration the hierarchical structure of the data (Snijders & Bosker 1999). By conducting such a multilevel investigation, it was able to consider three major issues regarding the relations between research variables: (1) individual level predictors of other individual level variables, (2) group level predictors of other group level variables, and (3) group level variables that impact on the relationship between individual level variables (Lee 2003).

In order to test whether trust mediates between perceptions of HRM practices and perceived SQ (Hypothesis 4), the analytic approach of Baron and Kenny (1986) was used. First, it was tested whether the independent variable, perceptions of HRM practices, significantly affected the dependent variable, perceived SQ. Second, it was tested whether the proposed intermediate variable, trust, significantly affected perceived SQ. Third, it was tested whether perceptions of HRM practices significantly affected trust. Finally, it was tested if the effect of the independent variable, perceptions of HRM practices, was reduced when the intermediate variable was added to the equation.

Results

The results of the HLM analysis clearly showed that the fact that an employee belonged to a certain clinic has no relevance for the research. These results endorsed further exploration of the findings at the individual level of analysis only. The descriptive statistics of the research variables are shown in Table 4. The findings provide initial support for hypotheses H1 to H3, inclusive. It is shown in Table 4 HRM practices are positively and significantly related to perceived SQ; that HRM practices are positively and significantly related to trust; and the relationship between trust and perceived SQ is positive and significant. Tenure in job and years of education both are negatively and significantly related to perceived SQ, meaning that the longer the employees hold their job, or the more educated they are, the less qualitative they will perceive the service. These control variables were included in further analyses.

Table 4 Means, Standard Deviations and Correlations (N = 410)
<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>S.D.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Perceived SQ</td>
<td>-1.53</td>
<td>1.03</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2. Trust in manager</td>
<td>3.06</td>
<td>.74</td>
<td>.38 *</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>3. Leadership</td>
<td>3.52</td>
<td>.93</td>
<td>.23 *</td>
<td>.64 *</td>
<td></td>
<td></td>
<td></td>
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<td>.67 *</td>
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<td>-.26 *</td>
<td>-.17 *</td>
<td>-.12 *</td>
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<td>-.01</td>
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<td>-.13 *</td>
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<td>-.15 *</td>
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<td>.16 *</td>
<td>.01</td>
<td>.04</td>
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<td>.08</td>
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</table>

Notes: a. SQ = Service and Quality, Leadership = leadership and supervision, Promotion = promotion and career, and Feedback = feedback and recognition. b. * p < 0.05, and ** p < 0.01.

Table 5 presents a linear regression analysis of perceptions of HRM practices on trust under the condition of the control variables. This analysis demonstrated significant results and revealed that β values for most of the HRM practices were noteworthy. The regression model was significant (R²=.603, F=62.358, p<.01). In addition, the R² of the overall model increased significantly from .095 to .60.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Trust in Manager</th>
<th>Perceived Service Quality</th>
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<tbody>
<tr>
<td></td>
<td>Preliminary step</td>
<td>Model 1</td>
</tr>
<tr>
<td></td>
<td>(β)</td>
<td>(β)</td>
</tr>
<tr>
<td>Δ R²</td>
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<td>.508**</td>
</tr>
<tr>
<td>F</td>
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<td>62.358**</td>
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<td>N = 338</td>
<td>N = 328</td>
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<td>Tenure in job</td>
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<td>-.124**</td>
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<tr>
<td>Years of learning</td>
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<td>-.085*</td>
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<td>Type of clinic and leadership supervision</td>
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<td>.059</td>
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<td>Promotion and career</td>
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<td>Training</td>
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<td>.167**</td>
</tr>
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<td>Compensation</td>
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</tr>
<tr>
<td>Feedback and recognition</td>
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<td>.342**</td>
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<tr>
<td>Trust in manager</td>
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<td>No</td>
</tr>
<tr>
<td>Constant (B)</td>
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<td>1.420**</td>
</tr>
</tbody>
</table>

Notes: a. The set of controls identified do not match the controls shown in the correlation matrix because only controls with significant betas with both SQ and trust are being reported. b. *p < 0.05, and **p < 0.01.

Table 5 also summarises the steps of the regression analysis that checked the mediation hypothesis. As shown in Table 5, a preliminary step to test the regression of the control variables was taken in order to check their impact on perceived SQ. All control variables contributed slightly to the prediction of perceived SQ (R²=.081). In the next step (Model 1) the regression of HRM practices on perceived SQ was tested. The results showed that only compensation (β=.243, p<.01) and feedback (β=.190, p<.05) significantly predicted perceived SQ. The change in R² between the preliminary model and Model 1 was significant. Next, a regression analysis of trust on perceived SQ was performed, to check whether trust affects perceived SQ (Model 2). The results showed that trust significantly predicted perceived SQ (β=.296, p<.01). Finally, HRM practices was regressed on trust and perceived SQ in order to test whether the beta weight for, and the variance in perceived SQ explained by HRM practices, would be significantly lower when trust was in the equation, compared to the beta weight, and the variance explained by HRM practices when there was no intermediate variable in the equation. The results in Table 5, Model 3, indicate that the effects were different for the two HRM practices that had a significant effect on perceived SQ compensation and feedback. With regard to compensation, the insertion of trust into the model did not substantially change the effect of compensation on perceived SQ (β=.210, p<.01). In contrast, examining trust with regard to feedback, the effect of this practice on perceived SQ was nonsignificant as shown by the decreased beta weight (β=.094, p>.05). In addition, the R² of the general model increased significantly by three per cent. These findings indicate that trust serves as a mediator variable only between employees’ perceptions of feedback and perceived SQ.

