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HRM System Strength and Psychological Contracts: Unveiling their Role in Employee Work-related attitudes and Behaviours in Pakistani Family Firms

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ABSTRACT

Purpose: The concept of Human Resource Management (HRM) system strength has gained importance for its potential in shaping employee perceptions, work-related attitudes, and behaviors. Built on the HRM system strength model of Bowen and Ostroff (2004), this study is aimed at exploring the conceptual insights, theoretical foundations behind the concept of HRM system strength and its influence of employee work-related attitudes and behaviours.

Design/Methodology/Approach: The research employed qualitative research design to carry out the research. Data was collected through twenty-seven semi-structured interviews from family businesses of Pakistan.

Findings: Findings revealed that HRM system strength influences psychological contract which ultimately impacts work-related attitudes and behaviours of employees. It was also found that the firms having stronger HRM system have better psychological contract leading to positive employee work-related attitudes and behaviors and vice versa.

Implications/Originality/Value: Finding of the study will be used to guide HR practitioners to strengthen the HRM system of their organizations that may yield a number of positive outcomes. Further, the present study is unique as it covers the most important issue of family-owned businesses to manage their work force.

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1. Introduction

Human resource in an organization is considered an important asset therefore, organizations invest a lot in the management of human resource. For this purpose, various organizational practices are identified and implemented by the HR practitioners for the smoot functioning of the organization. However, competitive and dynamic nature of contemporary workplaces stresses a strategic approach to managing human resources. While traditional HR practices have long served as the foundation for recruiting, developing, and retaining employees, the complexity of modern organizations requires a more holistic and system-oriented perspective. In this context, the concept of

Human Resource Management (HRM) systems has gained prominence as an integrated approach that moves beyond individual practices to create a unified framework for managing workforce expectations, performance, and engagement.

However, the pervasiveness of the HRM system greatly depends upon the context or situation. For example, strong situations might influence the behaviors of individuals by diluting the association between personality attributes and organizational outcomes (Bowling et al., 2015). Therefore, a strong situation restrains differences in the behaviors of individual by sending clear messages and rewards for behaviours that are persistent with situational expectations or demands. Alternatively, a weak situation delivers vaguer and unclear communication around behavioural expectations, that allows emergence of differences in individuals' behaviour. Although, the concept of situational strength was first conceptualized to explain the influence of context on the behavior of human, the study of specific forms of situational strength has been extended, including climate strength (Nishii et al., 2008) and strength Human Resource Management system by Bowen and Ostroff (2004). According to Bowen and Ostroff (2004), HRM system strength (HRMSS) is a mean by which HR practices help in gaining competitive advantage, through consistent employee behaviours as well as yield favorable outcomes in organization. Therefore, organizations which are stronger in their HRM system are consistent and clear in their communication that emphasize strategic outcomes.

Unlike discrete HR practices, an HRM system provides coherence and alignment across policies, which has shown to significantly impact employees' psychological contracts—their perceived mutual obligations with their employer. Strong HRM systems send consistent signals to employees about the organization's values, which shapes their understanding of acceptable and expected behaviors (Takeuchi & Takeuchi, 2013). For instance, when HRM systems prioritize transparency, fairness, and support, employees may possibly perceive organization as fulfilling its obligations, therefore, strengthening their sense of trust and commitment (Guest et al., 1996). Conversely, weak or fragmented HRM systems can lead to ambiguous signals that disrupt the psychological contract and increase the likelihood of disengagement, turnover, and counterproductive behaviors (Wright & Nishii, 2007). Therefore, a well-integrated HRM system is essential not only for enhancing employee experience but also for achieving sustained organizational performance.

Given the influence of HRM systems on the psychological contract and its cascading effects on employee behavior, this paper argues for a shift from isolated HR practices to a robust HRM system approach. Through literature review and theoretical underpinnings, this conceptual analysis will examine the components and characteristics of strong HRM systems, explore their impact on the psychological contract, and discuss the resulting employee work-related outcomes.

