MANAGING ORGANIZATIONAL COMMITMENT THROUGH HUMAN RESOURCE PRACTICES
CASE: A MEDIUM-SIZED FINNISH SERVICE COMPANY

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Supervisor: Arja Ropo

Kari Kaakkolammi
ABSTRACT

Researchers (e.g. Meyer & Allen 1990; 1991; 1997) have concluded that committed employees are better performers, have less well-being related issues and are more likely to stay in the organization. When commitment has such profound effects on many of the managerial challenges, managing it should be every manager’s daily routine. Fortunately our knowledge on both the commitment phenomenon and the different practices that can be used to manage it are well researched in the past. However, the studies are mostly concentrated on large American corporations, which might not necessarily describe the phenomenon accurately in significantly different settings, for example in a Finnish medium-sized service company. Thus, the main purpose of this research is to provide a description of why an organization would use human resource practices (e.g. training, selective hiring and sharing of information) in managing organizational commitment and how these practices can be utilized. What makes the research even more interesting is that it was conducted during a time depicted as the worst since the Great Depression.

To provide as rich a depiction of the phenomenon as possible, a single-case study was undertaken as the different practices, through which commitment is managed, can be executed in hundreds of different ways. As suggested by Hiltrop (1999) senior management should be the one responsible for commitment management because it requires a comprehensive understanding of business strategy and goals. Therefore, in order to retrieve the most accurate data, most of the senior management was interviewed.

The findings of the study reveal commitment and thus also managing commitment to be a complex phenomenon to be dealt with both academically and in managerial work. What was interesting is that owners saw commitment differently as “natural” than other informants. Previous research findings where backed-up by the fact that commitment seemed to influence the three managerial challenges introduced above. Interestingly, the case company emphasized some of the selected practices through which commitment is managed differently, which could be due to the organizational model. In addition the research described effects of the global downturn on the phenomenon.
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1 INTRODUCTION

1.1 Background

As the world economy has turned into recession and millions have lost their jobs, the recently published studies on commitment seem to have an absurd nuance to them. In such challenging times when companies around the world are fighting for their survival, commitment seems to be the least of their worries. Or is it? After all, at the same time companies are looking into the future. Making inconsiderate short-term decisions now may prove costly once the economy gets back on track.

In addition to the current economic situation, companies are facing other profound problems. For example, the effect of labor shortage in Finland is estimated to be considerable in future years. According to the population projection from 2007 to 2040, the proportion of people in working age will reduce from 66 percent to 57 percent (Statistics Finland 2007). In such an environment of diminishing labor, managing employee’s commitment to an organization should become every manager’s daily routine.

Another worrying issue is that the changes in working life are not only positive. An increase in problems related to time pressure, the insecurity of employment and social relationships have been shown to increase since the late 80s. The relationship between free time and work has also become blurred. As companies emphasize individual work performance, competition has increased, which has affected social relationships and collaboration negatively. (Statistics Finland 2008) The increased competition has also led to retention issues as employees are geared towards having a career portfolio rather than a career in an organization (Chew & Girardi 2008).

If today’s managers are facing such profound problems, the question arises whether commitment still matters in today’s business. This question needs to be answered by searching for evidence both academically and in management practice. To do this, the topic of commitment was approached from the organization’s perspective to see
whether commitment can be managed and how this can be done. Naturally, the effects of the downturn bring their own flavor to the study as the case company is trying to find a balance between today’s and tomorrow’s success.

Multiple questions arise when the phenomenon is looked from the manager’s perspective. What is commitment? How can it be managed? Why does it pay off to manage it? Are we managing it the right or the wrong way? This research tries to find answers to these questions and many others. The final objective of this report is to show why managing employee commitment is still paramount in today’s business.

1.2 Research problem and gap

To answer the managerial problems presented earlier, this research seeks to integrate two things. Firstly, examine how commitment can be managed in the workplace. Secondly, why and how would an organization use human resource (HR) practices in doing this? These two questions combined, the main research problem is: Why and how would an organization use human resource practices in managing organizational commitment?

The literature review of this research report is divided into two parts. The first part focuses on commitment. Important aspects that are discussed include for example what commitment actually is, its antecedents, its dimensionality and the different perspectives it can be studied from. Meyer and Allen’s (1991, 1997) model of organizational commitment guides the structure of this research and thus it will be presented in more detail.

After this, a look will be taken at an important perspective, why commitment matters to an organization. Although the effects of commitment from the organization’s perspective can be varied, this research report will concentrate on three main topics that are employee performance, employee turnover and employee well-being. These topics are then discussed in relation with the Meyer and Allen’s three-component model of organizational commitment to highlight the relation between commitment and improved organizational performance. Finally, some of the key findings that emphasize the
importance of commitment to an organization, pointed out by Meyer and Allen (1997), are discussed before proceeding to the second part of the research report.

After studying commitment and the three-component model, the research continues to look at the actual practices that have been shown to manage and foster organizational commitment with an extensive use of human resources management (HRM) literature. First, the report will discuss how commitment can be affected. This field of study is discussed from Meyer and Allen’s (1997, 66) perspective, who believe that managing commitment is about influencing people’s perceptions via carefully chosen HR practices.

Since there are no clear categorizations of the practices that affect commitment, a set of practices was selected for further discussion by categorizing eleven studies. From these studies most commonly studied practices were chosen and compared to existing, but quite fragmented categorizations.

The research report then discusses the chosen practices mainly on the basis of McElroy’s (2001) findings on Meyer and Allen’s three components of commitment. Also the synergy between the practices is described where possible. Finally, at the end of the literature review, a theoretical framework for the study will be proposed. In the empirical part of the research this model is then viewed in relation to the case study, a real-life medium-sized Finnish service company.

What makes this research relevant both academically and in management practice is the fact that commitment and the ways of managing it are usually studied in a large American corporation. Such companies usually have extensive HRM resources, such as a HRM division. Although such researches give us plenty of rich evidence, the findings might not necessarily describe the phenomenon accurately in significantly different settings. Thus this study, aims at contributing to filling this research gap by studying and describing commitment management in a setting that is presumably different from the so-called “common” context. The case company, a medium-sized Finnish service company, does not have a HRM division, a separate HR manager or a budget for researching and managing employee’s commitment to the organization. Presumably the understanding of the different nuances of commitment is also low. Thus it is interesting
to see if managing commitment is done in a totally different manner than in companies across the Atlantic. What makes the study even more interesting is the fact that the research was done in a time depicted to be the worst since the Great Depression (BBC April 2009).

1.3 Research objective and questions

As stated, the purpose of this study is to provide a description of *why and how would an organization use human resource practices in managing organizational commitment?* This problem is approached, in the first part by answering the following sub-questions:

- Why employees become committed to an organization?
- Why employees’ commitment matters to an organization?

The first sub-question is answered in the literature part by describing the psychological contract between the organization and the employee and by describing the reciprocal nature of this relationship. In order for commitment to exist, employees naturally expect some benefits in return, as otherwise it would make no sense becoming committed to an organization. This reciprocal phenomenon is also discussed from the organization’s perspective in the theoretical part of this report and further explored in the empirical part.

The second sub-question is answered by looking at the concrete benefits an organization receives when the employees have high levels of commitment. Fortunately, this question has received extensive research interest over the years and thus rich research evidence can be introduced. The empirical part also aims to highlight the benefits of organizational commitment to the case company.

The third part of the theory looks into the practices that are shown to affect commitment. A set of practices is chosen and described in more detail. Also the effects of such practices on commitment are depicted with examples to illustrate the characteristics of both the practices and how they affect commitment. The empirical
section of this research is concentrated in describing these practices in a Finnish medium sized service company. Thus it seeks to answer to the following sub-questions:

- How and with what commitment can be fostered and managed?
- What is characteristic to these practices?

1.4 Definitions

Commitment

Commitment can be defined in numerous different ways depending on the perspective. This research uses Meyer and Allen’s (1991) conceptualization, which describes commitment as a psychological state of mind that composes of affective attachment to the organization, perceived costs associated with leaving the organization and obligation to remain with the organization. Meyer and Allen labeled these mindsets as affective commitment, continuance commitment and normative commitment.

Organizational commitment

Employee’s commitment to the organization is often referred to in the academic literature as organizational commitment. However, it is just one of the workplace commitments that include for example manager, occupation, career and union (Meyer & Allen 1997, ix). According to Meyer and Allen (ibid) limiting the study of workplace commitment to organizations is not a problem because evidence on it can be applied to understanding commitment to other entities.

Managing commitment

Managing commitment in this research report refers to actions taken in order to deliberately affect employee’s commitment. According to Meyer and Allen (1997, 66) to manage commitment, organizations need to influence employee’s perceptions. Which component of commitment is affected thus depends on the employee’s perception of the action.
Fostering commitment

Contrary to managing commitment, fostering commitment in this research report refers solely to activities that have affected commitment positively, thus increased it.

Human resource practices

Human resource practices, such as training, recruiting and compensating, are organizational activities directed at managing pool of human capital. HR practices are used ensuring that the capital is employed towards the fulfillment of organizational goals. (Wright, McMahan & McWilliams 1994)

1.5 Limitations

Although commitment has been researched to a great extent in different settings, the lack of agreement on what commitment truly is, is a limitation to this study. However, the theoretical background chosen as the basis for this study is considered to be the academically dominant in researching commitment, although strong criticism exists.

Another limitation is that there are different forms of commitment that affect each other. Due to the limited nature of a Master’s thesis, commitment outside work is not taken into consideration in this study although it has been shown to affect workplace commitment in general.

When it comes to the empirical part it has to be noted that the researcher did not have an opportunity to interview the employees whose commitment the case company is trying to manage. Unfortunately, the case company had to lay off its employees during the research process in adjusting to the downturn. Thus, the senior management felt that conducting such a study at that time could have possibly given the wrong signal to those being interviewed of their future in the company. From the researcher’s perspective, interviewing the employees would have not made sense as the recent events might surely has had an impact on employee’s view on commitment. Although, the lack of access to the employees whose commitment the organization wants to manage affects
the richness of the study, it should be noted that the study aims at describing how the organization tries to manage commitment. Concentrating on both organization’s and employee’s perspectives, in the empirical part of this research would have required far more extensive research premise than what is common to a Master’s thesis.

Some researchers have been able to identify possible disadvantages commitment might cause. Cooper and Hartley (1991) note that commitment might decrease flexibility and inhibit creative problem solving while Meyer and Allen (1997, 3) suggest that those committed might accept the status quo and be less concerned about developing knowledge and skills. Although, commitment might have possible disadvantages, this research will focus solely on the advantages commitment brings to an organization, in order to the limit the study.
2 LITERATURE REVIEW

2.1 What is commitment?

As commitment and managing commitment are in direct relationship with each other, managing commitment cannot be researched before a look is taken at the concept of commitment. If a manager does not understand what commitment is, he or she cannot affect it either, at least in the long run. Because of this, the commitment literature here is offered as a basis for understanding commitment management.

According to Meyer and Allen (1997, 3) a committed employee is described to be one who stays with the organization through thick and thin, attends work regularly, puts in full days, protects company assets, shares company goals and so on. To be truly committed, employees are expecting benefits in return for their behavior, as otherwise there would be no point in becoming committed to an organization. According to research these benefits include money to pay bills, occupation of time, opportunity to do important and challenging work, to meet and interact with interesting people, and to learn new skills and develop as a person. (ibid) Purcell, Kinnie, Hutchinson, Rayton and Swart (2003) add that employees are also expecting career opportunities, performance appraisals, communication on organizational performance and management leadership.

For the expected benefits, employees do need to bear the costs, as commitment has two faces (Meyer & Allen 1997, 3). For example, the time and energy invested into the organization is not available to be invested elsewhere. Therefore the underlying mechanism in commitment is reciprocity, meaning that employees will offer their commitment to the organization in reciprocation for the organization having fulfilled its psychological contract. (Angle & Perry 1983) The psychological contract is considered to be fulfilled when the employer meets its obligations to, for example, pay, employment security and career development.

Although organizational commitment plays an important part in the workplace commitment literature, commitment can take other forms that among others include
commitment to unions, occupations, professions, teams, leaders, goals and careers (Meyer & Allen 1997, 2). Although multiple forms have been identified, researchers (Meyer & Allen 1997; Meyer & Herscovitch 2001) believe that the conclusions on organizational commitment can be generalized to other workplace commitments and thus no extensive research on to the other forms of commitment is necessary. Thus the emphasis of this research is on organizational commitment as well. Meyer and Allen’s the Three-Component Model of Organizational Commitment will be introduced next.

2.1.1 The three-component model of organizational commitment

The concept of commitment is considered to be one of the most researched concepts in the field of management, organizational behavior and HRM (Cohen 2007). Over the years, many researchers have conceptualized this complex phenomenon from multiple perspectives (e.g. Yukl 2002, 143; Mowday, Steers & Porter 1979, 226; Guest 1989 in Torrington et al. 2005, 33).

Rather than trying to give a simple conceptualization of commitment, Meyer and Allen (1991) ran the gamut of commitment conceptualizations and see commitment as a mind-set that reflects for example feelings and or beliefs that are desire, need, and/or obligation to maintain membership in the organization. Identifying commitment as a mind-set reflects earlier commitment research, which includes three common to all themes: affective attachment to the organization, perceived costs associated with leaving and obligation to remain with the organization. Meyer and Allen (ibid) labeled the different mind-sets as affective, continuance and normative commitment, illustrated in the middle of the figure one, the Three-Component Model of (Organizational) Commitment.

As illustrated in figure one, the left hand side of the figure deals with the antecedents of the different components of commitment. On the right hand side, however are the effects of the commitment phenomenon. These effects are discussed so that the benefits of commitment from the organization’s perspective can be illustrated and the willingness to manage commitment explained.
Rather than seeing the three commitments as separate, Meyer and Allen (1997, 13) conceptualize the three commitments as components, because employees relationship with an organization reflects them at varying degrees. For example, one employee might feel strong attachment to an organization and a sense of obligation to remain. A second employee might enjoy working with the organization but also recognizes that leaving would be difficult from social standpoint as most of his or her friends are employed by the organization. A third employee might feel strong desire, need and obligation, and thus feels strongly committed on all of the three components. This knowledge in turn gives us a clearer picture of an employee’s relationship with an organization, which in turn helps managers to understand the decisions individuals make and can try to use this knowledge in fostering the right kind of commitment.

To conclude, commitment could be conceptualized as a psychological state that composes of affective attachment to the organization, perceived costs associated with leaving and obligation to remain with the organization. The mechanism underlying commitment is reciprocity, which recognizes psychological contract between the
employee and the organization. Commitment can take multiple forms inside and outside the workplace, but this study is interested in the organizational commitment. The next chapter will take a look at the different components of commitment in more detail and will lastly shortly discuss some of the criticism against Meyer and Allen’s model.

2.1.1.1 Affective commitment

More research attention has been focused on affective commitment than any of the other component of commitment (Meyer & Allen 1997, 56). Researchers have identified multiple variables that might be involved in developing affective commitment. Irrespective of the variety, Meyer and Allen (ibid) see them as complementary rather than competing.

Although the literature on antecedents of affective commitment is vast and commonly identifies antecedents to include organizational and person characteristics, and work experiences, Meyer and Allen (1997, 47) take a different approach and try to identify common psychological themes instead. They suggest that:

…research highlights the importance of work experiences that communicate that the organization is supportive of its employees, treats them fairly, and enhances their sense of personal importance and competence by appearing to value their contribution to the organization.

Meyer and Allen continue that although there are benefits in identifying themes, there are limitations in taking this approach, as the suggested set of antecedents may not represent a universal desideratum as cultural differences do exist in relation to affective commitment (ibid).

Later on Meyer and Herscovitch (2001) rephrased the mechanisms that contribute to the development of affective commitment on the basis of other researchers’ findings that include involvement, shared values and identification. Meyer and Herscovitch concluded: “Any personal or situational variable that contributes to the likelihood that an individual will (a) become involved in a course of action, (b) recognize the value-relevance of association with an entity or pursuit of a course of action, and/or (c) derive
his or her identity form association with an entity, or from working toward an objective, will contribute to the development of affective commitment.”

Briefly put, employees with a strong affective commitment want to pursue a course of action of relevance to a target (Meyer & Herscovitch 2001). The mind-set characterizing affective commitment is desire. Employees with strong affective commitment remain with the organization because they want (desire) to do so (Meyer & Allen 1997, 60). Affective commitment is considered to be, from the organization’s perspective, the most desirable component of commitment as it is based on a genuine feeling of desire from the employee’s perspective. Thus, organizations wishing to manage their employees’ commitment especially want to foster this particular component of commitment.

2.1.1.2 Continuance commitment

Continuance commitment is characterized to be individual’s commitment to an organization because he or she perceives high cost of losing organizations membership (Meyer & Allen 1991). The cost of losing membership can be divided into economic costs, such as pension plan, or social costs, including community and friendship ties that would be lost (Becker 1960). Meyer and Allen (1997, 57) suggest that continuance commitment can develop as a result of any investment and/or alternative that increases the cost of leaving the organization, provided that the employee recognizes that cost.

Investments are seen as side-bets, actions that link individuals to a course of action by the virtue of the fact that something would be forfeited if he or she discontinued the activity. For example, an individual may become attached to an organization in many ways, such as by making good friends with co-workers or by accumulating a pension plan. (Meyer & Allen 1997, 57) Leaving the organization could mean that the investments in the organization would be forfeited and thus the money, time and effort would be lost. Meyer and Allen (ibid) suggest that the second dimension of an employee having viable alternatives for working somewhere else will develop weaker continuance commitment than those who think their alternatives are few. They continue that there are several reasons that may influence the perception of viable alternatives. These include clues from employment rates and economic climate, marketability, up-to-
dateness of one’s skills, previous job search, headhunting attempts and family factors that might limit relocation. (ibid)

To summarize, employees with high continuance commitment stay with the organization because they believe they have to do so. According to the three-component model of commitment the belief can develop as a result of investments, such as accumulation of pension plan, and alternatives, such as economic climate and one’s skills.

2.1.1.3 Normative commitment

Employee with high normative commitment commits to an organization because of the feeling of obligation to remain with the organization. The feeling itself can derive from many sources, for example, employee feels pressures from family, culture and early socialization to the organization that determine the appropriateness of particular attitudes and behaviors. In other words, the employee learns what is valued and what is expected from him or her. In case of normative commitment, what gets internalized is the belief about the appropriateness of being loyal to one’s organization. (Meyer & Allen 1997, 61)

Another view to the development of normative commitment, suggests that under the norms of reciprocity one feels obligated to rectify imbalances as they may feel uncomfortable to individuals. Thus, those having been trained by the organization may feel that they need to repay the debt by putting effort on the job and stay with the organization. On the basis of this theory, it could be argued that organizational investments will lead to feelings of indebtedness. (Meyer & Allen 1997, 61)

Finally, it is suggested that closely related to reciprocity, psychological contracts may also affect the development of normative commitment. According to Meyer and Allen (1997, 61): “Psychological contracts consist of the beliefs of the parties involved in an exchange relationship regarding their reciprocal obligations.” Contrary to formal contracts, psychological contracts are subjective and can thus be understood differently and are also subject to change over time. For example, an employee may feel great indebtedness for a training session paid by an organization, but a missed promotion may
cause a re-evaluation of the psychological contract due to the feeling that some of its aspects have been violated.

In conclusion, an employee with high normative commitment stays with the organization because of the belief that it is the right and moral thing to do, thus one is ought to remain. (Meyer & Allen 1997, 60) He may also feel indebtedness for the effort the organization has put in him and wants to rectify the imbalance.

2.1.2 Criticism

Although the research done by Meyer and Allen is considered to be the dominant approach to commitment research, criticism against it has been presented. First, Meyer and Allen have not offered a precise definition of commitment that embraces affective, continuance and normative components, which has led to conceptual problems for future research (Ko, Price & Mueller 1997). However, Cohen (2007) argues that it could be understood that they see commitment as a psychological state that characterizes the employee’s relationship with the organization, and has implications for the decision to continue or discontinue membership in the organization.