**DISCUSSION**

The present research focused on examining the mediation effect of trust on the relationship between employees’ perceptions of HRM practices and perceived SQ. The results of the investigation partially support the prediction.
The first interesting finding was that only two HRM practices, compensation and feedback, had a significant direct effect on perceived SQ. These practices represent two different types of exchange within the organisational setting (Blau 1964). The compensation practice represents economic exchange, while the feedback practice represents social exchange. According to justice theory (Folger & Konovsky 1989), these practices somewhat complement each other, since the compensation items in this study reflect perceptions of distributive justice, while feedback items reflect perceptions of procedural justice. Clearly, satisfaction from compensation becomes relevant to and affects perceptions of SQ in the specific organisation even though payment issues are not totally in the control of the management due to collective salary agreements in Israeli HCOs.

In the current study it appears that employees see compensation and feedback as two practices through which the organisation rewards them for their efforts. Financial compensation is a practice that is perceived as more directly and tangibly related to employee efforts. This is an economic exchange that is based on transactions and expectation of future specified returns (Blau 1964), meaning that employees know that the organisation will pay their salaries in exchange for their job performance. In the same way, feedback on performance and recognition of an employee’s contribution is perceived as a practice that is directly and personally related to the way the employee performs and behaves. Such a practice is an expression of social exchange, because it generates expectations of positive future returns. However, employees who invest in their jobs expect feedback and recognition from their managers, without knowing what will be the nature of this return. Hence, the return is unspecified (Blau 1964). Thus, there is a high likelihood that an employee will produce higher levels of SQ if they understand that the ways that they are evaluated and rewarded are procedurally fair practices. On the other hand, the fact that training, leadership, and promotion were not found to be associated with SQ is a finding that might hint that these are not perceived by employees as practices through which the organisation rewards them for their investments and efforts, but as practices that are intended to only meet organisational goals and objectives. Moreover, according to equity theory (Adams 1963) it seems that employees could evaluate the exchange relationships with the organisation as inequitable. Consequently, they feel uncommitted to the organisation’s goals and objectives, and these feelings have negative effects on the way they perceive the service provision process within the organisation.

Studies within service organisations, including the present one, have found different kinds of HRM practices were associated with SQ (Schneider & Bowen 1993, Zerbe, et al. 1998). These differences could be explained by the fact that the relationship between HRM practices and SQ depends to a great extent on the organisation itself. If the organisation is defined as highly institutionalised and groups of workers are employed by collective agreements, then it is reasonable that in such organisations the influence of some HRM practices will be less significant for organisational outcomes (Boselie & van der Wiele 2002). This may possibly explain the findings that the three practices, promotion, training and leadership, did not significantly affect perceived SQ. However, taking the unique characteristics of the organisation into account could be beneficial because this might provide a more accurate view of the contribution of HR systems to organisational performance (Becker & Gerhart 1996).

Another noteworthy finding of the current research concerns the contribution of trust to SQ. This finding provides additional support for earlier evidence about the role of trust in improving organisational outcomes (Mishra & Mishra 1994, Shaw 1997). The findings suggest that a higher level of trust in one’s manager will impact positively on the way the employee perceives quality of service in the organisation. Again, if the exchange relationships between managers and employees are perceived by employees as equitable, it will result in trusting behaviour that will motivate and encourage them to reciprocate to their managers by acting in accordance with organisational norms that emphasise SQ. Indeed, research that was undertaken in a hospital showed that employees’ trust in their managers predicted organisational citizenship behaviour (Konovsky & Pugh 1994). One source for generating trust between employees and managers is procedural fairness. By using fair procedures the organisation declares that it is committed to treating employees with respect. Such an obligation results in employee trust in the fairness of the relationship (Aryee, et al. 2002). The current research findings support this assertion. Employees who see HRM practices as procedurally fair and positive tend to trust their managers more. These findings, are in agreement with other studies that found procedural justice (Konovsky & Pugh 1994, Gilson, et al. 2005) and perceived organisational support (Whitener 2001) to be associated with trust in managers/the organisation.