2. Literature Review

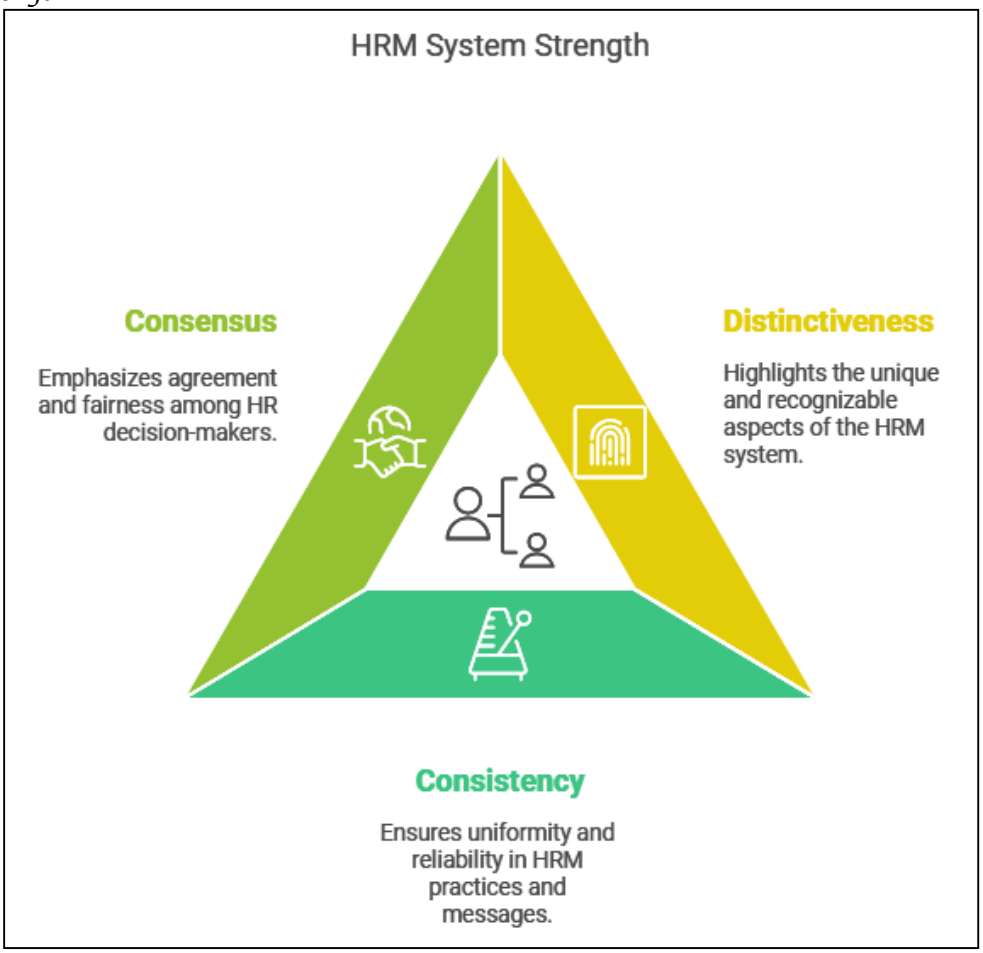
2.1 The concept of HRM system

An organization's HRM system consists of two interrelated but distinguished features: *(i) the content and (ii) the process*. The *content* feature is further divided into two sub elements *(i) policies and (ii) individual practices*. The content part of human resource management system consists of the set of practices implemented by a firm and, preferably, should be driven by its strategic objectives and values. Therefore, given some strategic objective such as efficiency, service, quality, cost or economy, a set of human resource management practices must be formulated to direct the human resource in accomplishing the objective, however, human resource policies are people-focused programs regarding the choices of practices of HR (Jiang et al., 2012). Human resource management policies are to referred as the stated intentions of the organization or its business unit's about the types of HR techniques, processes, and programs needed to be performed in the organisation (Wright & Boswell, 2002) and serves as a guideline for action on employee-focused problems and matters (Schuler, 1992). The second element of an HR system is *process*, through which practices and policies occur in the organisation (Bowen & Ostroff, 2004).

2.2 Strength of an HRM system and its meta-features

Human Resource Management (HRM) system strength is termed as a situation in which clear and explicit interactions are made with employees regarding appropriate behavior at work (Bowen & Ostroff, 2004). According to Sanders et al. (2015), it is generally believed that a strong HRM system may strongly impact the outcome variables by sending unambiguous messages to employees regarding organizational expectations. An HR system is considered strong when it creates a strong situation by effectively conveying various types of human-focused information regarding the content and processes of human resources of the organization. According to Sanders and Yang (2016) a strong HR system causes people to recognize what the top management of the firm is expecting from them. Bowen and Ostroff (2004) applied the theory of attribution to highlight the key meta-features that allow communication to be interpreted and received evenly (or not) among workers. According to co-variation model proposed by Kelley (1973), people can formulate confident attributions regarding the cause & effect associations in particular circumstances, depending upon the level of distinctiveness, consistency, and consensus. When people in the organization perceive HRM system as distinctive, consensual, and consistent, they attribute HRM system to management and therefore recognize what the top management of the firm expects from them (Wright & Nishii, 2007). From this communication, employees infer which behaviors and actions are expected, important, and will be rewarded in cause-effect attribution.

Figure *Error! No text of specified style in document.**1:***
HRM System strength



Source: Authors (2024)

Table 1 below summarizes and defines the meta-features of HRM system strength and their sub dimensions.