Second, Ko and others (1997) argue that Meyer and Allen’s interpretation of Becker’s concept of commitment, on which continuance commitment is based, is misinterpreted. Third, Ko and others also claim that it is unclear how normative commitment is actually separable from affective commitment.

Finally, research on affective and continuance commitment suggests that employees find it difficult to understand the meaning of items typically included in measurements of commitment at different stages of their organizational career (Vandenberg & Self, 1993). This leads to difficulties in interpreting the results over time.

Despite the well grounded criticism, Cohen (2007) comments that Meyer and Allen’s model has its advantages, because of good psychometric properties of the current scales, acceptable discriminant validity of the three dimensions and research results that show the usefulness and acceptable content validity of the three-dimensional approach.
2.2 Why employees’ commitment matters to an organization?

The reason why commitment matters to an organization is three-fold. According to Meyer and Allen (1997, 25) commitment has a strong relation to three topics, which are among the hottest in management literature (Mitchell, Holtom & Lee 2001; Chew & Girardi 2005, 2008):

- **Employee retention**
- **Performance at work**
- **Employee well-being**

Chew and Girardi (2008) highlight the importance of commitment in fostering retention and performance by stating that: “Organizations are engaged in a battle to get the most from their existing people in an environment characterized by skill shortages.” In such an environment retaining talent by focusing on practices that foster employee engagement and commitment becomes paramount, as replacing employees becomes more difficult and costly.

2.2.1 Employee retention

Meyer and Allen (1997, 25) point out that the relation between organizational commitment and *employee retention* variables are well established. They continue that several reviews report consistent negative correlations between organizational commitment and both employee intention to leave the organization and actual turnover. However, not all components of commitment correlated similarly (Meyer & Herscovitch 2001). The strongest correlation was with affective commitment followed by normative and continuance commitment, in the given order (ibid). This in turn indicates the importance of understanding that not all commitment is the same. The reason why affective commitment has a stronger negative influence on turnover intentions is most likely due to the behavior of desire associated with affective commitment (ibid). Thus it is important to utilize those practices that foster individual’s involvement and identification with the organization, in other words practices that foster affective commitment.
However, concentrating solely on the relation between commitment and retention would not be in the interest of organizations, as managers want to have more than a stable workforce (Meyer & Allen 1997, 26). In fact, not all employee turnover is dysfunctional (Torrington et al. 2005, 167). A certain amount of turnover rejuvenates new ideas and experiences into the organizations (ibid). Secondly, turnover can help managers to drive change forwards as old managers are replaced by new ones. Thirdly, resignations of poorly performing (Meyer & Allen 1997, 26) or otherwise disruptive employees (Torrington et al. 2005, 167) may open doors for more effective employees. Therefore managers should also consider the other two relations introduced next.

2.2.2 Performance at work

In order to get more than just a stable workforce, managers need to ensure that people are well motivated and committed to maximize their performance (Torrington et al 2005, 7). As performance at work is one of the key objectives of HRM, our knowledge on the nuances of assessing it are quite extensive. Meyer and Allen (1997, 26) identify (1) attendance at work, (2) performance of assigned duties and (3) organizational citizenship behavior as the different aspects of assessing the link between different components of commitment (affective, normative and continuance) and performance at work.

2.2.2.1 Attendance at work

According to Meyer and Allen (1997, 26) several studies have examined the relations between organizational commitment and attendance, the opposite of absenteeism. These studies have shown that affective commitment is positively related to attendance (ibid, 27). The authors continue that the research reflects voluntary absence as it is something that the employees have control over. Involuntary absence, due to for example illness or family emergency is not expected to be correlated with commitment. In contrast to affective commitment, continuance and normative commitment were not significantly related with absenteeism or the link remains vague.
2.2.2.2 Performance of assigned duties

Meyer and Allen (1997, 28) review performance of assigned duties as in-role job performance, that is performance of required features of the job. Meyer and Allen (ibid) continue that several researches indicate that employees with stronger affective commitment work harder at their jobs and perform them better than those with lower affective commitment. For example, managers with strong affective commitment to the organization report higher levels of compliance with strategic decisions made at the corporate level (Kim & Mauborgne 1993) and that they were more likely to adhere to corporate policy by avoiding budgetary slack (Nouri 1994). Researchers have also been able to link affective commitment to sales figures (Bashaw & Grant 1994) and to control of operational costs (DeCotiis & Summers 1987).

When supervisors were asked to assess their employees that were strongly affectively committed the results showed that supervisors’ ratings of their promotion and their overall performance on the job were significantly more positive than those whose affective commitment was weaker. One interesting point on affective commitment is that affectively committed employees tend to direct their attention to aspects of performance they believe to be valued by the organization (Meyer & Allen 1997, 30). Secondly, affectively committed employees tend to be focused on the areas where they can make the difference and have adequate control over the outcomes (ibid, 31). Both of these notions are of major importance for managers who want to use HR practices through which to manage affective commitment.

The relation with continuance commitment to performance at work indicates that employees with strong continuance commitment are more likely to stay with the organization than are those with weak commitment (Meyer & Allen 1997, 33). However, as the relations with affective commitment were positive in nature, the relations with continuance commitment are more negative. For example, negative correlations between continuance commitment and supervisor ratings for potential job promotion and overall job performance have been identified. According to Meyer and Allen only few studies have examined normative commitment and in-role performance indicators. It seems that relations are similar to those of affective commitment but weaker. (ibid)
2.2.2.3 Organizational citizenship

The third aspect to assessing the link between commitment and performance at work is organizational citizenship behavior or extra-role performance. Contrary to in-role job performance, extra-role performance refers to behaviors that many believe to be critical to organizational success. (Meyer & Allen 1997, 34) These activities include providing extra help to coworkers, volunteering for special work activities, being particularly considerate of coworkers and customers, being on time, and making suggestions when problems arise (ibid).

Numerous studies indicate that employees with strong affective commitment are more likely to engage in organizational citizenship behavior than those with weak affective commitment (Meyer & Allen 1997, 34). A study done by Organ and Ryan (1995) reported significant correlation between affective commitment and selfless acts towards specific members of the organization and general compliance with the rules and norms of the organization. Similar to the relations between normative commitment and in-role performance, normative commitment is positively related to extra-role behavior, although the link is weaker than with affective commitment. Meyer and Allen (1997, 34) however underline the fact that the relation between extra-role behavior and normative commitment has received less research attention (ibid). The relation between continuance commitment and extra-role behavior seems to be conflicting when it comes to research results, as there are both unrelated and negative results (Meyer & Allen 1997, 34). However, Meyer and Allen (ibid, 35) conclude that the comment “It’s not my job” is less likely to be heard from someone who is strongly committed either affectively or normatively.

2.2.3 Employee well-being

The last piece of the puzzle is that commitment in the workplace might have implications to employee well-being and to behavior also beyond the workplace (Meyer & Allen 1997, 37). The emphasis of previous research has been on affective commitment although there are some studies that have also examined normative and continuance components of commitment.
The link of commitment having a positive effect on well-being comes from literature dealing with employee stress. It can be assumed that when an employee is affectively committed to an organization, the effect of stress on the employee is positive. According to Meyer and Allen (1997, 37) also numerous studies show high negative correlations between affective commitment and various self-reported signs of stress. Again in these studies, normative commitment seemed to have similar but weaker effects while no correlation between continuance commitment and employee well-being was found. Meyer and Allen (ibid) also point out that very strong affective commitment to the organization might actually have harmful consequences. Instead, in a study by Kirchmeyer (1992), employees with strong affective commitment to an organization claimed to spend more time on parenting and community activities than did those with weak affective commitment. Kirchmeyer also concluded that employees with strong continuance commitment were more likely to believe that work actually interfered with their non-work experiences.

### 2.2.4 Implications

Meyer and Allen (1997, 39) point out several key findings that highlight the importance of commitment to an organization. First, even small changes in employee performance can have a significant impact on the organization’s bottom line and can help or hinder the organization’s efforts to gain a competitive edge (Cascio in Meyer & Allen 1997, 39). For this reason fostering commitment for performance is well justified. Second, behavior such as performance at work is result of variety of complex individual factors, including skills, knowledge, attributes, resources, access, motivation, desire and so on. Thus being able to foster even modest commitment is impressive (Meyer & Allen 1997, 39). Third, the possibility for expressing affective commitment varies across jobs. Thus, managers should understand and respect variables such as organizational citizenship or extra-role behavior, in order to understand the employees’ true value. Fourth, employees with strong commitment tend to direct it to where they believe it is valued. Related to the latter point, understanding the direction and nature of commitment can offer information to managers that would be otherwise hidden. (ibid) For example, understanding that employees with strong affective commitment express themselves by helping their coworkers but not the larger organization may shed light on numerous organizational issues.
To summarize why employees’ commitment matters to an organization a look was taken at *employee retention, performance at work* and *employee well-being*. As the literature implies, employees with strong affective commitment to the organization are more valuable than those with weak affective commitment. It also seems that normative commitment produces similar but weaker results when compared to affective commitment. The results also suggest that employees with strong continuance commitment might be poorer performers, engage in fewer citizenship behaviors and experience more dysfunctional behaviors than those with weak continuance commitment. However, Meyer and Allen (1997, 40) point out that no evidence of continuance commitment being linked to negative work behavior exists. They continue that employees with strong continuance commitment could feel trapped and thus acts according to their characteristic behavior. Such behavior could for example be aggressive and or passive, either way it seems that the end result is poorer quality of work.

Now that the positive effects of commitment are well justified for the employee and the organization, the study proceeds to the part where commitment is managed through HR practices. Before continuing to the second part the report highlights an important lesson learned that should be kept in mind while reading the second part. That is, not all commitment is the same. Therefore, managers should understand that they should learn and understand how to manage the right kind of commitment; affective commitment. In addition, commitment should be respected as a complex phenomenon, which is can be highlighted by the fact that each employee commits differently.

### 2.3 Human resource practices and commitment

As committed employees are less likely to leave the organization, are more likely to be better performers and are less affected by employee well-being related issues, organizations surely want to do their best in fostering their employees’ commitment. The literature on practices that are shown to affect the different components of commitment as well as some of the results of such practices in action will be discussed in the following chapter.
As concluded earlier, affective commitment is the most worthy of the three components of commitment as it evokes a mind-set of desire. Thus those involved in the process of fostering commitment should target their efforts in affecting this particular component. However, according to Meyer and Herscovitch (2001) an attempt to develop one component may result in spillover effects to other components of commitment. For example a practice, such as training that is believed to foster positive affective commitment may also evoke strong continuance commitment, which in turn negates the positive effects that the organization was aiming at (ibid). Affective commitment may increase as a result of a perception that the organization values its employees by training them, however since the skills have limited transferability to other organizations, continuance commitment is increased as well (ibid). The trick in overcoming the spillover effects from the organizations perspective is to incorporate human resource practices that increase affective commitment and at the same time minimize the adverse side-effects from other components of commitment (Meyer & Allen 1991). From the employee’s perspective, commitment takes the form of a mind-set that was already introduced earlier. According to Meyer and Allen (1997, 66) this mindset may be based on a desire to remain because of the recent investment in the employees in form of training, a need to remain because a pension plan could be lost or because of an obligation to remain caused by pressure from family. Thus whether a HR practice affects one or more components of commitment depends on how the employee perceives the organization’s effort (Agarwala 2003). Thus it could be concluded, that managing or fostering commitment is about influencing employee’s perceptions (Meyer & Allen 1997, 66) via incorporating carefully chosen human resource practices (Meyer & Allen 1991). These practices are introduced next.

Common HR practices include training, career opportunities, job challenge, management and leadership, performance appraisal, work-life balance and communication among others. Although, HR practices can easily be separated from each other on paper, in reality they do not operate in isolation (Meyer & Allen 1997, 79). This leads to a problem where assessing the overall effects of one particular HR practice becomes pointless. Thus, researchers have shifted their focus to HRM systems (ibid). Meyer and Allen (ibid) conclude that businesses develop complex human resource management systems (HRM systems) that ideally operate in conjunction with the business strategy. According to Arthur (1994), these systems can be divided into
two distinct forms, labeled control and commitment systems. Arthur describes control systems as ‘cost reducers’ and commitment systems as ‘commitment maximizers’, thus clearly distinguishing the two approaches. Control systems aim at reducing direct labor costs, improving efficiency and relying on strict work rules and procedures and basing rewards on outputs. Commitment systems in turn aim at increasing effectiveness and productivity and rely on conditions that encourage employees to identify with the goals of the organization and work hard to accomplish those goals. (ibid)

Due to the nature of this study emphasis is put on commitment systems, also known as high commitment HRM systems (or commitment HRM systems), while control systems (or control HRM systems) will be excluded. In short, Whitener (2001, 517) reviews the existing literature and comments that “…commitment approaches aim to increase effectiveness and productivity and rely on conditions that encourage employees to identify with the goals of the organization and work hard to accomplish those goals.” Watson Wyatt International’s (in Whitener 2001) research surveyed over 7,500 U.S. workers and found that HR practices had the strongest impact on building commitment. They (ibid) were also able to discover that companies with committed employees experienced greater total returns to shareholders (112 %) in three years than companies with low employee commitment (76 %). It therefore seems that the effects of commitment HRM systems seem to be beneficial not only to individuals and organizations but also to shareholders. Pfeffer and Veiga (1999) suggest that such practices work because they make sense and are not based on a mystical process, but are grounded in social science principles. They conclude:

…people work harder because of the increased involvement and commitment that comes from having more control and say in their work; people work more responsibly because more responsibility is placed in hands of employees farther down in the organization. (ibid, 40)

Organizations tend to choose commitment systems over control systems based on certain organizational conditions. Those that tend to support commitment systems are more likely to believe that a successful business strategy requires a unique set of employee behaviors and attitudes and that a set of HR practices will elicit those
behaviors and attitudes. That is, commitment HRM systems emphasize the human side of business. (Arthur 1994)

If high commitment systems then bring such clear positive results, why are not all businesses using them? There are several reasons for why organizations might choose control HRM systems over commitment systems (Eisenhardt 1985 in Arthur 1994). First, successful implementation of a commitment HRM system requires knowledge of human behavior and attitudes, something that those familiar with process management are not necessarily accustomed to (ibid). Second, pressures such as creating shareholder value and building impressive track records drive managers to work on a short-term basis (ibid). However, achieving profits through people is a long-term process that takes time (Pfeffer & Veiga 1999). Third, the benefits of tacit knowledge are stifled by management practices that require programs and ideas to be explained and reviewed in groups (ibid). For example, professionals are forced to explain their decisions, like novices, by using data, which does not represent their decisions in the true and complete form. Fourth, Pfeffer and Veiga argue that organizations do not understand the connection between how their employees are managed and the profits they earn. They continue that trends in management practices are moving away from the very principle that people should be treated as the most important asset. Fifth, the conceptualization of a good manager has become perverse (ibid). Television shows such as “The Apprentice” and magazine articles, like Fortune’s “America’s Toughest Bosses” (ibid) give the idea that good managers are mean and tough. They shout slogans like “You are fired!” and can be characterized as stubborn, super-demanding, impatient and pugnacious. Sixth, managers with analytical and mathematical skills are preferred over those with skills such as emotion, leadership and capability to build vision. Worryingly, organizations might be recruiting managers that lack the job fit necessary for successful implementation of high commitment HRM system. Seventh, managers do not necessarily delegate enough. In order to rely on the expertise of their employees, managers need to trust them and let them do where they are good at. (ibid)

Senior management should be accountable for the implementation of commitment HR practices, to make them succeed. Introducing such practices requires a lot of trust in people, resources and a long-term focus, something that line managers might avoid if not otherwise encouraged. Furthermore, such practices come in complex bundles that
require a comprehensive understanding of business strategy and goals, something that senior management is responsible for. (Hiltrop 1999)

To conclude, HR practices that form HRM systems, have been shown to contribute to the economic success of an organization through enhanced employee commitment. Based on previous research, it seems that organizations that successfully manage commitment by implementing human resource management systems excel not just financially but also socially. Even if implementing such systems can be seen as beneficial, only a limited number of enterprises have done it properly, as managers have faced the problems of the soft side of management. Instead of trying to implement commitment HRM system, companies have taken another route to profit by buying and selling assets, downsizing, outsourcing and by cutting labor costs, all things that could well weaken or even destroy organizational culture (Pfeffer & Veiga 1999). Although commitment HRM systems sound costly, companies have been able to generate greater total returns to shareholders than companies with low employee commitment systems (Whitener 2001). The HR practices are discussed next in more detail.

From a universalist approach HR practices are those that contribute to the firm’s high performance (Torrington et al. 2005, 226). However, there does not seem to be a clear listing of HR practices that have been considered to foster high commitment (ibid, 226). Nevertheless, some conceptualizations of such bundles do exist (e.g. Whitener 2001, 517; Wood & de Menezes in Torrington et al. 2005, 227; Agarwala 2003, 179), although they vary considerably (Appendix 1).

Due to the lack of consensus, problems arise as researchers introduce different HR practices to be included in bundles that manage commitment (Torrington et al. 2005, 227). Additionally, different HR practices can be implemented in hundreds of different ways, which in turn causes confusion to determine the correct “commitment HR practices” (ibid).

To be able to decide which HR practices should be discussed in more detail, eleven studies (Appendix 2) dealing with HR practices were analyzed. These studies concentrated on the effect of particular HR practices on performance, turnover, employee well-being and commitment. By organizing the individual HR practices into a
table, it was possible to identify those practices that were most commonly studied. The following practices emerged most often:

- Employment security
- Selective hiring
- Training
- Decentralization and self-managed teams
- Compensation
- Assessment and recognition
- Sharing of information

All of these HR practices can also be found in the commitment HRM system bundles (Appendix 1) by Whitener (2001), Agarwala (2003) and Wood and de Menezes (in Torrington et al. 2005, 227).

2.4.1 Employment security

Torrington et al. (2005, 414) comment that those employees who are prepared to do what the organization wants act accordingly in order to maintain employment security. Thus, according to this view, employment security is something that is earned by hard work and sacrifice. Although poor performers should not be allowed to stay in positions for years (Hiltrop 1999), an organization engaged in a commitment HRM system should also proactively offer employment security for its employees. Pfeffer and Veiga (1999) argue that offering employment security is fundamental to “putting people first” thinking and to attaining organizational success. They back up their argument by asking “how else could it [organization] ask for flexibility and cooperation in becoming more efficient and productive?” (ibid, 40)

Although providing employment security in this day and age seems to contradict the current practice of companies (BBC January 2009), it should be considered as a basis for the successful implementation of other human resource management practices (McElroy 2001). Without employment security it is hard for organizations to act
deliberately, for example when hiring new employees as well as when building involvement among them (McElroy 2001, 330).

Although maintaining employment security might seem challenging in today’s business environment, adapting it to the organizations strategy seems to pay off. For example, according to Pfeffer and Veiga (1999), firms offering employment security will be less likely to lay off employees during downturns. As the CEO of Southwest Airlines, Herb Kelleher (1997), summarizes:

As it turns out, providing job security imposes additional discipline, because if your goal is to avoid layoffs, then you hire very sparingly. So our commitment to job security has actually helped us to keep our labor force smaller and more productive than our competitors’.

Pfeffer and Veiga (1999) continue that if an organization is willing to hold on to its employees it will not lay off its employees too quickly during the first signs of economic downturn. It should be remembered that businesses have invested heavily in hiring, training and developing their employees and thus losing them for competitors should be avoided. (ibid) Additionally, businesses need to face the costs of hiring and training new employees again whenever economic situation gets better.