The last finding concerns the mediating role of trust. The study findings demonstrated trust mediated the relationship between perceptions of feedback and perceived SQ, a finding that is in line with exchange theory and associated studies (Whitener 2001, Aryee, et al. 2002). It is reasonable that perceptions of feedback will be related to SQ perceptions through trust in managers because providing feedback is strongly related to the social exchange in employment relationships, which to a great extent (Blau 1964) consists of trust. In summary, trust may be said to have a significant role in HCOs due to its impact on perceived SQ. Such a role might be enlarged if HRM practices were more directly associated with employee behaviour and performance, because in that case employees will perceive HRM practices as more equitable.

Examining the role of trust as a mediator between HRM practices and service quality has important conceptual and practical ramifications. First, from a conceptual perspective, it is possible to learn more about social and economic exchange by examining the influence of fair HRM practices on trust as well as service quality. Second, from a practical perspective, it is useful to know whether there are different parts of HRM practices effecting service quality. That is, does different kind of exchange between employees and organisation continue to influence service quality by impact organisational trust climate? Considering the ability to associate depends on the degree to which
communities share norms and values. Out of shared values comes trust, and trust has a large and measurable economic value (Fukuyama 1995). Yamagishi (1988) found that individuals from collectivist societies are acculturated to have less trusting attitudes and behaviours toward an ‘outgroup’ than ingroup members. In a comparative laboratory research, Yamagishi (1988) found that American students had a higher level of trust and cooperated more in the absence of a sanctioning system than did Japanese students. The explanation he gave to these results is that Japanese students, who live in a society which is characterised by strong mutual monitoring and sanctioning, have weaker trust and cooperate less in the absence of a sanctioning system than do American students, who live in a more individualistic society. Thus, the presented findings of the current study have one more implication for institutions around the globe. Managers have to plan HRM practices in a lens of culture effect in order to achieve a higher level of trust.

Directions for Future Research

This paper contributes to the role of trust as important mechanism for improving service quality. Future research that examines the model in a broader perspective and focuses upon several types of HCOs, such as hospitals, or on comparing several HCOs/districts of HCOs might be more constructive to the development of the relevant literature.

The SERVQUAL instrument had been criticised for being focused on the functional dimension of service (service delivery process) while ignoring its technical dimension (outcomes of the service process) (Kang & James 2004). Also, it is not straightforward to shift service research in, say, the retail or food industries to professional service organisations such as healthcare. Although the same term ‘service’ is used for such different settings, the notion of ‘service’ in healthcare may be different. Nevertheless, according to the taxonomy of service interactions of Gutek, Bhappu, Liao-Troth and Cherry (1999) the term service may be used in the context of the healthcare industry. Future research of SQ, especially in healthcare, should refer to the technical issues of service as well.

Collecting data from customers, employees as well as archive data will advance future research. It is suggested that multiple sources of data are needed in order to overcome self report and common method biases in organisational research (Donaldson & Grant-Valone 2002). Additionally, it would be beneficial to use qualitative methods, especially to the investigation of trust, in order to clarify its complicated nature (Goudge & Gilson 2005).

Implications

Managers of service organisations concluded that employees are the most valuable asset of pure service organisations. Employees interact with customers directly and so they become a reliable source for information about customers’ needs and expectations. In order to achieve SQ in organisations such as HCOs, an organisational climate that promotes and encourages service should be generated. According to the current research, managements are challenged to focus their service orientation toward employees by treating them in a way that meets their professional as well as personal needs. ‘Management by wandering around’ could be a first step for nurturing closeness between managers/management and employees and strengthening the communication between them by providing online feedback. The role of trust in achieving SQ should be addressed as well. Fulfilling of promises and obligations, matching expectations, and transparency in employment relations will be beneficial for nurturing trust between managers/ management and employees, which will result in a better service delivery to customers.

It is to be recognised that in highly professionalised services differences in perceptions of SQ between employees and their customers might exist. Patients generally do not have enough knowledge to evaluate the service professionally (technical quality). Rather, on the one hand they tend to shape their perceptions of service on other factors in the service process (functional quality). On the other hand, it is more likely that employees of HCOs evaluate health services through their ‘professional prism’. Hence, it is just reasonable that management oversight should not be based only on patient satisfaction surveys. They must listen thoroughly and continuously to their employees’ suggestions and ideas regarding service, collaborating and consulting with them.

Conclusion

This research recognised that compensation and feedback practices were the most important HRM practices that affect perceived SQ, and clarified the importance of trust for achieving SQ in HCOs. Results of a study on service performance confirmed that the individual as well as branch levels were significantly associated with employee service performance, and that aggregated data on service performance explained customer satisfaction and loyalty (Liao & Chuang 2004). The meaning of such results is that investment in employees and in nurturing employment relations based on trust is required in order to provide high quality health services to customers. Organisational effectiveness is likely to be improved by going through a complicated process of changing the organisational
climate. This process requires not only modifying practices and procedures, but also having enough patience to wait for the change to occur.

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