According to McElroy (2001), employment security can increase all the three components of commitment discussed earlier. The basis for this assumption is that employees reciprocate. Affective commitment may be affected by the increased belief in the core values of the organization and by the increased desire to work hard for the organization. Commitment may also be more normative if the employee feels morally obligated to return the sense of loyalty. Lastly, continuance commitment increases if the employee believes that leaving the organization would result in a loss of a secure employment relationship, which may not exist in another organization. (ibid, 330)

2.4.2 Selective hiring

Businesses that are serious about making profit through people should first focus on recruiting the right people (Pfeffer & Veiga 1999). They propose that organizations
should focus on a variety of things. First, they should have a significant applicant pool from which to select. Processing inquiries is time consuming but ensures a better job fit for the open position. Second, the organization must be clear about the critical skills and attributes that are needed in each job, as job previews need to be truthful and realistic. Studies show that inflated promises and unmet expectations, due to unrealistic job previews, result in higher levels of dissatisfaction and turnover. (ibid) Providing the applicants with the negative aspects of the job as well, they are better able to determine whether the job fits their needs and can prepare themselves (Hiltrop 1999). Research evidence shows that individuals who were well informed during the hiring process and freely chose to accept the position, are likely to be more committed to it and can be perceived as being more trustworthy and supportive (Meyer & Allen 1997, 70).

Finally, organizations should screen important attributes that are difficult to change through training. In return, organizations should be able to find people with the right attitudes, values and cultural fit (Pfeffer & Veiga 1999). Aiming the selection process at creating a cultural fit is important because research evidence shows that the degree of cultural fit and value congruence between job applicants and their organizations significantly predicts both turnover and performance (O’Reilly, Chatman & Caldwell 1991, in Pfeffer & Veiga 1999, 41).

Rather than selecting for a particular job as above, Agarwala (2003) proposes that organizations should rather emphasize careers. This is an important aspect as individuals may be more career-oriented (Chew & Girardi 2008) and require practices that satisfy their career needs. Marketing company image then becomes essential in the hiring process as the business needs to emphasize the longevity of the relationship between the organization and the employee (ibid). However, this must be aligned with the overall strategy of the company, which in the case of commitment HRM systems would be to retain employees by hiring for job fit (McElroy 2001).

From the perspective of fostering commitment, selective hiring practice is a method by which an organization sends a clear message to the employees assuring them that they matter (McElroy 2001). According to McElroy selective hiring increases affective commitment for several reasons. Firstly, only people who are seen as a good fit with the goals of the organization are selected. Affective commitment is achieved by the fact that
selected employees identify with the goals of the organization. (ibid, 330) Employees selected for organizational fit will more likely value the contributions of the organization, as the organization considers them the best in the applicant pool (Meyer & Allen 1997, 70-71). However, being made to feel ‘the best’ might have spillover effects on normative commitment, as new employees may feel a moral obligation to their new employer. Selective hiring does not foster continuance commitment as “the mere fact of being hired results in no costs or side bets that would be lost should one choose to leave the organization” (McElroy 2001, 330)

2.4.3 Training

According to Pfeffer and Veiga (1999, 43) training is an essential part of commitment HRM systems that rely on employees’ skills and initiative to identify and resolve problems, to initiate changes in work methods and to take responsibility for quality. In order to succeed in this, organizations need skilled and motivated workforce that has the required knowledge for fulfilling their duties. As to the focus of training, Pfeffer and Veiga (1999) have found that training that is focused on generalist competence and organizational culture rather than specialist skills is more valuable. However companies seem to mainly invest in the latter (ibid).

Even though Whitener (2001) does not underestimate the importance of training, he notes that training activities occur infrequently and that employees spend only two per cent of their work-year in training. He continues that companies with extensive training options might find it harder to use training as a practice to increase commitment, as employees do not see those opportunities targeted at them personally. Thus organizations that offer fewer opportunities that are more targeted for their employees’ special needs might be more successful in increasing commitment by training. (ibid)

One of the main problems in using training as a human resource practice is that companies like to do return-on-investment (ROI) calculations on all investments, including training. When the returns cannot be assessed or at least assessing them is rather vague, companies start to question the importance of the practice. It is thus not uncommon that companies reduce training in times of economic stringency. (Pfeffer & Veiga 1999)
McElroy (2001) studied the effect of training as a HR practice on commitment and found out that the primary mechanism by which training increases commitment is through increased self-worth and importance. Employees respond to the visible investments of the organization. According to McElroy this response can be psychological attachment, thus increasing affective commitment, or moral obligation to reciprocate especially if the company paid for the training, thus increasing normative commitment. It also seems that if the skills acquired can be put to use, affective organizational commitment should increase as a result of increased job scope. Additionally, companies that have a reputation of developing and valuing their employees by training can increase their attractiveness as employers in the eyes of future applicants, affecting selective hiring positively. (ibid)

McElroy also highlights the findings of Pfeffer and Veiga (1999) by stating that companies should focus more on general skills training rather than on specialized skills training due to two reasons. First, special skills are not easily transferable. This may lead to a perception that something could be lost if the employee left the organization, thus increasing continuance commitment. Second, the researcher also notes that lengthy training programs, such as apprenticeships, may also increase continuance commitment. (ibid)

### 2.4.4 Decentralization and self-managed teams

Both decentralization and self-managed teams are practices that reflect organization’s faith in the independent contribution of its employees. The advantages of both practices are in the process of delegating decision-making authority down to the lower levels of the organization. By doing this, both practices encourage participation that has been shown to be effective in increasing commitment to a course of action e.g. in goal setting. The reason for the increased commitment may lie in the fact that these two practices make employees feel more accountable and responsible for the operation and success of the company. The increased sense of responsibility in turn encourages more initiative and effort on the part of all concerned. (McElroy 2001)

Pfeffer and Veiga (1999) note that the two practices also have cost saving effects because by delegating decision-making authority teams also remove layers of hierarchy,
which in turn reduces administrative costs as less people in managerial positions are needed. Teams also permit employees to pool their ideas and thus come up with more creative solutions to problems. (ibid)

Giving employees the opportunity to make decisions and be responsible for those that affect their work increases sense of responsibility and stimulates more initiative and effort. Replacing a control system by a system that encourages employees to demonstrate initiative shows that an organization is supportive of its employees and values their contributions. These practices, decentralization and self-managed teams, have been found to increase affective commitment via participation. (McElroy 2001) Hackett, Bycio and Hausdorf (1994) have also found that self-managed teams increase job scope (number of different tasks that constitute a job) that is a factor related to affective commitment. In turn continuance commitment could be increased if the employee perceives that the given autonomy would be lost if he or she would leave the organization for another organization that is not predicted to offer such practice. Normative commitment could be expected to increase as a spill-over effect of the trust investment in the employees, which might evoke a sense of obligation on the part of the employees. (McElroy 2001)

2.4.5 Compensation

Fair monetary compensation is often seen as the cornerstone of the contractual and psychological agreement between employees and employers (e.g. Parker & Wright 2001; McCallum 1998 in Chew & Girardi 2008). Although its importance cannot be understated, a study conducted by Parker and Wright (2001), notes that as a combination of key drivers of commitment explained 63 percent of the employee commitment of which nine percent was the result of compensation satisfaction. Parker and Wright suggest that for employees to be satisfied with their pay a few basic elements need to be present. First, employees have to perceive that the compensation they earn is fair in relation to the work they do. Second, they must also feel that the compensation compares favorably to people doing the same work in similar circumstances. (ibid, 72)
Although, high compensation is usually related to successful businesses that can afford to pay more, numerous studies (Bassi & Van Buren 1999 in Chew & Girardi 2008; Boyd & Salamin 2001; Stein 2000) have shown that companies which provide superior remuneration packages for critical talent can expect greater organizational commitment and economic success (Pfeffer & Veiga 1999). Parker and Wright (2001, 73) explain this association by arguing that by enhancing compensation conditions and practices, commitment will improve and with improved commitment, retention will increase, turnover will decrease and employee morale will get stronger. Thus, it could be argued that employee compensation should not be seen as an expense but as an important human resource investment (ibid).

According to the literature (e.g. Meyer & Allen 1997, 77-79; Cappelli 2000; Chew & Girardi 2008; McElroy 2001; Pfeffer & Veiga 1999; Parker & Wright 2001; Hiltrop 1999; Agarwala 2003) human resource managers seem to have many different options for compensating employees, including for example wages, pay premiums, stock options and bonuses. Since commitment research has mainly focused on contingent compensation plans in managing high commitment (Pfeffer & Veiga 1999), one such plan will be discussed in more detail as well as a plan that should encourage employees in becoming owners of the company they are working for.

In organizational performance based compensation systems, which have become increasingly popular (Stillwell 2002), the organization decides upon the factors that are most critical to its success and develops systems to capture performance related data. Based on this information the organization is able to develop a system of incentives that translates performance into compensation levels that are closely aligned to organizational strategies (Allen & Helms 2002). The employee’s performance together with the performance of the organization will then determine his or her compensation (Stillwell 2002).

Compensation tied to organizational performance should increase affective commitment on the notion that individual’s reward is directly linked to the fortunes of the organization. This should encourage employees to make an effort on behalf of the organization, provided that they are able to. Secondly, compensation tied to organizational performance should make rewards more equitable, thus enhancing
perception of fairness, which is linked to affective commitment. Tying compensation to performance should not increase normative commitment as employees have no reason to reciprocate, as the compensation is earned, not given. Although normative commitment is not affected, compensation tied to performance may affect continuance commitment. This is because employees may perceive a loss of control over their compensation should they go to an organization where compensation is not tied to performance. (McElroy 2001)

In an employee stock ownership plan (ESOP) a corporation is wholly or partly owned by its employees. Employees are usually given a share of the corporation after a certain length of employment or they can buy shares at any time. Employee stock ownership plans are increasingly popular because it is believed that employees, who are owners in the company, act and think as such and thus will be more committed to the company. (Meyer & Allen 1997, 77) However, Meyer and Allen (ibid, 78) note that based on findings on ESOP, introduction of such a plan is not sufficient in increasing affective commitment. A plan to manage affective commitment requires that employees have the ability to participate in decision-making, another aspect of high commitment human resource management system. In fact, too much attention on the financial side of the plan is more likely to decrease affective commitment or lead to the development of other forms of commitment (Caldwell, Chatman & O’Reilly 1990). For example, if the plan obligates employees to stay in the organization for a certain period of time, continuance commitment might increase as the cost of leaving the organization is increased.

Parker and Wright (2001), note that although compensation practices are important in motivating and retaining employees, they are as important in attracting future talent. In order to support selective hiring by expanding the applicant pool, companies can use above industry compensation packages that can add to an organization’s reputation as an employer of choice (ibid). Besides direct monetary remunerations, companies need to emphasize other highly valued benefits such as family responsive benefits that include for example flexible working hours and day care assistance. Studies in the United States show that substantial number of employees would change their workplaces if they received such benefits in return (Meyer & Allen 1997, 79). By introducing such benefits organizations are able to communicate in a way that evokes
perception of fairness and caring. Grover and Crooker (1995 in Meyer & Allen 1997, 79) conclude that organizations that show caring and concern and are fair when dealing with employees seem to evoke affective commitment in their employees.

2.4.6 Assessment and recognition

Although the value of compensation in managing commitment cannot be overlooked, employees do also expect non-monetary forms of recognition (Chew & Girardi 2008). Studies have shown that employees who feel that their capabilities, efforts and performance contributions are recognized and appreciated are more likely to remain with the company (Davies 2001 in Chew & Girardi 2008). Walker (2001 in Chew & Girardi 2008) also agrees that recognition from managers, team members, peers and customers enhances commitment.

Closely related to non-monetary forms of recognition is assessment of performance. Meyer and Allen (1997, 75-77) discuss promotion as a way of assessment and make interesting findings. They refer to Nollen (1989 in Meyer & Allen 1997, 75), whose work shows commitment to be higher among employees who have been promoted. Those not promoted seemed to feel greater inequality in the decision-making process and were absent more frequently following the decision. This reaction may be due to the fact that the candidates all believed they were qualified for the position. In another study introduced by Meyer and Allen (Fletcher 1991 in Meyer & Allen 1997, 76), managerial candidates’ commitment was measured in assessment centers. The results showed no significant changes in the candidates’ commitment. On the basis of this knowledge, Meyer and Allen conclude that even though some are rejected and feel disappointed, their commitment might not decrease due to the support and appreciation shown by the organization, as they still are considered for promotion and treated fairly in the decision-making process. However, in order to succeed in assessing employees without dramatically decreasing commitment, organizations need to communicate decisions clearly and clarify why those, who did not receive a promotion, were passed over. (ibid, 76)

To conclude, for example recognition such as promotion based on earlier performance in the organization should be done fairly and the results should be communicated
effectively. Although affective commitment might weaken, employees might not still leave the organization as they perceive the fairness in the process of any time of assessment or recognition.

2.4.7 Sharing of information

John Mackey, the CEO of Whole Foods Market, the world’s largest retailer of natural and organic foods, states: “If you’re trying to create a high-trust organization,… an organization where people are all-for-one and one-for-all you can’t have secrets.” (The Future of Management 2008) Sharing of information is essential in overcoming a secretive atmosphere. Information sharing can take different forms. Open-book management is a technique where relevant financial information is given to employees so that they can make better decisions. Open communication and open access to information (McElroy 2001), also send a message of trust to employees (Pfeffer & Veiga 1999).

The expression of trust on the behalf of the organization has been shown to increase affective commitment (Meyer & Allen 1997). McElroy (2001) adds that information sharing should allow increased perceptions of fairness which has been shown to be related to affective commitment. However, McElroy notes that trust and fairness may cause a spill-over effect to a moral obligation to reciprocate thus resulting in increased normative commitment. Continuance commitment is not expected to be affected as sharing of information does not create any side-bets that would be lost if the employee left the organization. (ibid)

2.4.8 Implications

Several implications can be drawn from the previous chapters. Many studies try to identify the best universal set of HR practices and the best conduct in each practice (Whitener 2001). However, no such set of practices can be found (Torrington et al. 2005, 226). This is because every organization and its employees are and should be considered as unique and the set of HR practices that will result in high commitment is unique in each company (ibid). Thus, commitment HR practices should be studied in a context for example by conducting a case study as is done in this study as well. The
practices introduced in the HR practices and commitment chapter are only limited descriptions of the multitude of situation specific practices available to an organization.

Another important aspect in studying HR practices and commitment is to perceive the synergy between the different practices, as no single practice has the same kind of positive effect on commitment than a “bundle” of practices (Torrington et al. 2005, 227; Whitener 2001, 517). For example, fair compensation affects selective hiring by attracting new applicants to the applicant pool. Due to the synergies between different practices they need to be coordinated by those who are setting the goals and see the big picture behind all decisions. Thus a commitment HRM system must be on the agenda of the topmost management. If the management is not responsible for the long-term implementation, no results will be seen and the practices become separate actions rather than a synergic HRM system (ibid).

In the light of the literature it seems that companies can actually manage the three different components of commitment and that HR practices are the way to do it (Meyer & Allen 1997, 66; Chew & Girardi 2008). The research also concludes that affective commitment is more desirable than the other forms of commitment as it evokes a true desire to act for the good of the organization. However, in pursuit of increased affective commitment, organizations need to recognize possible spill-over effects to the other components of commitment. It makes sense that commitment based on a sense of being locked in or having to stay with the organization (continuance commitment) would elicit different outcomes than commitment based on true desire or even having a sense of moral obligation (McElroy 2001). In order to avoid creating excessive continuance commitment, organizations must communicate the different practices so that individuals perceive them as supportive and fair, and so that organizations are interested in building employees’ self-worth and importance.

The academic avenue of commitment HRM systems has a very optimistic flavor to it, in suggesting that organizations with commitment HRM systems experience greater productivity, financial performance and effectiveness (Arthur 1994; MacDuffie 1995 in Whitener 2001, 517; Wood & de Menezes 1998; Delaney & Huselid 1996; Huselid 1995). Research results in the field show also that managing people (commitment system) over cost (control system) really pays off. Managing people is neglected for
many reasons, but what is common to all of them is that managing input and output is far less complex than managing individuals’ unique behavior using a unique set of HR practices.

2.4 Building a theoretical framework for the study

After reviewing the extensive literature on organizational commitment and HR practices, as well as the twofold HRM systems literature, a theoretical framework will be constructed in this part of the elements identified and seen as important in answering to the research questions. As discussed earlier, disagreement remains about what commitment truly is, its dimensionality, how it develops and how it affects behavior. Many researchers have conceptualized the complex phenomenon from different perspectives and it seems that one such conceptualization, the three-component model has become dominant in the commitment research literature.

Due to the complexity of the commitment phenomenon and the unique nature of individual commitment HRM systems, the model created here is rather simplistic and does not even attempt to take into account all the different variables that might affect the process of fostering overall commitment. For example, commitment outside work is not taken into consideration in this study, although it has been showed to have influence on behavior at work. Limitations such as this are necessary because of the limited scope of a Master’s Thesis. Consequently, this study aims at contributing to the topic more in the empirical part by explaining and depicting the phenomenon, in a Finnish medium-sized company, through interviews. Ideally this research succeeds in convincing that studying the topic in a totally different environment from the common settings, such as major US corporations or knowledge intensive industries, is important. Hopefully, the perspective taken in this study opens up new viewpoints and advances the knowledge on commitment also for SMEs that are maybe one thousand of a size of the big US enterprises. Finally, it has to be noted that the theoretical framework built in this section operates as a guide for further discussion in the empirical section.

Commitment is depicted in the lower right corner as a circle (Figure 2). Commitment can take many forms of which organizational commitment is just one, as researchers
have identified commitment to for example unions, occupations and teams among others. However, researchers do also believe that findings on organizational commitment can be generalized to the other workplace commitments and thus no extensive research on the other forms of workplace commitment is necessary (Meyer & Allen 1997, xi; Meyer & Herscovitch 2001).

Figure 2. Process Model of Commitment

The reason why commitment is depicted by a circle is because Meyer and Allen (1991) proposed that commitment is a complex phenomenon that consists of three components. Based on their findings Meyer and Allen (1991) constructed the three-component model of commitment that has been dominant in the organizational commitment research for almost two decades (Cohen 2007). The three-component model of commitment is the basis for this research as well. According to Meyer and Allen (1991, 1997), commitment should be seen as mindsets that reflect feelings and/or beliefs that are desire, need, and/or obligation to maintain membership in an organization. On the basis of their research, they labeled the different mindsets as affective commitment,
continuance commitment and normative commitment, which form overall commitment in the theoretical framework.

According to the three-component model, the mindset of desire is based on shared values, involvement or identification with the target (affective commitment). The mindset of need in turn leads to the perception that much will be lost if the employee-organization relationship is broken (continuance commitment). If the commitment is based on the mindset of obligation, the person has a need to reciprocate for benefits received or has internalized the norms of conduct within the organization (normative commitment).

Rather than seeing the three types of commitment as separate, Meyer and Allen (1997, 13) emphasize that commitment consists of three components. This is because employees’ relationships with an organization reflect affective commitment, continuance commitment and normative commitment to varying degrees. In other words, whereas one employee could be committed to an organization on all components of commitment, another might be mostly normatively committed. However, not all the components of commitment are as valuable as the others. McElroy (2001, 332) argues that commitment based on a feeling of being locked in or having to stay in the organization would elicit different outcomes than commitment based on personal identification or agreement with organizational goals. Meyer and Allen (1991; 1997, 67) and Meyer and Herscovitch (2001) also indicate that affective commitment is the most desirable form of commitment. Thus it is important to utilize those practices that foster an individual’s involvement and identification with the organization, in other words, practices that foster affective commitment.

Unfortunately, developing affective commitment is not easy, because an attempt to develop one component may result in a spillover effect to other components of commitment which may negate the effects the organization was aiming at (Meyer & Herscovitch 2001). According to Meyer and Allen (1991), the trick in overcoming the spillover effects from the organization’s perspective (upper part of the figure 2), is to incorporate HR practices that increase affective commitment, while at the same time minimize adverse side-effects from other components of commitment (Meyer & Herscovitch 2001).
However, studying commitment only from organization’s perspective is not useful as commitment takes the form of an individual’s mindset. Thus, it is also important at least to understand the phenomenon from the employee’s perspective (lower part of the figure 2). Whether an HR practice affects one or more components of commitment, and which component is affected, depends on how the employee perceives the organization’s effort (Agarwala 2003). This phenomenon is depicted with a triangle in the constructed framework as Meyer and Allen have identified three perceptions that lead to commitment. Perceived self worth seems to lead to affective commitment, while perceived need to reciprocate leads to normative commitment. Perceived cost of loss has been found to lead to continuance commitment.

Organizations need to have an understanding of the employee’s perspective i.e. different components of commitment for two reasons. First, by understanding how commitment works, organizations get a clearer picture of the employee-organization relationship. This in turn helps managers to interpret and understand the behaviors, attitudes and decisions of individuals. Second, understanding the components of commitment is necessary as the organization wants to manage it.

The HR practices selected by an organization are depicted with a Rubik’s Cube like construct in order to illustrate the synergic relationship between the different practices. As was concluded already when introducing the different practices, no practice has the premise to function separately.

One key perspective that is not evident from the cubicle presenting the HR practices (upper right corner of figure 2) is the uniqueness of HR practices that form the commitment HRM systems. Although, many studies try to identify the best universal set of practices and the best conduct in each practice (Whitener 2001), no such set can be found (Torrington et al. 2005, 226). This is so because every organization and its employees are unique and thus the set of HR practices that will result in high commitment will be unique to each company.

Finally, the meaningfulness of the complete theoretical framework can be justified by looking at the benefits commitment brings. According to the literature, organizations want to manage commitment because studies show that committed employees are better
performers, are less likely to leave and have less employee well-being related issues (Meyer & Allen 1997, 25-38). Although, the academic avenue of HRM systems has a very optimistic flavor to it, in suggesting that organizations with commitment HRM systems experience greater productivity, financial performance and effectiveness, the research results in the field show that managing people rather than costs really pays off. The reasons why managing people are neglected are many, but what is common to all of them is that managing input and output is far less complex than managing individuals’ behavior.

Although, both commitment and HRM literature are rather complex and full of competing views, the constructed model, which is based on Meyer and Allen’s (1991, 68; 1997, 69) models seems to make both theoretical and intuitive sense. The model could be shortly concluded by stating that managing commitment is a matter of influencing employee’s perceptions (Meyer & Allen 1997, 66) with carefully chosen human resource practices (Meyer & Allen 1991). Thus, whether the organization succeeds in fostering affective commitment depends on the right communication of each practice.
3 RESEARCH METHOD AND DESIGN OF THE STUDY

3.1 Research approach

According to Remenyi, Williams, Money and Swartz (1998, 94) “different methods are appropriate for research into different types of problems and the nature of the research problem suggests the most appropriate method.” The aim of this study is to find answers to the question of why and how would an organization use human resource practices in managing organizational commitment?

Remenyi and others (1998, 96) continue that researchers trying to find answers to such problems should be concerned to understand the phenomena in depth and that such understanding can result from using methods other than measurement. Phenomenology, or sometimes called non-positivistic approach, is such an attempt to delve below the surface to understand the essence of what is happening (ibid). Remenyi and others (1998, 94) continue: “Phenomenology is the appropriate strategy for research into people and their organizations.” Thus, as this research is focused in studying an organization, a phenomenological research strategy should be adopted.

3.2 Research method

According to Yin (2003, 5-7), research questions why and how, that are also the premise of this study, are often likely to favor case studies. Case study is a method that is preferred in examining a single case especially when the interest lies in understanding a process (Hirsjärvi, Remes & Sajavaara 2004, 126), which in this study is managing commitment through HR practices in a Finnish medium sized service company. According to Yin (2003, 8), by using case study it is possible to deal with multiple sources of evidence, such as documents, artifacts and interviews, which in this study was essential as all accessible data on the subject matter needed to be gathered. These points together spoke for choosing case study as the research method for answering the research problem.
Based on the theoretical literature, the researcher was convinced that two characteristics from the literature encouraged selecting a single case study as the method of research. First, one key perspective of managing commitment is the uniqueness of the chosen HR practices for each organization. It was then reasoned that no universal set of practices can be applied to different companies as the set of HR practices that will result in high commitment will be unique to each company. Second, the literature pointed out the synergetic relationship between the different HR practices, a point that further enhances the unique nature of each set of practices. Both these characteristics strongly imply that for being able to highlight such findings from the data, single case study is the necessary approach to answering the research problem. By concentrating on a single organization, a richer description of a set of practices could be depicted and also the synergetic relations could be illustrated. If the researcher would have chosen multiple cases the possibility for rich depiction of the uniqueness of the HR practices and their synergetic relations would have been lost. In addition, the researcher believed that the scale of the research would have grown out of the Master’s thesis proportions, in case of a multiple cases study.

When it comes to the uses of case study research, Yin (2003, 1) has distinguished three types that are exploratory, descriptive and explanatory. Although different research approaches are hard to distinguish from one another explicitly (Gummesson 2000, 86), the nature of this study is more descriptive as the theory for both commitment and managing commitment already exists and the researcher is interested in reflecting that theory into practice. Although descriptive approach is often thought to be inferior of the three, the researcher believes that two factors justify this approach and make the study interesting. First, the premise in which the subject has previously been researched is considerably different when compared to the case company. Second, the global downturn that started to unfold in late 2007 (BBC April 2009) presumably has an effect on the phenomenon, and thus a descriptive approach can explain how the employee-employer relationship is affected. It could be argued that from the perspective of depicting the effects of the downturn on managing commitment, the study could also be exploratory as the available literature is scarce. However, as the main emphasis of the main research questions is on the practices and on their implementation, the study is concluded to be descriptive in nature.
The drawback of choosing a single case study is that it is commonly thought to be inferior to multiple case studies (Yin 2003). However, Gummesson (1991, 21) states that by choosing a single case study as the research method a researcher can possibly overcome the problem of not understanding what is truly going on in a company. He notes that quite often academic researchers have limited opportunities to understand what is truly going on by choosing multiple cases and not concentrating in-depth to a single case. Gummesson then continues that the real issue in case studies is not sample size, but the quality of the researcher’s access. (ibid) The researcher believes that in this study, quality overcame the limitation of quantity.

When evaluating the research site for its appropriateness, Gummesson (1991, 109) argues that a good research site should have the following characteristics:

1. entry should be possible
2. the site will present the possibility of collecting essential research evidence
3. trust can be established with the respondents
4. evidence quality and credibility of the research can be assured

The researcher believes that all of the four points were present in this study. First the access to the organization was available as the researcher is related to one of the board members. Although the researcher did not have access to the employees, whose commitment the organization is managing due to codetermination negotiations, extensive amount of data were collected by interviewing seven senior managers. Third, the researcher felt that since he was related to one of the board members and because the company had keen interest in the subject, trust did not become an issue in any of the interviews and thus the answers were truthful and informative. The quality of evidence and the credibility of the research were further validated by revisions of the empirical findings by the case company.

3.3 Research design

According to Yin (2003, 19) “A research design is a logical plan for getting from here to there, where here may be defined as the initial set of questions to be answered, and
there is some set of conclusions about these questions.” He further continues that there are five components that are especially important for a case study:

1. A study’s questions
2. Its propositions, if any
3. Its unit of analysis
4. The logical linking the data to the propositions
5. The criteria for interpreting the findings

As already discussed earlier, the form of the study’s research questions provides an important clue regarding the relevant research strategy to be used (Yin 2003, 22). In this case study why and how form of the main research question was one of the main reasons that led the researcher to adopt the case study method.

According to Yin (2003, 22) studies propositions are those that “direct attention to something that should be examined within the scope of study”. Propositions are valuable for the researcher because being forced to state those forces the researcher to move to the right direction (ibid). In this case study it was thought that if organizations want to foster commitment in the first place, there must be mutual benefits for both the organization and the employee. The proposition then led the researcher to identify, what commitment truly is and the benefits both parties receive for being committed. The second proposition was that commitment could actually be managed. It then led the researcher to identify literature on HRM practices that have been shown to foster workplace commitment. From this data most commonly studied practices were chosen for closer investigation for this study.

According to Yin (2003, 22) the third component, the unit of analysis, is related to finding out what the case actually is. Yin continues that it should be closely related to the way the researcher has defined the initial research question. For this study the researcher identified organization as the primary unit of analysis, as the initial research question was set to cover how organizations can manage employees’ commitment. However, to be more specific the unit of analysis is an organization that uses human resource practices in managing organizational commitment. Identifying the unit of analysis in such an explicit way is important because otherwise the researcher might be
tempted to cover everything, which under such an abstract subject would be an easy mistake to make. (ibid)

Once the unit of analysis was identified it was quite straightforward to find a suitable case company as the researcher had good connections to a number of companies. However, the chosen case company seemed to stand out for four reasons. First, it had the premise to shed light to the phenomenon in a totally different setting when compared to for example major American or even Finnish corporations. Second, the initial discussions held with some of the board members indicated that the company was already engaged with the issue. Third, the researcher believed that the organizational model that is based on business units would favor commitment HRM systems as the employees need relatively free hands to work with customers. Fourth, the CEO expressed that the topic is current and that unit leaders need to be “100 % committed” if the business wants to expand in the future. The last two components, linking data to the propositions and criteria for interpreting the findings, will be discussed next.

3.4 Data collection and analysis

Before the research questions were developed, the researcher reviewed existing literature on the phenomenon of commitment. The researcher then tried to form an extensive picture of the research done in the field by browsing through available newspapers, books and the Internet on the subject. It immediately became clear that commitment had once again become a hot topic for multiple reasons, of which well-being, turnover and dislike for control systems popped out most often. After the first initial steps, the researcher reviewed literature on employee commitment, employee turnover, the human resource management systems as well as employee well-being and performance. By browsing through the journal articles the researcher found out that commitment has a clear link to many aspects in work. Additionally, the researcher’s extensive review on literature in the field of human resources management, organizational management and human psychology helped him to get a basic understanding of the existing theories and contexts. It became clear that commitment had been researched quite extensively earlier, which in turn helped to form an extensive picture of what commitment is.
After reviewing the available literature, some from as far as the 60s, a theoretical framework (figure 2) was built as according to Yin (2003, 33): “a good case study investigator should make the effort to develop a theoretical framework… as it becomes the main vehicle for generalizing the results of the case study.” The theoretical framework, which is mainly based on Meyer and Allen’s research in the field, with some reviews from the newer publications, proved to be beneficial also when defining the appropriate research design and data collection. It could be concluded that the theoretical framework acted as a valuable map for the researcher.

3.4.1 Interviews

The main method of gathering data on managing commitment through HR practices was interviews. According to Hirsjärvi, Remes and Sajavaara (1997, 201) interviews are the most common method for gathering data in qualitative research and the most important source of case study information (Yin 2003, 89). However, the researcher should always be able to explain why interviews were done as it might not always be the best method for answering the research problem (Hirsjärvi et al. 1997, 201). In this case study interviews were chosen as the main method for gathering data for the empirical part because (ibid, 194):

- It is difficult for the researcher to anticipate the course of answers
- Researcher wants to be able to clarify answers if necessary
- Researcher wants to go deeper into subjects and put additional questions
- Answers will be multifaceted
- Informants need clarification on the abstract subject

As the researcher sees it, interview is the only suitable method to gather empirical data for this study as flexibility is needed. According to Hirsjärvi and others (1997, 201) researchers commonly choose this method for this very reason. By interviewing it is also possible to gain a lot of data quickly which was also in the interest of the researcher due to the time limitations of a Master’s thesis (Marshall & Rossman 2006, 201). Before collecting data it was quite clear that face-to-face interviews were necessary due
to the difficult and abstract nature of the subject. This supposition proved to be right after the first interview.

Where there are advantages, there are also limitations when it comes to interviews (Hirsjärvi et al. 1997, 202). For example, interviews involve a lot of preparation and training. To minimize possible sources of error the researcher should prepare for the interview well in advance and school oneself to the role of the interviewer. Failing to do this the informants may be for example unwilling or uncomfortable sharing the things that the interviewee hopes to explore. (ibid) According to Yin (2003, 92) interviews are often subjects to common problems with for example poor recall and bias, and thus interviews should be confirmed by information from other sources.

To get as extensive picture as possible of why and how would an organization use human resource practices in fostering and managing workplace commitment, the researcher chose to interview the chief executive officer (CEO) and the chief financing officer (CFO) as well as five members of the board of directors that together form the majority of the senior management. By interviewing as many senior managers as possible the researcher tried to avoid poor recall and bias as well as other common problems that may rise when interviewing informants (Yin 2003, 92). Trying to avoid bias and poor recall was especially important for this study as many of the HR practices can be implemented unconsciously, which cannot be perceived as predetermined ways of affecting employee commitment to the organization.

Marshall and Rossman (2006, 105) refer to interviews conducted with the senior management as elite interviews, meaning that interviewees are selected on the basis of their expertise in areas relevant to the research. In this study the two non-executive members of the board had decades of experience in management consultancy and were thus able to give true insight into the commitment management phenomenon. The former majority owner and the founder of the company who nowadays acts as the company chairman in turn gave a more historically rich cut to how commitment is managed in the company, which also proved to be essential for better understanding the current situation. The interviews conducted with the chief executive officer (CEO) and the chief financial officer (CFO) proved to be from the perspective of them both having operational responsibility. The two shareholders who both work in managerial positions
in the company depicted the direction commitment management takes in the future. The interview held with the two shareholders was a group interview, while the other informants were interviewed individually. The researcher did not experience any difference in the quality of the answers when it comes to the differences between individual and group interviews. By interviewing the senior management, the researcher was able to get a clear picture of whether commitment matters to the case company and how it is managed and why. By interviewing lower level employees, such an understanding would not have been possible to attain as senior management has a more broad view to things than employees holding lower level managerial positions (Hiltrop 1999).

The type of interview used in this case study is semi-standardized interview as the researcher believed that the informants could find it hard to discuss openly upon the matter. The interview questions were derived from the literature review as was suggested by Yin (2003, 89). By selecting the semi-standardized interview, the researcher ensured that the informants were able to depict a clear and in-depth picture of commitment management in the case company. However, the informants were also asked to answer off the questions whenever they felt it would bring out new aspects to the subject. As counterbalance the researcher also presented revising questions wherever needed. Selecting semi-standardized interviews as the main method for collecting data proved to be the right choice as no effortless conversation on the subject was possible, which describes how complicated the subject truly is. In order to help in coming up with the answers the informants were asked to answer the questions through examples and experiences of their own. All of the face-to-face interviews lasted for around 60 to 90 minutes and consisted of approximately 50 questions.

3.4.2 Other sources

According to Yin (2003, 85) any researcher trying to achieve an optimal research would want to use as many sources of information as possible. However, due to the size of the company and the nature of the subject matter the secondary data concerning the case company were almost non-existent. However, some data from for example company website, magazine articles and press releases were used in familiarizing oneself to the company and the current economic situation.
Due to the lack of secondary information the researcher tried to find information on the subject matter on other similarly sized companies but again could not find any. Interestingly, this indicates that Finnish medium-sized companies might not be aware of the issue or do not actively communicate the issue to the public, due to the discreet nature of the information.

3.4.3 Analysis

Before proceeding with the study, the data required some processing (Miles & Huberman 1994, 9). The recorded data was transcribed immediately after each interview. According to Hirsjärvi and others (1997, 218) this kind of linear process, where information is not analyzed in between, is common to both quantitative and qualitative research. In total the researcher had 70 pages of transcribed interview material in Finnish, the mother tongue of all the informants. The interviews were translated to English only when necessary in direct quotations to avoid possible bias.

The data analysis process continued by reading the transcribed data several times to get a heightened awareness of it as is suggested by Marshall and Rossman (1995, 114). After becoming familiar with the data, the researcher started the coding process.

The researcher chose to code the data using the main themes from the theoretical framework and therefore the answers adapted to the framework. Researchers (Eskola & Suoranta 1998, 153) consider the chosen approach as an excellent aid. By dividing the data on themes based on the framework, the researcher identified several themes that clarify the research problem. While doing this, the researcher tried to be as careful as possible not to misinterpret answers, which according to Eskola and Suoranta (1998, 153) is a common problem.

The researcher felt that by choosing thematic analysis instead of another data analysis method, it could be ensured that all the relevant subjects are being discussed during the analysis. Additionally, by exploring the same themes as in the literature review, the researcher can create a continuum between the theory and the empirical part of the study. In fact, the researcher tried to be as careful as possible in interlocking the
theoretical and empirical parts of the study in order to avoid the report being a collection of quotations as suggested by Eskola and Suoranta (1998, 176). However, as the theoretical part of the study is more a depiction of how different HR practices can be used, instead of narrowly depicting the hundreds of ways each HR practice can be utilized, combining the empirical part with the theoretical was difficult and time-consuming. When using quotations, the researcher tried to either use them as examples or revitalize the text (ibid).

### 3.5 Assessment of research design

According to Yin (2003, 33) four tests can be used to establish the quality of a case study research. These tests are common in social science methods and they include; *construct validity, internal validity, external validity* and *reliability*. Yin (ibid, 35) continues that the list is more complex than the standard validity and reliability concepts, which are the standard checking criteria in quantitative studies.

First, Kidder and Judd (in Yin 2003, 34) explain that the *construct validity* refers to “establishing correct operational measures for the concepts being studied”. Yin (ibid, 36) suggests that there are three tactics to increase construct validity in doing case studies. Unfortunately, (1) multiple sources of evidence could not be used in this case study, as there were no documentation available on the subject matter and not enough time to observe the phenomenon at research site. However, the researcher tried to overcome this issue by interviewing multiple informants. The researcher attempted to establish (2) *chain of evidence* by justifying the assumptions made with theory and empirical information. However, as the case company is not identified on request, the transcribed interviews are not available to the public in order to respect the agreement between the researcher and the case company. Finally, the case study report was (3) reviewed by one of the informants to increase validity and eliminate possible misunderstandings. Additionally, the theoretical framework was discussed with the CEO.

Second, internal validity deals with establishing causal relationships as distinguished from spurious relationships (Kidder & Judd in Yin 2003, 34). Yin (2003, 36) identifies
four tactics, which occur during the data analysis phase that address internal validity. These tactics include pattern matching, explanation building, addressing rival explanations and using logic models. Internal validity was addressed by matching patterns from theory with empirical findings wherever possible.

Third, according to Yin (2003, 37) the external validity, problem of knowing whether findings can be generalized, has been a major barrier in doing case studies. However, as this research is descriptive and focuses on a phenomenon that is unique in each organization, the attempt to generalize the findings is more likely to occur when more research is done on the HR practices in Finnish medium sized companies and on the effects of downturn on the use of those HR practices. However, the researcher tried to form a solid basis for the findings by relating the research topic to the academic literature (Daymon & Holloway 2002, 93). This is noticeable from the previous research discussed in the literature part of this report and by constructing the research accordingly.

Fourth, reliability that occurs during the data collection phase “demonstrates that the operations of the study can be repeated, with the same results” according to Kidder and Judd (in Yin 2003, 34). Yin (ibid, 39) continues that a “good guideline for doing case studies is therefore to conduct the research…as if someone were always looking over your shoulder”. The researcher tried to solve this problem by explaining all the steps, by transcribing all the interviews verbatim and by properly referencing to sources.
4 CASE DESCRIPTION

Empirical research was conducted in a single Finnish service company in order to get an in-depth understanding of how commitment is managed at grass roots. First, the case company, which is left anonymous on request, is presented. Due to the concealment, the company presentation is quite restricted but should give all the necessary information to form a picture of the research premise. Second, the informants that form most of the senior management are presented one by one. They are not identified by names because otherwise the case company could be identified.

4.1 Finnish medium-sized service company

The case company is a family business founded in 1990 under the funding of the Finnish Funding Agency for Technology and Innovation to promote the industry in Finland. Since then the limited company has expanded from the founding location in Central Finland to 11 other locations across the country, including both larger cities and smaller centers. The case company is the leading service provider in its field and among the first businesses to start this type of service in Finland.

Thanks to its large machine park and production capacity, the company is able to offer short time of delivery without haggling over reliability. This competitive advantage has helped the company in maintaining long and profitable customer relationships with major companies in Finland and internationally in the fields of metal working, construction, fittings, electricity and the electronics industries. The client companies include ABB, KONE, Metso Paper, Outokumpu, Patria, Cargotec and Sandvik among hundreds of others.

The goal of the case company is to supply customized and comprehensive solutions to their customers. Bending, machining, welding, coating and final assembly are an essential part of the service concept. The service outputs are increasingly delivered directly to customers’ production lines. The quality of the activities is supported by ISO 9001 and ISO 14001 standards.
Currently, the case company is a medium sized company meaning that its headcount is at 150 (as of June 2009), thus below the maximum of 250 (Federation of Finnish Enterprises 2007). All of the employees are in a direct employment relationship with the company. Some of the employees work on part-time basis while majority works full-time.

The financial year, ended in August 2008, showed a profit of less than three million Euros, while the net revenue was well over 40 million Euros. However, due to the global economic downturn, both profitability and net revenue are expected to decrease significantly in 2009. The company responded to the global downturn by adapting the capacity to demand by laying off employees gradually. However, according to the CEO these measures do not affect case company’s competitive advantage of serving customers reliably at short notice (Company web site 2009). The CEO continues that the taken measures secure the service network at its current geographical scope and guarantees the cost competitiveness of the case company (ibid).

Currently, decision-making authority is divided between three levels. The company board oversees the business and meets approximately once every two months. The executive group that is located in Central Finland has the operational responsibility and is led by the CEO. The 12 business units are led by unit leaders.

4.2 Informants

In order to get a comprehensive picture of the HR practices being used in managing employees’ commitment, most of the board of directors as well as the CEO and CFO were interviewed. Of these CEO, CFO and the two owners work at the operational level. The seven informants will be introduced next.

The chairman of the board is the founder of the company, which was established in 1990. The chairman is a career entrepreneur and ran the rapidly grown business for more than a decade. Currently he does not have operational responsibility although
actively takes part in decision-making. He donated three-fourths of company shares, in the change of generation to his three children in 2005.

The CEO has been working in numerous managerial positions for fifteen years before joining the case company in November of 2005. The CEO is not related to the owners and currently does not own company shares. Previously he has worked in companies such as Wärtsilä and Metso in production as well as in the product support.

The CFO joined the company in 2003 first by providing management and finance consultancy. In November 2003 he joined the company full-time and took the responsibility of finance, personnel and information technology. Before joining the case company, the CFO has held numerous positions in Metso and has also worked in an American based public limited company. Managerial positions the CFO has held for fifteen years.

The two non-executive members of the board have made long careers as management consultants, entrepreneurs and board members. Due to their experience they act more as advisors and do not have operational responsibility.

The two interviewed owners and members of the board are the chairman’s children. They both have made extensive careers in the company and currently hold managerial positions; the other is the managing director of one of the group companies while the other one works as a unit leader and as a manager of one of the group business lines since 2008. Company shares are equally divided between them and another member of the board who was not interviewed for this research.

The informants are not identified by names to avoid identifying the case company. Thus from now on, they are simply referred to as informants or by their title. The owners and the two non-executive members of the board are not identified separately on request.
In this and the following chapter, the results of the empirical part of the research will be presented and discussed. Managing commitment through HR practices in the case company is looked at in the light of the theoretical framework. In the next chapter, the report aims at answering the research questions and managerial problems presented in the introduction section.

An interesting part of this study that has not yet been discussed is the global downturn. The reason why the theoretical framework did not discuss this matter is that no previous research results on the downturn’s effects on managing commitment could be found. Thus the empirical part of this research also aims at finding out whether there are detectable effects of the global downturn on managing commitment and especially through HR practices. The report will discuss these findings wherever possible.

5.1 Employee’s perspective

As was concluded in the theoretical framework, an HR practice affecting one or more components of commitment depends on how the employee perceives the organization’s efforts. When the employee is in such a lead role in the process of commitment it is important for managers to understand the employee’s perspective. This in turn requires comprehensive understanding of what commitment is, its forms and what are the benefits expected by the employees, among other things. Once the managers become acquainted with these things, the company and the employee interests are more likely to meet.

Since this study is especially interested in finding out how commitment can be managed through HR practices, not the effect of those practices, the empirical part concentrates on the organization’s perspective. As the researcher did not have an access to the employees, except the CEO and the CFO, whose commitment the company tries to manage, there is no extensive outlook on this side of the theoretical framework. Thus the following findings, dealing with employee’s perspective, are mainly opinions of the
informants, especially the CEO and the CFO. As such they do not reflect how the other employees’, whose commitment is managed, have experienced the HR practices through which the company manages commitment.

It goes without saying that these findings are crucial as they reflect the overall attitude towards the commitment phenomenon. If for example, the senior management would think that commitment has no evident value, the premise for managing commitment would be non-existent as according to Hiltrop (1999) senior management should be accountable for the implementation of HR practices to make them succeed. Thus the researcher feels that these findings are especially valuable when it comes to the unit of analysis, the organization.

The informants were asked to describe what commitment is, what are its targets besides the organization and what are or could be the benefits expected by the employees. These findings are presented first before continuing to the organization’s perspective on managing commitment through HR practices.

When it comes to Meyer and Allen’s conceptualization of commitment, none of the informants were familiar with it. However, each informant had an opinion of what commitment is. Of these answers two distinct types of opinions could be formed. The owners saw that to an entrepreneur commitment is a must as one is fully engaged both financially and mentally.

Others described commitment to be feelings of belonging to the company or an inner motivation to work in such an organization. These aspects are clearly similar to Meyer and Allen’s affective commitment, presented in the theoretical framework. Commitment was also conceptualized by the CEO as “a mutual understanding of interests between the employee and the company” thus depicting that committed employees act as company representatives and thus adjust their actions accordingly. The managers also identified that there could be different kinds of elements in the organization (the forms of commitment), or in the task that commit the employee to the organization.

When it comes to different forms of commitment besides organization, the informants identified among others teams, incentives, company growth, reputation, and success.
The CFO identified that personally he is also committed to the flexibility offered by the company as well as the company originating from his birth place. Additionally he felt that working for a family business tempted him after working many years in large public limited companies. Other forms that were identified included location, work atmosphere, managers, work-life balance, customers, workmates, tasks and career opportunities. Of the listed forms work atmosphere, job flexibility, work-life balance, company growth and success, managers and incentives were identified most often, preliminary depicting the important forms of commitment in the case company. The list can be concluded to be quite comprehensive and matches the findings of for example Meyer and Allen (1997, 2).

Most importantly, for the premise of this research, all informants saw commitment as being important for both the employee and the company. One of the managers concluded that “commitment generally leads to much more satisfactory result when one can do the things that are meaningful to him or her.” According to the CEO committed employees have longer careers, are more satisfied and in general perform better than their less committed peers, which is consistent with the findings of Meyer and Allen (1997). He also noted that commitment leads to less well-being related issues, although according to the CFO there have been cases where the so-called “overly committed” employees have had burn outs. In these cases the work-life balance has often faltered when employees have taken too much responsibility or been under severe stress caused by major organizational changes. Interestingly, other commitment related drawbacks were not identified or if they were they were more related to the actual practices or the lack of them. These aspects are discussed in more detail in the organization’s perspective part of the empirical findings.

The informants also commented that in order for commitment to exist there needs to be benefits in return, thus emphasizing the reciprocal nature of commitment. The benefits identified by the managers include:

1. Possibility to advance faster in one’s career
2. Better salary
3. More employment security also during poorer times, such as these
4. Develop one’s skills
5. Be able to build an impressive track record
6. Have excellent working conditions and a great work atmosphere
7. Be able to work flexibly and test one’s limits.

These findings are in sync with those of researchers (Meyer & Allen 1997, 3; Purcell, Kinnie, Hutchinson, Rayton & Swart 2003; Whitener 2001, 517; Wood & de Menezes in Torrington et al. 2005, 227; Agarwala 2003, 179).

Based on the answers all informants were familiar with the subject matter, which was foreseeable as all of the informants currently hold or have held numerous managerial positions. Overall, it could be concluded that the case company is an excellent premise for conducting research on commitment as there is genuine interest towards the phenomenon.

5.2 Organization’s perspective

As discussed in the literature review earlier, increasing organizational commitment is beneficial for companies for a number of reasons. The theoretical framework concluded that affective commitment is the most favorable from the organization’s perspective, although the other forms of commitment are also important. It was then concluded that in order to foster affective commitment, organizations need to incorporate carefully chosen HR practices.

5.2.1 Managing commitment

According to Hiltrop (1999), senior management should be accountable for implementing commitment HR practices to make them succeed. The key is that the senior management has the necessary authority and understanding to make decisions that require organization-wide effort. Once consensus exists, line managers are better able to follow the long-term focus and use the allocated resources. Naturally, without this consensus, commitment cannot be systematically managed.
The informants agree with the findings of Hiltrop (1999) by stating that the premise for managing commitment is that the board is successful in committing the CEO to the cause. Naturally, in a family company, where owners are present in the board, allocating resources to the commitment management should be based on a mutual understanding. According to the owners, the board takes part in discussions that relate to monetary compensation but otherwise trusts the executive group’s judgment on practices that do not involve costs. Although there is no research evidence on whether the board of directors should be aware of all the practices in use, involving monetary costs or not, in a family company where costs, strategy and goals are well influenced by the board, discussing the practices more broadly should take place. Additionally one of the board members thought that: “managing commitment should be seen from the owners’ perspective as a way to keep good people in the house and make better profit”, indicating that commitment may not be that systematically discussed at the senior management level. This fact is further highlighted in the next paragraph.

According to the informants the case company is currently managing the commitment of “key employees”. These employees have been listed, according to the CEO, by him and the chairman behind closed doors. However, according to him and the CEO the subject matter has been discussed in general also in board meetings. The CEO noted that the reason for limiting the information is because one is dealing with employees’ salaries and other sensitive issues and practices. He also commented that “…if something is said, it is often taken as a promise and thus it makes more sense to keep the circle small”. Based on the dispersion of answers, there was not a clear consensus between the informants on whose commitment the company is actually managing. This further indicates that the matter is not widely discussed at senior management level.

According to the CEO not all of the key employees whose commitment the case company would like to foster have a managerial rank. Rather they are employees who are working in different roles in different units of the company. Thus the group of key employees is based on “names” rather than positions. Although the CEO did not want to clarify who these key employees are, based on that they are individuals from around the company rather than in a single unit, the chairman concluded that they include at least the executive group; the CEO, the CFO and few unit leaders. The CEO added that in some key positions, key employees are necessary but then again not all key positions
are filled with key employees whose commitment is critical to the company. This indicates that although overall commitment of the workforce is important, there is a group of individuals who form the backbone of the business operations and in the case company they seem to include mostly managers although managerial rank is not necessary.

In the future, the company is interested in fostering unit leaders’ commitment that according to the CEO, are the backbone of the organizational model. The CEO believes that unit leaders’ full commitment becomes even more paramount if the company wants to duplicate its business model substantially to other locations in Finland and abroad. Furthermore, the company has previously had great turnover among unit leaders. According to the CEO, the main problem in retaining these individuals is that:

Too often people who are selected as unit leaders hold their first managerial position… and if they succeed in managing and growing the unit, other companies become aware of these individuals. Then again, our possibilities in retaining these individuals are limited as we do not have other positions available in that area. We cannot promote him to be the area manager for example. Therefore, the better he runs the unit, the more he stands out.

The owners added that managing unit leaders’ commitment is important also from the perspective that they would take more responsibility for the unit profitability. Additionally, employee turnover has had significant negative effects on unit profitability as the business is mainly based on good customer contacts and knowledge of the business area. Thus when the unit leader leaves, so does a great amount of knowhow and profitable customer relationships. Thus it would be important that unit leaders could be retained for longer periods of time.

Discussion on what is a committed employee in the case company was quite versatile. Firstly, it was emphasized that a committed employee acts as the representative of both the employer and the shareholder, as was already concluded earlier. Due to the unexpected nature of the business employees need to be flexible of their working hours and their working duties. Additionally committed employees are expected to do their best, depicted by the quality of the work, for example timeliness and correctness,
highlighting findings on in-role performance discussed in the chapter why commitment matters to an organization (Meyer & Allen 1997, 28). The CFO added that “a committed employee also achieves his or her goals, assumed that they were set to be achievable”. Committed employees are expected to work spontaneously and actively taking part in organizational matters, thus underlining the findings of Meyer and Allen (1997, 34) who suggest that committed employees provide extra help and make suggestions when problems arise. It was also commented that committed employees want to do more than what is expected from them, again highlighting the extra-role performance. Further they can be described as positive a person, which according to Meyer and Allen is part of being particularly considerate of coworkers, an extra-role feature (ibid).

The answers whether the company gives enough attention to managing commitment were quite similar. Most of the informants thought that the company is currently not focusing enough on commitment. However, the CEO thought that when taking into consideration the history and all future plans, the company has actually invested enough in managing its employees’ commitment. Instead of judging past actions, the CEO thought that in the future the company could try different practices, for example compensation plans. The chairman agreed with the CEO by stating that the company has taken a passive policy in some of the practices and that it could be more active in the future. Although the chairman concluded that the policy has worked thus far because for example employee turnover in executive group level has been remarkably low and that the company has enjoyed success for more than a decade now. However, he also thought that the company could be affecting commitment unconsciously (thus not managing it) and thus the value of different HR practices as “commitment maximizers” are not always perceived.

To summarize, there was not a clear consensus among the informants on whose commitment the company is actually managing. These differences could be explained as differences in how commitment is seen or by the fact that commitment is not openly discussed in senior management level, or that the board has not been interested in actively discussing the subject. Whatever the reason might be, there should be no reason for not discussing commitment in the board meetings as the owners do affect decisions concerning profitability and long-term plans. Although some differences in opinions
remain, from now on it is assumed that the company is currently managing key employees’ commitment that includes at least the executive group. They are employees whose work input is critical to the company.

In the future however, the unit leaders’ position in the commitment management can be somewhat different. As a cornerstone of the business model their commitment becomes paramount if the company wants to duplicate its business across the country and beyond.

According to all of the informants the company is not necessarily investing enough in managing commitment. However, according to the CEO when taking into consideration the development of the business, the company has invested enough. The CEO also concluded that the actions taken by the board of directors have not been in conflict with what the executive group has planned on commitment. Actually, the CEO and the chairman, as well as the board at least to some extent, have together pondered different issues, models and practices when it comes to managing commitment, which gives a promising foundation for the next chapters where the actual HR practices are discussed.

5.2.2 Premise for managing commitment

In order to have the premise for managing commitment, organizations need to aim at increasing effectiveness and productivity and rely on conditions that encourage employees to identify with the goals of the organization and work hard to accomplish those goals (Arthur 1994). Companies that operate in this way are seen according to Arthur as ‘commitment maximizers’ and utilize the so called commitment HRM systems (ibid).

According to the informants the case company is more leaned towards the commitment HRM system than to the opposite, the control system, because of three characteristics that are expected from key employees. It should be noted here that a commitment HRM system is the starting point for the study because otherwise commitment could not really be managed, at least not intentionally.
First, the company favors key employees who are comfortable with handling extensive personal autonomy. Employees are expected to achieve personal goals, if such are set, on their own and with extensive authority. For example, unit leaders have annual sales goals, but “achieving them depends on their creativity” as was concluded by the chairman. One key reason for the extensive autonomy is that the company consists of 12 business units. These units are located around the country in larger cities and in smaller centers. Being successful in running a business unit requires extensive local knowledge and good contacts, something that, according to the informants, can be managed only locally. Trying to manage such a complex network from one location does not work, as has been previously experienced.

Second, the CEO described that the nature of the work could be described to be unforeseeable because of the nature of the industry and the business. This in turn requires that the employees are able to work hard and be flexible at moment’s notice. Such behavior cannot be expected if one cannot identify or is not willing to identify with the goals of the company. The CEO continues that “to be committed [in our company] requires the employee to appreciate hard work and not being a ‘dreamer’.”

Third, the decentralized organizational model also requires that employees are responsible for the company assets as the senior management is located elsewhere, a feature that according to Meyer and Allen (1997, 3) depicts a committed employee. Being responsible for company assets and at the same time having extensive authority and flexibility over one’s work can only be effective and productive if one can identify with the set goals and work hard toward accomplishing those goals (Arthur 1994).

The case company has previously used a control system in managing its personnel. However, due to the nature of the industry and the demand for on-site service, a control system proved to be a poor choice. Thus, the change for a more flexible and less concentrated model is natural. Although the managers identified with using the commitment HRM system, it does not necessarily mean that it works in practice. Thus the different HR practices that form the commitment HRM system need to be discussed in more detail next.
5.2.3 Human resource practices

5.2.3.1 Employment security

According to the informants the best assurance for a continuous employment in the case company is to do one’s job as well as possible. One of the managers pointed out that “…certain employees have a better possibility to be employed by the company during recession thanks to their work ethic.” These findings seem to be in sync with Torrington and others’ (2005, 414) in that employment security is something earned by hard work and sacrifice.

Previously, especially during expansion, the company has been quite flexible in rotating employees who have not met the requirements of a particular task to a new task. However, due to the global downturn the company has been forced to a new situation where poor performers simply cannot be employed anymore. Being forced to lay off or even fire employees does not mean that the company is not focused on offering employment security. To the contrary the chairman believes that instead of firing people the company has tried to adjust to the downturn first by laying off employees. In this way the company tries to signal that only necessary actions are taken to solve the situation and that everything is done to avoid possible contract terminations. These comments go along with Pfeffer and Veiga’s (1999) findings who believe that companies aiming to offer employment security are less likely to rush layoffs.

Although both the CEO and chairman believe that laying off employees decreases commitment, they distress that such actions are necessary in the long run. The CEO explains that: “the volume of new orders of Finnish machine shops fell to half of what it was in February, and I believe that it will go even lower.” The CEO further continues that due to the nature of the business, the company just cannot promise to keep all employees.

This is a labor oriented business and if we would have kept labor expenditures at last fall’s [2008] level we would have a totally untenable equation. Most of the people would have nothing to do. The fact is that our role in this refining chain is such that we are expected to bend up during the boom and down during the
downturn. The whole idea of our business is that companies outsource part of their business to us.

Contrary to the actions suggested by Pfeffer and Veiga (1999) the organization has already been forced to both fire and lay off employees in adjusting to the global downturn. Because such actions in this scale are new to the rapidly grown company the effects remain to be seen. However, the managers have already noticed that layoffs instead of firings have received positive messages from employees. In fact, some of the employees who have been laid off since the beginning of the year have been offered new jobs but have thus far turned them down. This indicates that commitment towards the organization is quite high, as employees are willing to take such disadvantageous measures.

The chairman continues that “if one is greatly committed and has shown it time and time again, offering him or her a lay off coupon is definitely ten times harder than to an employee who is not that committed to the company.” Because some employees are seen more valuable than others, the managers have made lists of employees who will be laid off the last. As expected, the employees to be laid off the last include the key employees whose commitment the management is most eager to manage. In case of being forced to fire key employees, the CEO concludes that “lists” of key employees will be just “rewritten”. Such practice is somewhat against the findings of researchers (Kelleher 1997; Hiltrop 1999; Pfeffer & Veiga 1999) who suggest that employment security is a long-term process and firms offering employment security will be less likely to lay off employees during downturns, and thus also less likely to rewrite lists. However, it could be questioned whether researchers findings are applicable during such drastic changes in the world economy and especially across industries where profit margins are low.

Prioritizing layoffs, or making “lists”, is according to the informants also important from the perspective of balancing with the future needs. Therefore the company concentrates on a group of employees who are needed once the expansion begins. The management has, for example, evaluated which units are viable in the long run. These evaluations often personify to unit leaders and to their performance but not necessarily always because customers groups also play an important role. According to the CFO “it
is logical that cost cuts are not allocated evenly but depend on one’s accomplishments and how he is committed”. Prioritizing layoffs is important because according to the informants work performance and unit profitability are negatively affected, again in sync with Pfeffer and Veiga’s (1999) findings. Additionally, employees who have been laid off are more likely to seek for new jobs and thus the unit knowhow can be greatly affected if for example the unit leader decides to leave the organization. These findings concur with those of Pfeffer and Veiga (1999) who suggest that businesses generally have invested heavily in hiring, training and developing key employees and thus losing them should be avoided at all cost.

Unfortunately, due to the severity of the situation the company has been forced to lay off some of the key employees identified before. The effects of these layoffs remain to be seen, but if the findings of Pfeffer and Veiga (1999) and McElroy (2001) are true the company can expect decreased employee flexibility, cooperation and involvement in the future. The managers do however believe that since the situation is so exceptional and severe, employees do understand the need for layoffs.

To help the situation the company has proactively tied to communicate the current situation to the employees. The idea is that employees become aware of the severity of the situation and amplify their work input. One of the managers also noted that by actively communicating the situation, common work place disputes can be set aside once everybody is working as a team for the existence of the company. Also the eventual layoffs are better handled when one understands the reasons behind them. The managers also told that unit leaders who are the backbone of the organization have also asked to be laid off willingly as they have felt that it is their duty to act according to the rest of the unit, thus further indicating high commitment.

None of the managers believed that the state of the company should be hidden from any of the employees and also noted that the law obligates them to take extra measures in information delivery especially during codetermination negotiations.

To conclude, the company is actively seeking employment security as it has witnessed the drawbacks turnover brings. However, due to the severity of the global downturn, the company has been forced to make adjustments that have led to both layoffs and to the
termination of contracts. The informants however believe that these measures are understood as the company is actively signaling to do everything in its power to offer employment also in the future. Employees are not necessarily laid off equally, but depending on their “priority”, indicating that key employees are the last ones to be laid off. Adjustments are however necessary due to the position of the case company in the refining chain and the labor oriented nature of the business. Since the company is, according to all of the informants actively trying to find ways for retaining both “regular” and key employees it could be concluded that this HR practice is in active use in the case company.

5.2.3.2 Selective Hiring

Based on the answers, the case company is mainly trying to find employees for job fit. The CEO states that:

As I see it, we take both career orientation and job fit into consideration. However, job fit is much more emphasized in a way that one can deal with the requirements of the job… For example when recruiting a new unit leader, he or she needs to have selling skills, experience, and knowhow of the business and is preferably also a well-known person in the area. Our company is not big enough so that we could train an employee over a period of time like bigger companies can by recruiting young prospects.

These findings go along with those McElroy (2001) who believes that businesses serious about retaining people through commitment HR practices hire for job fit.

Contrary to Pfeffer and Veiga’s (1999) findings however, the case company does not have a significant applicant pool from which to choose the right people. Although, the answers on whether there have been enough applicants to different key employee positions did vary significantly, the informants seemed to agree that usually there are only few potential individuals at the end of the recruitment process. The managers felt that for now this has not been a significant problem as recruitments have gone pretty well, but did also agree that in some geographical areas recruitment has been challenging. Additionally, the CEO emphasized the challenge by stating that the key to
success is often to recruit perhaps the only capable person in the area. Five explanatory factors for a limited applicant pool were identified.

First, business units are located in smaller centers where the population can even be well below 30,000. In these locations only a handful of individuals can fulfill the requirements set for the key employees. Second, potential people who already live in these smaller centers already have their lives in order. Thus when a new position opens, not many are willing to apply for it. Third, there is a lot of structural unemployment in smaller centers in Finland. This could also be an influential factor when it comes to finding experienced employees to such niche business. Fourth, recruiting employees from other locations in Finland is not optimal for the company as these individuals are not necessarily familiar enough with the business in other locations. Fifth, according to one of the managers, finding employees to smaller locations is troublesome because “some locations are seen as secondary alternatives. People apply for jobs in larger cities and take our open position only if are not accepted to their primary choice.” Finally it could be questioned whether there can be a significant applicant pool in the industry in Finland when compared to the previously conducted academic studies. These studies have mostly looked the phenomenon from the U.S. perspective, as for example Pfeffer and Veiga (1999). After all the labor force of 2.53 million in Finland compared to the labor force of 155 million in the United States naturally sets limitations to size of the applicant pool for the Finnish companies (CIA World Factbook 2009).

Interestingly, the senior management still has not considered possible effects of the ageing Finnish population on access to labor. The effects of this phenomenon were introduced in the introduction part of this study. It seems that at least for now this has not been a noticeable problem. Additionally, due to the relatively young workforce, the board has not felt the need to discuss the age distribution of the staff.

According to Chew and Girardi (2008) marketing company image is an essential part of the hiring process and could be another reason to explain the small applicant pool. The managers however, believe that the company has done pretty decent job in marketing itself. According to the CEO, the management has always planned on how to improve and develop the employer image. The company has for example invested in magazine articles aimed at building the company image both in the eyes of customers and possible
new employees. The managers also believe that the company has differentiated itself from other SMEs in a way that has resulted in positive attention during the growth years and thus the company has been able to improve its reputation in the industry.

When it comes to the actual hiring process the company has used diverse recruitment practices. Depending on the open job the company has used HR consultants, but has also performed recruitments in-house. According to the CEO, the common practice for recruiting new employees is that the superior proposes and his or her senior approves. Outside help is mainly used for key positions.

According to the chairman, the interviewers try to form a picture of the applicant’s capabilities and screen whether he or she has the right attributes for the job. The CFO also adds that in finding a qualified person also over qualification should be avoided. In order to find a suitable person, both systematic such as questionnaires and unsystematic approaches are being used. For example, the chairman who is often present when hiring key employees is more used to screen the person based on intuition. According to him, “the impression that is formed during the conversation can be very wrong, but then again is real, because it is a result of that session.” He also continues that to confirm the interviewers thoughts, systematic tests are used especially when hiring key employees. These findings are in sync with Pfeffer and Veiga’s (1999) suggestion that organizations should screen important attributes that are difficult to change through training. Based on the answers the company is very much focused in finding the right people with the right attributes rather than trying to find prospects to be trained over time to key positions. The CEO confirms this finding by adding that the case company places more emphasis on the skills of the individual than it does on the education in its hiring process. He continued that as a result of this the company also interviews those applicants, who are often skipped by larger companies expecting at least two academic degrees and a prominent work history abroad.

Rather than just trying to form a picture of the interviewee, the managers also emphasized the importance of job previews. The chairman concludes that for example in the recent recruitment of a key employee (export manager):
We tried to give as real and realistic image of the job as possible without minding any rosy thoughts because the job is not rosy in real life. We needed to warn about travelling days and emphasized the fact by stating that the employee would be away from home… that customers can be nasty at times and that there will be wasted trips and that one needs to put in long days. But we also tried to tell about the positive things such as that there is the opportunity to travel and see new places.

These comments are again in sync with Pfeffer and Veiga’s (1999) findings that organizations must first understand the critical skills and attributes that are needed in each job. After comprehending the necessary requirements of a job more truthful and realistic job previews can be reported. Otherwise the inflated promises and unmet expectations due to unrealistic job previews can eventually result in higher levels of dissatisfaction and turnover. (ibid)

The global downturn has had its effects on recruitment as well. In the beginning of 2008, the global economy looked quite promising. However, already in the fall the future unfolded differently and the company quickly had to adjust to the changed situation. Although, recruitment has now almost stopped, some key employees are still needed. When recruiting these individuals, according to the chairman the company has to be: “extra careful not to violate the job of any of the current employees or the ones being laid off, but as there as so many different kinds of jobs and tasks we have to make adjustments and recruit new people anyway.” For example, as one of the key employees needed a substitute for maternity leave, an acquaintance was hired. The reason was that the company knows with whom they are dealing with and that there is not enough time get to know an unfamiliar face.

Another aspect of the effects of global downturn according to one of the managers is job enlargement. The manager highlighted that as the company needs to adjust to the downturn job descriptions often change. The managers have tried to adapt to this change by openly discussing whether a key employee can handle enlarged responsibilities that previously were not part of the job description. Having these discussions are paramount so that the possibilities for enlarged responsibilities can be assessed and conflicts avoided.
From the perspective of fostering commitment, the case company should be able to communicate clearly that the people matter, by concentrating on finding the right people. By doing this, the case company can increase affective commitment as the employees can more likely familiarize themselves with the goals of the organization (McElroy 2001).

To conclude, the case company is quite actively utilizing selective hiring as one of the HR practices through which commitment is managed. Finding the right people is an important step in managing commitment to the organization, but can only be achieved if the process is mutually honest. By acting so, the interests of both the organization and the employees are more likely to meet, which is essential for affective commitment to exist. It seems that the company quite carefully recruits at least new key employees who are mainly recruited by the members of the board and the executive group. It also appears that the global downturn has quite expectedly halted recruitment, although some adjustments are made at key positions. However, the case company has to be extra careful not to break the codetermination negotiation agreement. Thus it could be said that the due to the global downturn the recruitment process has become more cautious and cost aware.

5.2.3.3 Training

Most of the informants see training as an essential part of managing commitment. They believe that the case company should invest in training for two reasons. First, training improves employees’ skills and thus also affects company’s readiness to face new challenges. Second, by investing in training the company expresses willingness to invest in employees’, which should according to the managers affect the overall commitment to the company. Additionally, training is believed to give the opportunity for employees to ascend the company ladder, which is also beneficial to the company. These general findings seem to be consistent with those of Pfeffer and Veiga (1999) who suggest that training is an essential part of HRM systems in creating skilled and motivated workforce that has the required knowledge for fulfilling their duties.

According to the informants, the focus of the arranged training depends on the job. For example, key employees’ training is focused on more general things such as different
aspects of managerial work, for example dealing with conflicts and problem situations. Then again training aimed at for example production workers is more concentrated on special skills. Again these findings seem to correlate those of Pfeffer and Veiga (1999) who believe that organizations successfully utilizing commitment HRM systems concentrate training as a HR practice to generalist competence rather than to specialist skills.

The need for training usually comes up in development assessment discussions that are held, based on the corporate policy, once a year. On the basis of these discussions the superior estimates how the proposed training serves both occupational development of the employee and the company needs. The CFO, who is also responsible for the personnel, notes that: “quite often we have granted people the opportunity to take part in training if the employees have desired so. We have tried to invest in it.” According to Whitener (2001) organizations such as the case company, offering fewer but more targeted opportunities for employee’s special needs are more successful in increasing commitment.

Although, according to the CFO, key employees’ training depends greatly on their initiative, the company has also organized courses based on the plans of the executive group. In finding out what kind of training would be suitable for the employees, the executive group has also used a personnel training consultant. Based on these considerations, the company offers training courses that vary from two to four day packages, to a two year executive training program.

Besides aiming to improve the quality of the managerial work, the executive training program also aims at responding to employee well-being related issues. According to the CFO, one decisive reason for starting the program was that the company started to have clear signs of “overly committed” employees having stress related burnouts. This finding is in sync with that of researchers who point out that very strong affective commitment to the organization might actually have harmful consequences, such as stress related burnouts Meyer and Allen (1997, 37). The program was thus also aimed at supporting the solving of these issues.
The company has also encouraged key employees to take part in higher education programs provided by the Tampere University of Technology and by the University of Tampere. The informants believe that such programs are beneficial for both the company and the employee. The CEO believes that such programs are valuable especially when done besides working, which helps to understand the value and different aspects of one’s work in the company. Additionally, the CEO believes that such programs also help employees to deal with well-being related issues as one can momentarily withdraw from work. To promote attending such programs the company has made policies how to support studying at different levels. The CEO however, also notes that the only danger in promoting higher education is that if the company is not able to offer jobs more demanding jobs, it often leads to turnover. However, the CEO does not see this as a problem among those not in managerial positions because the case company can quite flexibly offer positions in control of different areas of business, such as the unit manager positions. Additionally, the CEO notes that the board is quite flexible in expanding the business lines if capable persons with good ideas are found. Currently there are five employees taking part in higher education programs offered by the Tampere Universities.

Although training possibilities have been, according to the informants, quite good for now the CEO also notes that in reality the resources allocated for training even during the expansion are limited and cannot be compared to the budgets of larger companies. This however, might not be a problem as Whitener (2001) concludes that companies with extensive training options might find it harder to use training as a practice to increase commitment, as employees do not see those opportunities targeted at them personally. Thus the limited amount of training that is targeted to the employees personally, such as higher education, can be more effective than offering a variety of courses, from which to choose from.

The CEO continues that one way of training key employees is to emphasize learning at work. He believes that being able to offer challenging projects is especially rewarding in their line of business. He also notes that for example many of the engineers value the more demanding projects the company is willing to take. Additionally, key employees have taken part in different development projects organized in-house or with for example the Technical Research Center of Finland. These aspects could affect
commitment, based on the literature review, by involving employees and by showing that their skills are valued by the company (McElroy 2001).

When interviewing the CEO it became clear that he believes training to be an inexhaustible resource. He also commented that he has tried to be active in promoting personnel development, but also notes that the company is just in the beginning and that a lot more could be done to achieve the optimum level. He also distressed that training helps individuals become more in control of their work, which should, according to him, increase the enjoyability of work. Based on this he also sees that the company should invest in training that concentrates on studying the local business area. He expresses that:

I think that you enjoy your work significantly more if you know your business… if you know your competitors, customers, technology and the people. We should invest in that you study these things. I would like to see that our employees in for example in Tampere area know everything concerning our business. I mean they know what competitors and customers are doing, what they are planning, who are in charge and so on. The sense of being in control is much greater.

To achieve this, the CEO believes that for example unit mangers should be in charge of educating their employees in discussions because such things cannot be learned in courses or out-house training programs. From the perspective of managing commitment through training, such specialized knowledge according to Pfeffer and Veiga (1999) does affect continuance commitment because if the employee would leave the company to for example a company in different area, the learned knowledge on the business in one area is not easily transferable. However, although normative commitment is not the most ideal component of commitment from the organization’s perspective as was concluded in the theoretical framework, it still is an essential part of commitment. Thus such plans should not be overlooked simply because may not affect the most desirable component of commitment, affective commitment.

However, not all of the managers were so convinced about the affects of training. Some of them thought that as HR practice training does not foster commitment or does so just a little. These opinions in a way correlate with those of Whitener (2001) who argues that
the effects of training on commitment are minor as training activities occur relatively infrequently, if learning at work is not taken into consideration.

Most of the managers agreed that the global downturn has significantly affected the possibility to offer training. The CEO comments that “we are in a way living in a crisis situation. We do not have days or even hours time to concentrate on such things. Currently we have to invest all our efforts in income generating work.” These comments correlate with the findings of Pfeffer and Veiga (1999) who suggest that companies do reduce training in times of economic stringency. They however believe that it is due to the problem of assessing the value of training with ROI calculations, which eventually lead to questioning the importance of the practice during more challenging times. The actions of the company are however understandable because of the severity of the effects of the downturn. Although, such actions can be explained by a lack of understanding or measurability, these findings further emphasize that commitment in general has been studied during more positive economic situations. Contrary to others opinions, one of the managers made a valid point that the company should concentrate on offering practices that develop the personnel. He believes that decreasing such practices could be interpreted as lack of effort from the company’s part in giving the necessary support and thus these individuals might be more tempted to leave the company once the expansion begins.

However, as part of the cost saving program the company encourages employees to attend for example post-graduate training. The managers also added that training possibilities for the laid off employees are also limited because institutions accept only employees who are currently working. Thus, if the employees would like to attend a training program willingly, they are not allowed due to the policies of the training institutions. Then again if the company has work for them, they surely are not going to put them on training but to the income generating work. The managers complained that institutions offering training have totally misunderstood the needs of companies in the current economic situation.

The opinions of the chairman and the CEO on whether training has increased or decreased during the global downturn were mixed. The chairman believes that there is more time to train employees while the CEO emphasized that training has significantly
decreased. The difference in opinions can be explained by the fact that the CEO has been actively promoting training since he was hired in 2005. From the chairman’s perspective, training has increased over time, although in reality training has decreased during the downturn. Furthermore, the CEO and the executive group are responsible for organizing training and thus the chairman or the other board members might not be that informed about the current situation in practice.

From the perspective of fostering commitment, it was already concluded that by offering specialized training the company most likely increases continuance commitment. Then again by offering more generalist training, affective commitment can be fostered as the practices are more transferable. By offering personalized training the company should be successful in fostering affective commitment as the employees perceive that they are valued and their self-worth is increased. However, also normative commitment can be affected if the employee feels a moral obligation to pay back the offered education. (McElroy 2001) All in all, training is a method by which commitment can be affected easily if done properly so that the company is truly willing to offer it and the employee feels that it is in his or her best interest to attend it. According to the informants, the key employees seem to be in a relatively good standing when it comes to managing commitment through training.

To conclude, the case company has according to the CEO become more active in offering training to its employees. He felt that the company is in the beginning of that process and can do much more in the future.

5.2.3.4 Decentralization and self-managed teams

According to McElroy (2001) both decentralization and self-managed teams are practices that reflect organization’s faith in the contribution of its employees by delegating decision-making authority down to the lower levels of the organization. According to the informants this is precisely what the case company tries to emphasize in its business model. One of the managers concludes that:

…we set their [key employees’] goals and they have to decide how they are going to reach those goals. For example, we cannot expect our CEO to know the
local business well enough in Tampere and thus we need to have a local guy there, who has the authority to make decisions. Otherwise it will not work.

As was already explained, the company consists of a number of small business units located close to the customers. In order to control expenses, the business units are kept small and flexible so that they can react to the demand. According to one of the managers, the employees need to work as a team so that they can quickly come up with solutions to problem situations. Also Pfeffer and Veiga (1999) note that in organizations where levels of hierarchy are low employees can freely pool their ideas and come up with more creative solutions to problems.

To continue with the theme, it was also pointed out by the chairman that the successful running of a business unit requires extensive local knowledge, creativity and good contacts, something that can be achieved only locally. Therefore each business unit is managed by a unit leader who is responsible for unit profitability. This means that he takes care of sales, production, supply, customers and personnel among other daily routines. To be able to run the business, the unit leader has extensive decision-making authority as otherwise the business model would not work. Additionally, the company can save in costs as the extensive service network can be managed with just three layers of hierarchy; board of directors, executive group and unit leaders. This is in sync with the findings of Pfeffer and Veiga (1999) who suggest that companies that delegate decision-making authority, have reduced administrative costs as a result of fewer layers of hierarchy.

Flexibility and authority are not limited only to the unit leaders, as according to the CFO any key employee can greatly affect one’s job description and follow-up practices. He continues that in comparison with larger listed companies, the flexibility and scope (freedom to do things) on his personal experience, is far greater in the case company. He also notes that it was one of the reasons he decided to join the company in the first place, six years ago. According to him, the fact that key employees have extensive freedom in decision-making and that the board of directors backs up those decisions has significantly affected the low turnover in the executive group. The CEO adds that the company is an ideal surrounding for employees who want to take the responsibility for running new business units. These findings are in sync with those of McElroy (2001)
who suggests that commitment may increase as a result of employees feeling accountable and responsible for the operations and success of the company.

As was noted by one of the managers, not all employees can handle what is expected from them. In fact, the informants feel that it is very important for them to find entrepreneurial employees to key positions, who want to “decide and act” and who can enjoy the decision-making authority. The informants feel that they have succeeded relatively well in finding such employees, but also told of cases where employees have had well-being related issues caused by the amount of authority and scope. For example, there has been a case where a unit leader was in charge of small business unit and being overly committed, ran up with too many tasks. In another case, the unit leader had to simultaneously deal with relocating the unit to another location while dealing with a big investment and unit expansion at the same time. In both these cases the employees had stress related burnouts. To solve these problems, the managers had private discussions with these individuals. Also the executive training program was started in order to give the key employees tools for dealing with large amount of work and work related authority. The company has also reacted to such situations by rotating work or by relieving employees from their duties for a while.

Although, the current organizational model seems to work for now, the situation has been somewhat different in the past. When the chairman and founder of the company hired a new executive vice president (EVP), the atmosphere soon became inflamed. Previously, unit leaders had entrepreneur-like authority in running the business units. When the new EVP took more control of the company also decision-making authority was shifted towards him to which the unit leaders replied by “resisting” the changes. It could be assumed that the events had negative effects on the unit leaders’ commitment to the organization as the involved unit leaders have left the company. However, according to few of the managers, the corporate atmosphere has improved after the current CEO joined the company in 2005.

The current situation is that some of the key functions are centralized and the division of decision-making authority has been clarified. For example, at the moment the case company can much more efficiently utilize its order volume and standardize pricing. Also the distribution of work has become clearer now that authorities are clearly divided
between the executive group and the unit leaders. Since none of the current unit leaders have worked in the company during when the atmosphere was inflamed, it is unlikely that it has had negative effects on the commitment of the current unit leaders. As the decision-making authority has been more concentrated to the executive group, discordant notes arise every now and then. The CEO however sees such outbursts as positive sign of having recruited the right kind of people. The company is after all trying to find key employees who actively want to take responsibility and show their initiative and effort. Moreover the job preview has been different when compared to the one given before. Such developments do however emphasize how easily commitment can negatively be affected as was the case in the theoretical part with the example of a man quitting as a result of missed promotion. Maybe the situation, in the case company could have been solved by emphasizing the benefits of such actions by actively communicating the facts.

According to the informants, the downturn has had its effects also on this HR practice as the executive board has taken more control over decision-making process so that business operations run as planned. This is essential according to the informants as each expense has to be carefully evaluated by the company. However, this also means that unit leaders have more time to concentrate on finding new customers. Although their authority is slightly decreased, their responsibility in finding new deals and the willingness to show initiative and effort during such stringent times could overcome the negative effects of the decreased authority. Additionally, being more in control the executive group can try to encourage group effort and team work in finding solutions to the shared problems (Pfeffer & Veiga 1999).

From the perspective of managing commitment, the practices utilized by the case company have the premise to increase affective commitment via participation according to McElroy (2001). Also the fact that key employees have a variety of tasks as the job scope is extensive should have a positive effect on affective commitment (Hackett, Bycio & Hausdorf 1994). As the managers noted, the level of authority differs greatly from their previous experiences from larger companies where employees have far less authority as responsibilities are sharply defined. Thus continuance commitment could be increased if a key employee would perceive that the given autonomy would be lost if
he or she would leave the organization for another, for example a larger listed company, where employees tend to have less authority and narrower job scopes (McElroy 2001).

To conclude, it seems that the case company is actively delegating decision-making authority to its employees. As the company has tried both decentralized and centralized business models, the more decentralized model, where employees’ initiative and responsibility are encouraged through decision-making, is more favorable. Also one of the key employees, the CFO, acknowledged that one of the reasons for him to join the company is the fact that at least key employees enjoy a great level of freedom and flexibility in their work. By the same token, turnover in the executive group seems to be low.

5.2.3.5 Compensation

According to researchers (e.g. Parker & Wright 2001; McCallum 1998 in Chew & Girardi 2008) fair monetary compensation is the cornerstone of the contractual and psychological agreement between employees and employers. The informants believe that the importance of monetary compensation varies significantly between key employees. According to the CFO, monetary compensation can be more important to younger employees who have for example just bought a house and started a family than to employees who are about to retire who tend to appreciate other aspects of work. This finding corresponds with that of Parker and Wright (2001) who found out that compensation satisfaction explained only nine percent of overall employee commitment while other key drivers explained 53 percent.

From the employer’s perspective, monetary compensation is something that the case company has been careful with for number of reasons. First, emphasizing pay can lead to a situation where it stands out too much from the other HR practices, and could possibly lead to dissatisfaction if not constantly discussed. Second, the owners who hold key positions in the board, have been passive when it comes to discussing different forms of compensating key employees, especially different performance tied compensation plans. Third, the case company has enjoyed rapid growth the past decade, during which the company has expanded around Finland. To avoid possible cases of conflict between unit leaders, whose sales areas have decreased during this expansion,
the owners have decided not to create any performance based compensation plans, which could be affected by such developments. Fourth, since the profit margin for the case company and in the industry in general is low, owners are not in the position to make notable monetary investments.

Currently key employees are remunerated differently based on their experience and value to the company. These different methods in remunerating key employees are now examined in more detail one by one. According to the informants, the salary paid to key employees is better to significantly better than the industry average. This finding again correlates that of Parker and Wright (2001) who believe that compensation should be favorable to people doing the same work in similar circumstances. However, to be more specific, the reason for paying industry above salary is fourfold. First, the company does not have systematic performance tied compensation plan and thus employees are remunerated mainly via salary. Second, the CEO feels that the key employees are less likely to leave when they compare their above industry salary to the ones paid in open positions. Third, since the key employee group is relatively small, the company can afford to pay better salaries to a limited amount of employees. Fourth, most of the key employees have a number of responsibilities and thus need to be remunerated accordingly. For example, unit leaders are almost solely responsible for running their units. This finding is in sync with Parker and Wright (ibid) who note that employees have to perceive that the compensation they earn is in relation to the work they do.

As mentioned, key employees are compensated differently. This applies also to salary, which depends on performance and experience. The informants all believed that adjusting salary based on these dimensions is a fair and correct way to do. This is however, not in sync with the findings of Parker and Wright (2001) who suggest that compensation should at least compare to people doing the same work in similar circumstances. For example, unit leaders could possibly get provoked about the differences in pay, which could affect the perception of fairness. This in turn could affect unit leader turnover, which the company has dealt with extensively in the past. The CFO concluded that: “I do not see it [adjusted salary] as a problem. If we for example examine unit leaders, I do not know how aware they are of each others’ salary levels. I doubt that they talk about salary with each other and that the subject does not come up in discussions.”
In case of key employee salary claims, the CFO and the CEO are the one’s mainly responsible for negotiating possible raises. The CFO comments whether the possible raise is in line with other salaries and the CEO then decides the amount of pay raise. Sometimes, the executive group discusses the claims jointly. The chairman added that when it comes to key employee claims, he also expresses his opinion on the claim. Otherwise, neither the chairman nor the board takes part in salary negotiations.

Besides solving possible salary claims, the executive group has the possibility to recognize outstanding performance. The executive group or the CEO can for example grant bonuses such as “thirteenth’s month salary” to employees in an outstanding business unit or can also recognize individual performance. However, besides salary and non-systematic bonuses, the case company does not have other systematic compensation options in use. Since the discussion often ended up in different performance tied compensation plans, some of these findings are presented next. After all, researchers (Bassi & Van Buren 1999 in Chew & Girardi 2008; Boyd & Salamin 2001; Stein 2000; Parker & Wright 2001) have shown that companies which provide superior remuneration packages for key employees can expect greater organizational commitment and economic success. Thus it is interesting to see, especially in a family business, what are the thoughts on compensation plans that essentially eat up owners’ profit if the positive effects via increased commitment are not taken into consideration.

As one of the managers concluded, the case company is the leading service provider in the industry and seen as a forerunner in creating new practices and policies. According to him, this means that the company can come up with innovative compensation solutions among other things and therefore distinguish itself as an industry leader. However, when it comes to for example employee stock ownership plans that according to Meyer and Allen (1997, 77) increase commitment, the company has been passive in discussing them. The situation is somewhat extraordinary as according to the CFO, 70 percent of companies in the industry have such compensation plans in use. The only exception that came up in the interviews is that the CEO’s compensation is partly tied to the company performance. According to the owners, the company has established voluntary pension insurances to some of the key employees. Usually these insurances come with diverse conditions; for example, the employee will forfeit his/her right to the insurance, if he/she decides to leave the company before an agreed date. As the plan
obligates employees to stay in the organization for a certain period of time, continuance commitment might increase as the cost of leaving the organization is increased (Meyer & Allen 1997, 57).

The reason why such plans are not in systematic use was already touched upon earlier when discussing about monetary compensation in general. The chairman concludes that the problem in utilizing such plans lies in the fact that the company has grown rapidly from a workshop in Central Finland to a consolidated corporation with 12 business units around the country. If there would have been a compensation plan in use, the rapid growth would have forced the management to revaluate the plan almost constantly as sales areas changed when new business units were opened. A worst case scenario according to the chairman, of which there are at least two examples in other companies, would have been that the disputes concerning compensation would be settled in court. Therefore, the chairman has avoided plans that tie compensation to performance and favored salary instead.

The informants felt that if a compensation plan would be realized it should be targeted to key employees as otherwise it would be too expensive. The CEO explains:

If you give a thousand Euros to 300 employees, it is 300,000 Euros. Then you have to add social security payments, so in total it is 400,000 Euros and it is quite a big part from our yearly profit… and after all it is only a thousand Euros per person. So what are the effects? Previous fiscal period went well and three to four months later one receives a thousand Euros, of which 500 Euros are taxes… and it is 15 percent of our best net profit. The efficiency ratio is just bad. It is like putting money to charity.

However, the CEO believes that instead of targeting the compensation plan to entire personnel, which he concluded to be ineffective, it could be effective when targeted to a smaller group such as key employees. The managers thought that by implementing the plan with for example key employees in mind; it would not be that expensive. They also believed that by tying compensation to performance, the company can get more out of their employees who would be willing to walk the extra mile, which is in sync with the findings of McElroy (2001). One of the owners also thought that during harder times,
performance tied compensation would be beneficial also on lower levels of hierarchy as employees would be more likely react to changes in for example production. Production managers could for example react to decreased orders more willingly by laying off production workers. According to him, key employees would become more responsible for their actions and the money they make.

One of the managers added that a compensation plan could become handy as the economy takes a turn for the better. He believes that key employees who did not get in on the profits during the previous expansion are not willing to continue in the company once the next expansion begins. He reasons that during the downturn the company has asked the employees to make disadvantageous decisions in for example, laying them off, and therefore he believes that the employees should be awarded for their actions. This finding is in sync with that of Meyer and Allen (1997) who suggest that employees who perceive the employee-organization relation to be unjust are less likely to continue working in the organization. Although most of the managers believed that compensation plan could decrease especially unit leader turnover some skepticism also appeared. The CEO for example noted that to a unit leader who builds an eight million business from scratch, thousand Euros a month or a year would make no difference in the long run and thus the positive effects on employee turnover would be short-lived. Thus he emphasizes that compensation plans should not be stressed too much and that the company should stress also other practices. This comment is consistent with the findings of Meyer and Allen (ibid, 78) who note that such plans are not sufficient in increasing commitment, but require other practices to be in place such as the ability to participate in decision-making. In fact, Caldwell, Chatman and O’Reilly (1990) have found out that too much attention on the financial side of the plan is more likely to decrease affective commitment or lead to the development of other forms of commitment.

When asked whether the owners are interested in starting to consider a compensation plan, two of them thought that it is not a current issue, but could be a possibility during the beginning of the expansion. Contrary to these opinions, one of the owners thought that the company should already start pondering the possibility of implementing such plan. Overall, none of the informants rejected the idea of a compensation plan. The informants also thought that the compensation should be tied to both unit and overall
company performance thus avoiding possible unjust differences in monetary compensation. The CFO also added that there should be different goals such as achieving personal development and sales goals so that both organizational and personal development is taken into consideration. This is in sync with Stillwell (2002) who suggest that compensation should be determined together on the performance of the employee and the organization.

According to the informants, the downturn has affected compensation in number of ways. First, the company has been forced to lay off employees, which naturally means that their income is negatively affected and the psychological contract between the employee and the employer was broken (Meyer & Allen 1997). Second, as there is no performance tied compensation plan in place, the downturn has not had a negative effect on the income of the employed as the salary is fixed, which could be seen as a positive thing. The informants believe that the steady income therefore gives a sense of security to the key employees. Third, bonuses are not paid and thus outstanding performance is not recognized monetarily. Fourth, performance tied compensation plans become more current as the key employees’ disadvantageous actions should be compensated in the future. Fifth, the managers however are not interested in developing a compensation plan or other innovative solutions because all the available time is put into cash flow producing work.

To conclude, it seems that as a family business and due to the nature of the industry, the case company has been quite careful in implementing versatile compensation plans. It also seems that the relatively passive approach has worked thus far, but can prove to be unfavorable in the long run. After all, the company needs to somehow solve the high turnover among the unit leaders as well as try to compensate disadvantageous actions taken by the key employees during the downturn. On the other hand, by targeting a relatively small group of key employees with performance tied compensation plan can be both inexpensive and successful from the perspective of fostering commitment. After all, research (Parker & Wright 2001, 73) has shown that companies providing superior remuneration packages can expect commitment to improve, which in turn positively affects retention and employee morale. At least the foundation for future experiments seems to be well-grounded, as none of the informants saw compensation as an expense but an investment to the personnel.
Assessing employees’ performance, efforts and capabilities is done according to the company policy at least once a year in face-to-face assessment discussions held by the superior. According to the managers, superiors do however deviate from the policy; some hold conversations twice a year while others may unfortunately skip them entirely. Although there might be differences in following the policy, discussions with key employees are held at least once a year.

From the perspective of fostering commitment, having such conversations is important for three reasons that have been shown to decrease turnover (Davies 2001 in Chew & Girardi 2008). First, the superiors try to form a picture of employee’s current capabilities. Based on these findings and on employee’s expectations of their careers the need for training is assessed. Second, by discussing the previous year and the year ahead, the employee gets a better picture of how his or her efforts are aligned with the set goals. According to the CEO also misunderstandings can be avoided by going deep into the subject matter. Third, by discussing about achieving goals, key employees overall performance can be assessed and compared with for example last year’s sales, for example in the case of a unit leader.

One of the managers also believed that assessment discussions are important because the decentralized organizational model complicates daily feedback and quick face-to-face discussions. It was however also noted that employees do understand that the senior management works at different level and cannot be present at different units all the time. It however goes without saying that superiors who are in day-to-day contact with their employees have a better understanding than the ones located elsewhere. Also the manager-subordinate relationship was commented being less formal, which could make assessment discussions easier for both parties.

The CEO continues that although assessment discussions are important to experienced employees they are especially important to the less experienced, younger employees. He believes that instead of acting as a referee, the discussion can take a more guiding tone. To avoid possible misunderstandings setting concrete goals for employees also helps, according to the CEO employees in understanding the required efforts for achieving
next performance levels. Otherwise, employees might get too comfortable in achieving the same performance level for example in sales, instead of taking the business to the next level.

When it comes to the value of verbal and monetary recognition, all of the informants saw verbal recognition to be more valuable and important. However, the informants felt that for Finns it is easier to reward monetarily than verbally. According to one of the informants: “in the strategy meetings, where we discuss upon performance evaluations and such with the unit leaders things have gone well… but the Finnish nature is such that we tend not to praise enough and instead focus on the challenges ahead.” From the perspective of commitment, the managers should concentrate on praising performance, since for example Chew and Girardi (2008) have found out that recognition from managers enhances commitment.

The informants thought that the global downturn should prompt an increase on recognizing success, as for example unit leaders have to work twice as much to get new deals. The chairman and the other managers in general however felt that although they should recognize success more, it is unlikely that they remember or that they have the time to do it. Thus in general recognizing and assessing performance becomes more challenging. One of the managers also noted that they should increase such support, because otherwise key employees might feel that they do not get enough attention and support. As a result of this it could be more likely that they will leave the company during the next expansion. The CEO also added that since the company resources are diminished the verbal appraisal should become the main method for recognizing success as the company cannot distribute monetary bonuses.

To conclude, the case company has a policy for assessing individual effort, performance and capabilities. Although assessment discussions are not necessarily held yearly with all employees, it seems that such discussions are held yearly with the key employees. Additionally, superiors who are in day-to-day contact with people below them can naturally recognize success daily if appropriate. The managers felt that the decentralized model does however complicate the process and further elevates the value of assessment discussions. In general, the global downturn increases the need for verbal recognition as monetary resources are diminished, but according to the informants, such development
is unlikely due to the “Finnish nature”. To summarize, based on the findings assessing and recognizing performance verbally could be emphasized more in the future. It is a practice that takes little effort and is utilizable even during the most stringent times.

5.2.3.7 Sharing of information

According to Pfeffer and Veiga (1999) open communication and access to information are practices that send a message of trust to employees. Based on the answers, the case company emphasizes open communication and access to information differently as well as unequally on different levels of hierarchy.

The managers see access to information as job centric, meaning that access to certain data, such as material prices, unit profitability and margins, are limited mainly to key employees. The reason for limiting data for example from production personnel is to avoid possible leaks of information to competitors or to suppliers. However, the key employees’ access to data is not limited. For example, unit leaders are aware of the overall status of the company as well as the business units individually. Another reason for differentiating employees when it comes to access to information, is that key employees in general hold positions where critical information is necessary for fulfilling one’s duties. For example, as was previously concluded, the organizational model appoints unit leaders to a position where they are responsible for knowing the local business, customers and have the authority to make decisions based on their view on things. In order to succeed in decision-making they must have an access to information so that they can make better decisions.

When it comes to open communication, the managers felt that the senior management is quite active in communicating information down to the organization. The board of directors has board meetings eight or nine times a year where company matters are jointly pondered. The CEO acts as an introducer in these meetings. The executive group, of which most of the key employees are part of, have meetings at least monthly. Information from these meetings are then communicated via for example the unit leaders to different parts of the company. For unit leaders, the executive group prepares information packages, which they are expected to present in their business units.
The managers feel that by openly communicating information is paramount for a number of reasons. First, employees become much more aware of the reasoning behind decisions, which according to Meyer and Allen (1997) overcomes the secretive atmosphere. From the perspective of managing affective commitment, it can be managed by affecting perceptions of fairness and trust. Besides increasing affective commitment, the perception of fairness according to McElroy (2001) can lead to normative commitment by causing spill-over effects to moral obligation to reciprocate. Second, when openly communicating company problems, they become more collective. Therefore, employees can more actively find creative solutions to problems rather than wait for the “eventual” bad news. (ibid) Third, open communication also helps the management to stir the employees especially during more stringent times, when work input becomes even more important. Fourth, according to the CFO open communication is also effective against rumors. To rectify the hearsay the company can actively communicate the truth to the employees. Fifth, open communication is also something dictated by law for example during codetermination negotiations.

According to the informants, the global downturn has clearly increased the priority of open communication. The chairman points out that “we try to strengthen communication. It is now more about waking people up to the reality and distress that we are not dancing on a bed of roses any more than before… this is serious business.” According to one of the managers, one of the benefits of openly communicating the effects of the downturn is that employees have put their differences aside and are working as a team. The manager continues that: “…matters come up more quickly now and thus we can disentangle and have an influence on them quicker.”

The CFO also added that the executive group has tried to be present at weekly and monthly meetings in different business units. Members of the group answer questions and explain the reasoning behind decisions concerning for example the codetermination negotiations. The CEO also noted that: “when expressing the severity of the current situation one has to be extra careful. One can for example depict the situation to be alarming or just a minor distraction.”
To conclude, the managers regarded access to information and open communication differently. From the perspective of key employees however, both practices seem to be executed actively and should have the basis for fostering affective commitment.

5.2.4 Synergies

As was concluded in the literature review, no single practice can affect commitment as much as a bundle of practices; a commitment HRM system (Torrington et al. 2005, 227; Whitener 2001, 517). It was then reasoned that for such a system to work, the senior management should be responsible for the implementation as they are more familiar with the overall strategy of the company, which the general commitment strategy reflects. Actually, one of the reasons for choosing single case study as the method of research was that, otherwise a rich depiction of the synergies would have been lost, if the study would have concentrated on multiple companies.

The eleven synergies that came up in the discussions are introduced next. In addition to the synergies that are already present, the study will introduce synergies that could be expected if the informants choose to fulfill some of the practices, such as training and compensation differently. As the synergies vary on magnitude and on context, their presentation may appear disorganized, but at the same time this emphasizes their ‘fuzzy’ nature.

First, a synergy between sharing of information and employment security can be brought up. The informants conclude that by openly sharing information with key employees, they become more aware of the situation. For example, during the downturn, the company can distress the bad economic situation and encourage employees to give their best in order to avoid possible layoffs and termination of contracts.

Second, a link between employment security and assessment identifies assessment discussions as ways for the superior to encourage employees to strive for the next performance level. Without such discussions employees could get into a rut and thus be the first ones to be laid off or fired if such adjustments are needed. When the employees
are more aware of their performance and what is expected from them, they can contribute to their own fate.

Third, it seems that employees who are recruited with the job fit in mind are more likely to be employed in the company in the long run as they have the right characteristics for that particular job. Therefore a relation between selective hiring and employment security can be highlighted. One of the informants concluded that “we are more likely to favor those key employees [in codetermination negotiations] who are recruited to a job with certain characteristics and who have shown with their ‘earlier’ performance that they can do nicely.”

Fourth, one of the managers concluded that if the case company can overcome the downturn without significant layoffs and contract terminations, i.e. by offering employment security, it will be more valued among people. As a result the case company could have a larger applicant pool as it is more desirable workplace and the hiring process could become easier and include more quality applicants.

Fifth, by paying above industry salary the case company can lure quality applicants when recruiting employees especially in remote areas. Additionally, the better pay might encourage employees to continue their careers in the company when they compare it to other companies in the industry. By introducing a performance tied compensation plan, the synergic relation between selective hiring and compensation can be further strengthened.

Sixth, by including assessment discussions in the assessment procedures, the case company can effectively define individual training needs. Without having such deep discussions on a regular basis, one’s needs would not necessarily come up in day-to-day conversations, ultimately affecting personal development adversely. Additionally, supporting training with assessment discussions makes the development of different courses easier when one understands what is expected at different times. An important aspect especially when tinkering between generalized competence and specialized skills.
Seventh, as was suggested by the CEO, the company could emphasize training on business knowledge that could help individuals become more “in control” of their work and thus help one enjoy one’s job more. To do this, the company should increase the access to data (sharing of information) as otherwise the creation of an “atmosphere of knowledge” would not be possible.

Eighth, by offering meaningful training possibilities the case company can improve its reputation and increase its attractiveness as an employer in the eyes of applicants, which should affect selective hiring positively.

Ninth, according to the CEO dissenting opinions are often solved by openly discussing the facts behind the decisions. He concludes that:

“When we have all the facts on the table and experienced people go through them, the decision is often the same. Controversies and differences in opinions often result from the fact that one does not know what another one knows. That is why I have tried to create a culture where we discuss and go through things so that both see the situation the same way and agree how it is handled.

Thus it seems that by openly sharing information employees can together with their peers utilize the extensive decision-making authority together, which ideally strengthens team work and encourage employees to take responsibility.

Tenth, if the case company would choose to implement a performance tied compensation plan for the key employees, they could become more active in making decisions that affect company performance as was suggested by one of the informants. For example, production managers could presumably adapt the capacity to the changing demand more promptly if their compensation would be based on performance rather than on a fixed salary. By using the extensive decision-making authority, key employees could improve the amount of compensation paid to them, thus highlighting a synergy between decentralization and compensation.

Finally, according to one of the informants, the company should encourage unit leaders to communicate with each other also horizontally, meaning that they could together
decide which projects to carry out in which unit. By dividing projects, the organization could become more effective as more projects could be carried out as well as concentrating projects to units where they can be implemented the cheapest. If implemented this way, there would be a clear synergy between self-managed teams and sharing of information.
6 CONCLUSIONS

6.1 Summary

The purpose of this study was to provide a description of why and how would an organization use human resource practices in managing organizational commitment? The phenomenon was researched in a Finnish medium-sized service company. The main research problem was approached with four sub-questions.

- Why employees become committed to an organization?
- Why employees’ commitment matters to an organization?
- How and with what commitment can be fostered and managed?
- What is characteristic to these practices?

The theoretical part of the study was built on commitment and HRM literatures. The part dealing with commitment literature was based on Meyer and Allen’s (1991, 1997) conceptualization of commitment, the Three-Component Model of Organizational Commitment. Additionally, literature that both criticizes and builds on Meyer and Allen’s model was used, especially to support the part where the different HR practices were discussed. The HRM literature was based mainly on studies by McElroy (2001), Pfeffer and Veiga (1999) as well as Whitener (2001) and Chew and Girardi (2008). The interest of these studies was mainly on managing organizational commitment through HR practices. After extensively reviewing both commitment and HRM literature, a theoretical framework was build to guide the study. The framework acted as a basis for collecting and analyzing data, the empirical research. By closely consulting the theoretical framework during the study, it was ensured that the study has been successful in achieving its goal. The findings will be summarized next.
6.2 Answering the research questions

Why employees become committed to an organization?

Two distinct types of opinions could be formed about why employees become committed to the case company. While the owners thought that commitment is natural as one is engaged both financially and mentally, the others highlighted several matters that are in sync with the findings of researchers (e.g. Meyer & Allen 1997; Purcell, Kinnie, Hutchinson, Rayton & Swart 2003):

1. Feeling of belonging
2. Inner motivation to work in such an organization
3. Different elements in the organization
4. or in the task

Interestingly, it could be concluded that those who own company shares see commitment differently than those who do not. This could essentially affect how commitment is managed in the organization, especially when owners are members of the board and have great influence on long-term plans. As they may perceive commitment as something that is “natural” or “comes naturally” they may not always appreciate the fact that employees may need to have their commitment managed.

Another interesting finding is that the informants also identified different forms of commitment (e.g. workmates, customers, atmosphere, managers and so on) to be reasons why employees become committed to the organization. This finding could be explained by the fact that commitment to an organization might be understood as overall commitment to the company and that the different forms of workplace commitment are just sub-forms of the organizational commitment. This further explains how complex the commitment phenomenon is and thus how hard it is for managers to manage it, although in academic literature the different forms of commitment could be discussed easily (e.g. Meyer & Allen 1997; Meyer & Herscovitch 2001).
As the underlying mechanism in commitment is reciprocity, organization according to Angle and Perry (1983) have to meet its obligations for fulfilling the psychological contracts. The informants identified the reciprocal relationship by listing a number of benefits that are congruent with those of researchers (e.g. Meyer & Allen 1997; Purcell, Kinnie, Hutchinson, Rayton & Swart 2003). These included:

1. Possibility to ascend faster in one’s career
2. Better salary
3. More employment security also during poorer times, such as these
4. Develop one’s skills
5. Be able to build impressive track record
6. Have excellent working conditions and a great work atmosphere
7. Be able to work flexibly and test one’s limits.

These benefits are mostly offered to the key employees, whose commitment the case company is managing. To confirm their true existence, all of them were identified in the discussions concerning the different HR practices with each of the informants.

**Why employees’ commitment matters to an organization?**

The discussion why employees’ commitment matters to an organization often began with the notion that committed employees act as representatives of both the employer and the shareholder. However, in practice the role of a representative seems to influence to three themes also found out by researchers (Meyer & Allen 1997, 25): employee retention, performance at work and employee well-being.

From the perspective of employee retention, commitment matters at least for two reasons. First, although the company has more than a hundred employees and several business units around the country, there is a core of key employees who are seen to be vital for the continuity of the business. These individuals are not necessarily managers, although most of them seem to be and thus cannot be identified by rank. Due to the limited nature of this group, implementing a set of HR practices through which to manage their commitment is paramount as otherwise the business could be harmed. Additionally, implementing practices for a limited number of employees should not be
costly when compared to programs where the commitment of the entire personnel is managed.

Second, employee turnover in general is dysfunctional and thus organizations should hold on to their key employees (Meyer & Allen 1997, 26; Torrington et al. 2005, 167). From the same perspective, the informants commented on unit leaders’ turnover which has been high. The problem in losing unit leaders is that with them a great deal of knowhow and profitable customer relationships are lost. In case the company wants to duplicate its network around Finland and to abroad, managing unit leaders’ commitment with a set of HR practices becomes crucially important.

When commenting employee performance, the informants touched many of the findings of Meyer and Allen (1997, 34) on in-role and on extra-role performance; aspect of assessing the link between commitment and performance. The informants for example believed that a committed employee:

1. is more flexible about his or her working hours
2. and duties
3. does his or her best at all times
4. does quality work indicated by correctness and timeliness
5. achieves his or her goals
6. provides extra help
7. takes part in problem solving
8. is a positive person

The informants thought that in practice this could mean that for example the more committed unit leaders would take more responsibility of unit profitability. Furthermore, unit leaders’ commitment from this perspective becomes more important if the case company would like to duplicate its business as stated before.

Lastly, according to Meyer and Allen (1997, 37) commitment has implications on employee well-being. The informants noted that committed employees have less well-being related issues and are on sick leave less frequently. However, the CFO also noted that committed employees are not “issue free” as some have had stress related burnouts.
This finding is in sync with Meyer and Allen’s finding that a very strong affective commitment to the organization might actually have such harmful consequences (ibid).

_How and with what commitment can be fostered and managed?_

According to Arthur (1994) those that tend to support commitment systems instead of control systems are more likely to believe that a successful business strategy requires a unique set of employee behaviors and attitudes and that a set of HR practices will elicit those behaviors and attitudes. Arthur continues that companies tend to choose between commitment and control systems based on certain organizational conditions. Based on the findings on characteristics expected from employees (*personal autonomy, flexibility of one’s work, being responsible, being a hard worker and achieving one’s goals*) three organizational conditions were identified that speak for choosing a commitment HRM system in the case company:

First, **organizational model is dispersed**, meaning that the company consists of twelve business units that are led by unit leaders. In order to succeed in running the business key employees need to have _extensive personal autonomy_ and _flexibility_ in their work, conditions that according to Meyer and Allen have been shown to affect commitment (1997).

Second, the owners have not defined the future of the business, which gives at least key employees _freedom to affect the outlook of the business_ in the future. For example, the company could concentrate on other businesses besides its primary business if applicable ideas and people were available. _Being responsible_ and trusted have been shown according to Meyer and Allen (1997) to affect commitment positively and were widely discussed in the theoretical part of this report.

Third, since the founding of the company, the recruitment process has been focused on finding _entrepreneurial individuals_, who according to the CEO appreciate hard work and are not “only dreamers”. Thus an essential part of being part of the key employee group is to work hard for _achieving one’s goals_ and to earn one’s place among the ones whose commitment is managed; a finding that is in sync with Torrington and others (2005, 414).
Based on the findings the case company is managing its key employees’ commitment with the HR practices chosen for this study. This finding is in sync with the findings of researchers (Meyer & Allen 1997, 66; Chew & Girardi 2008) who suggest that commitment can be managed via carefully chosen HR practices. However, as these practices are part of every business operations, not utilizing them would be almost impossible at least to some extent. Thus each practice was evaluated independently to see how active the company has been in utilizing them and how this has been done.

To summarize on the HR practices it could be stated that the case company emphasized some of the practices more than the others based on the organizational conditions identified above. The company was active in employment security, selective hiring, sharing of information and decentralization and self-managed teams. Then again, based on the literature, the company could activate more in coming up with innovative compensation plans especially if it wants to affect unit leaders’ commitment. However, the chairman concluded that the general attitude towards such plans has been passive. Additionally, the company could activate more in training, which is already in the agenda of the CEO. Although there seems to be company policies for assessment and recognition, implementation of these practices in general remained vague.

An interesting finding was also the fact that when discussing about commitment in general with the informants, it was almost instantly noted by most of informants that the case company does not have a systematic performance tied compensation plan. The reasons for referring mainly to compensation when talking about commitment is worrying because it has been shown to explain only nine percent of overall employee commitment while other key drivers explained 53 percent (Parker & Wright 2001). Reasons for perceiving monetary compensation for managing commitment can be multiple but at least two were identified. First, since the case company does not a systematic compensation plan, discussion could often lead to the lack of it, especially when it is so widely in use in the industry. Second, such plans have been discussed widely in public, which could affect the priority for discussing the lack of such a plan. Third, understanding the effect of monetary compensation in fostering commitment is far simpler than understanding the link between for example training and commitment, which underlines the complex nature of the phenomenon.
Interestingly, besides commenting the practices introduced in this research, the informants were able to come up with only a single practice that is not introduced in the theoretical part of this report; managerial work. Whether it is a valid HR practice is not discussed in this study, but it is according to the CEO something that the case company is focusing on. He justified this by stating that employees tend to be happier if they have better managers. From this perspective however, managerial work could be understood as a form of commitment rather than a HR practice (Meyer & Allen 1997, 2). From another perspective it could be a byproduct of successful training. In any case, focusing on managerial work cannot be overlooked as handling a phenomenon such as commitment requires understanding complex perspectives.

What is characteristic to these practices?

As no single practice has the same kind of positive effect on commitment than a “bundle” of practices, synergic relationships between the different HR practices were studied (Torrington et al. 2005, 227; Whitener 2001, 517). Surprisingly, eleven such synergies were identified by only interviewing the informants, suggesting that more synergies between the practices could be identified by more time-consuming methods such as observing. Finding such synergies is important because otherwise the chosen HR practices are not fully utilized. However, from the perspective of managing commitment, involving the board of directors only in discussions concerning monetary compensation is not advisable. If the board members are only interested in the monetary side, their understanding of the effects on other HR practices remains limited. In the long-run this could have an effect on the general commitment strategy as the members can only assess the effects of the monetary compensation on commitment. Therefore, as suggested by researchers (Torrington et al. 2005, 227; Whitener 2001, 517) the senior management should be responsible for implementation of all practices, especially when the owners have such a great influence on long-term decision making.

As suggested by researchers, no universal set of HR practices can be applied as every organization and its employees are unique and thus a set of HR practices that will result in high commitment is unique in each company (Torrington et al. 2005, 226). Thus the phenomenon was decided to study in a particular company. The case company is
implementing the different HR practices in different ways. For example, although many
competitors do have systematic performance tied compensation plans, the case company
does not. Then again, the case company has implemented a management training
program to support employees in becoming better managers and to deal with stress
related issues. Since each HR practice can be implemented in multiple ways, also
adapting the theoretical part of this study to the empirical part proved to be tougher than
expected. This further underlines that commitment is a complex phenomenon both
academically and in managerial work.

Lastly, maybe the most interesting finding is the effect of the downturn on managing
commitment, a topic that has not received a lot of research attention. It was already
clear before interviewing the informants that the downturn has had an effect on
managing key employees’ commitment, as the company did not grant an access to the
employees whose commitment the company is managing, CFO and CEO excluded. In
the actual interviews the main problem that often came up was that the downturn has
forced the company to break the psychological contract between the employee and the
employer as it has had to lay off employees. This finding correlates with the research
done by Meyer and Allen (1991, 1997), who suggest that the underlying mechanism in
commitment is reciprocity. This according to the informants clearly affects commitment
as employees can now justify the process of finding a new job more easily. Although
managing commitment has been mainly negatively affected by the necessary financial
adjustments (compensation, assessment and recognition, training, and employment
security), few HR practices were not that greatly affected. For example, decision-
making authority (decentralization and self-managed teams) was only slightly shifted
towards the executive group. Although recruitment was almost halted the process itself
was not greatly affected. It seemed that the main effect was on extra-carefulness of
finding the right kind of people. The only HR practice, which was “positively” affected,
was sharing of information. The informants believed that by providing information
about the effects of the downturn only made employees to work harder and put their
differences aside.
6.3 Managerial implications

In the beginning of this report certain managerial questions were introduced. These questions were addressed throughout the report. However, discussing the managerial implications in more detail highlights some issues that might be of interest to the company. To begin with, if commitment has such profound effects on employee behavior in the workplace, managing it is paramount irrespective of the economical climate. Meyer and Allen (1997, 39) noted that to foster even modest commitment is impressive. Thus managers evaluating their success in managing employee commitment should understand that to be able to affect such a complex phenomenon at least a bit, should be seen as a major breakthrough. Making significant changes is not what managing commitment is about, it is about long-term focus that is often overlooked in today’s business.

Being part of the long-term view means that commitment should be discussed in the senior management level. Since the company has both experience and youthfulness in the executive group and in the board of directors, limiting the discussions only to few individuals is not advisable. As was learned throughout this study, managing commitment is much more than compensating people. To understand the differences in needs between younger and older employees requires representatives of both groups. Thus the researcher would like to encourage the senior management to discuss the phenomenon jointly without limiting information or concentrating on a certain HR practice; for example monetary compensation.

Besides discussing the different HR practices, the researcher would like to encourage the senior management to jointly identify key employees whose commitment is managed. On the basis of the interviews, the researcher was not fully convinced whether there is a consensus on the employees whose commitment the case company is managing. Such a consensus is essential if the company wants fully utilize the different practices and their synergic relations.

From the perspective of jointly agreeing on whose commitment the case company is managing, the owners can be more aware of the costs associated with the different
practices. By making the commitment management process more calculable it becomes more concrete and thus more convenient for the owners. In deciding, the group of key employees, two things should be taken into consideration as suggested by the findings. First, tying commitment management to the long-term strategy is essential so that effort is not lost on things that seize to exist in couple of year’s time. Second, how much does the company want to invest in commitment management. If the group is large, such as the whole personnel, for example bonuses can become a burden. If the group is small, more time, effort and precision can be implemented with fewer resources. After all, commitment is a complex phenomenon as it is more effective in dealing with individuals rather than groups.

To set the record straight, commitment is not about motivating employees. Motivation, as it was referred by most of the informants when talking about commitment, is a short-term process. In commitment, one has to take into consideration factors such as the different components, the antecedents and forms of commitment. Thus commitment is seen as a phenomenon that takes significant management effort and is therefore for more complex than motivation.

As already discussed above, the interviews often ended up in discussions of the performance tied compensation plans. The researcher again likes to remind, that a combination of key drivers of commitment is seen to explain 63 percent of the employee commitment of which nine percent was the result of compensation satisfaction. The researcher suggests that the company takes also more into consideration the other practices discussed in this report as they are not necessarily fully utilized. As suggested by the CEO, with for example training one can affect many things without significant investments.

However, before starting to ponder different HR practices in more detail, general attitudes especially from the owners’ part towards the phenomenon should be mapped. If the owners do not perceive the positive effects of these practices, developing them will at least at some point come to a halt due to for example limited resources. Although, both the theoretical and the empirical parts of this study indicate that there are benefits for the company, and thus for the owners, it could be assumed that active participation in discussions from the owners’ part is essential. The researcher believes
that owners’ proposals could make the subject more approachable from the manager’s perspective.

Another interesting topic for further discussion in the company is the extensive employee turnover among the unit leaders. According to the informants this turnover has been dysfunctional and should thus be addressed especially if the company wants to duplicate its business to other locations. Hopefully, the HR practices touched here guide that discussion to solve the situation. The researcher thought that the company could for example change its business model so that if one unit leader leaves, there would be another one familiar with that area, a sort of a substitute system. Another issue that was touched in this study is the fact that Finland is going to experience labor shortages in the upcoming years especially in remote areas. Thus the company should take this problem seriously, as it has a direct effect on access to quality employees.

In general key employees’ commitment was managed quite diversely. However, whether this depends simply on some organizational conditions, such as decentralized business model, rather than on a conscious process, cannot be determined here. The researcher however believes that whether conscious or not, this research report helps managers to understand the reasons why their employees become committed to the organization.

### 6.4 Suggestions for further research

Although many researchers comment that commitment is a topic, which has been extensively researched, some topics for further research can be identified. Firstly, as it seems commitment is mainly researched during expansions, which does leave a significant gap to the literature. Thus more in depth studies on the effect of downturns on commitment and how it can be managed are needed.

An interesting topic for research is the difference in effect between conscious and unconscious management of commitment. Naturally, the effects of unconscious commitment management can be expected to be short-term, but then again choosing for example an organizational model that greatly affects commitment via different practices
can be a long-term affecting factor, although might have been implemented unconsciously.

It would be also interesting to understand the effects of ownership on managing commitment. As concluded above, there could be differences how listed and family companies manage commitment.

Lastly, it would be interesting to see more in depth studies of the phenomenon in Finnish companies. It is surprising that the Finnish literature on commitment and especially on managing it is almost non-existent. Researching the phenomenon in a Finnish Protestant organizational culture, contrary to researcher’s expectations, did not complicate studying the subject. In fact the informants were very comfortable discussing the complex phenomenon. Thus the researcher would like to see more academic contributions towards the subject matter in Finland.
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Literature


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APPENDICES

APPENDIX 1: Conceptualizations of commitment HRM systems

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