Table 1:

Dimensions of HRM system strength

Distinctiveness refers to how visible, understandable the HRM system is to employees. An HRM system with high distinctiveness is clear, salient, and stands out as an important feature of the organizational environment.	Visibility:	HR practices should be prominent and easily recognizable. For example, clear policies, widely communicated benefits, and accessible training programs contribute to visibility.
	Understandability	Employees should understand HR practices well, which requires straightforward policies and clear communication about their purpose and value.
	Legitimacy of Authority	The HRM system is perceived as legitimate, ideally supported by leadership, which helps employees trust and value HR practices.
	Relevance	HRM practices are perceived as important and meaningful to employees.
Consistency involves the coherence of HR practices over time, across different organizational units, and in alignment with organizational goals. It ensures that HR practices are not contradictory or subject to frequent changes, creating stability.	Instrumentality	Employees should see a clear cause-and-effect association between practices of HR and organizational outcomes, such as rewards and performance expectations.
	Validity	HR practices should be perceived as fair and relevant to employee performance and well-being. Inconsistent or invalid practices can erode trust in the HRM system.
	Consistent HRM messages	HRM communication should be stable and reliable. Changing policies frequently can create uncertainty and diminish their influence on employees.
Consensus refers to the degree of agreement among organizational leaders and employees regarding the importance and implementation of HR practices. It also reflects the extent to which different parts of the organization support HRM policies consistently.	Agreement among principal HRM decision makers	There should be shared agreement among leaders and managers about the purpose and value of HR practices, ensuring that all levels of the organization endorse and apply them consistently
	Fairness	Employees should perceive HR practices as fair and aligned with principles of organizational justice. When workers consider HRM practices are fair, it reinforces their trust in the organization.

Source: Author (2024)

2.3 Theoretical justification for HRM system strength and its possible outcomes

Several theoretical foundations describe the conceptualization of HRM system strength and its associated outcomes. This section explains the predominant theoretical approaches applicable to this study and their justifications for inclusion in the study.

2.3.1 Social exchange theory & HRM system strength

Social exchange theory was primarily introduced to analyze the formation and maintenance of interpersonal linkages; therefore, it is widely applied to examine the nature of employee-organization relationships. Social exchange relationships are developed when organization is concerned for its employees, that ultimately results in positive organizational outcomes (Cropanzano & Mitchell, 2005) by positively affecting the employee attitudes and behaviors. Psychological contract and social exchange theory has two shared attributes; one is reciprocity and the other is exchange relationship.

The relationship between social exchange theory and HRM system strength is that a strong HRM system can help to create a positive social exchange relationship between employees and their employer. When employees perceive that their organization has a strong HRM system that provides them with fair and consistent rewards for their efforts, they are more likely to engage in positive behaviors, such as high levels of job satisfaction, commitment, and performance. Furthermore, a strong HRM system can also help to mitigate the negative effects of social exchange violations, which occur when employees perceive that the costs of their social exchange relationship with their employer outweigh the rewards. Similarly, a strong HRM system can help to address these issues by providing clear policies and procedures for addressing employee grievances, providing opportunities for career advancement, and promoting a positive workplace culture.

2.3.2 Socialization theory & HRM system strength

Socialization theory is a theoretical framework that proposes how individuals learn and adapt to the norms, values, and expectations of a particular social group. In the context of organizational behavior, socialization theory is used to explain how new employees learn and adjust to the norms, values, and expectations of their new workplace. Socialization theory assumes that new entrants to an organization may face uncertainty and anxiety as they make sense of the new environment and think fitting them into the organization (Miller & Jablin, 1991). This anxiety and uncertainty results from not having complete understanding of organizational culture, routine of work and interpretation of the interactions with others. It also covers what new entrants and organization do during early stage of the employment. As a result, new entrants go through a socialization process by interacting each other in the existing culture of the organization (Griffin et al., 2000). Therefore, psychological contract is formed as sense making process arises as a result of socialization in organization (Louis, 1980). Further, socialization process is also recognized as a significant phase in the development of psychological contract among employees (De Vos & Freese, 2011; Rousseau, 1995; Shore et al., 1994; Thomas & Anderson, 1998).

2.3.3 Cognitive dissonance theory & HRM system strength

Cognitive dissonance theory (CDT) posits that when individuals have more than one cognitions that are contradictory to each other, they will observe an unpleasant position that is called "dissonance" — till they are able to settle this position by changing their cognitions (Festinger, 1957). While Cognitive dissonance theory (CDT) was introduced in the discipline of social psychology, it has also turned into an often-cited theory in the field of management research. Cognitive dissonance theory is still applied to explain various important workplace issues such as HRM, organisational behaviuor, strategy, and entrepreneurship.

Cognitive dissonance theory can be applied to the context of HRM to explain how employees may experience dissonance when their beliefs or attitudes conflict with the policies or practices of the organization. HRM system strength can influence the level of cognitive dissonance experienced by employees.

A strong HRM system acts as a mean of organizational communication, and delivers consistent and concise information about the goals, values, and behavioural expectations of the organisation. When employees are of the perception that the HRM system is strong, there are lesser chances of developing cognitive dissonance because the beliefs and values of the organization are consistent and have consensus. Therefore, HRM practitioners must ensure to establish a strong HRM system that will not allow for such cognitive dissonance to occur and results in positive outcomes for employees and the organization.

2.3.4 Signaling theory & HRM system strength

Signaling theory is widely used in organizational behavior and human resource management research since it was introduced by Spence (1973). The fundamental proposition of signaling theory is linked with enhancing the information symmetry between two or more parties (Spence, 1973). When employee has incomplete or inadequate information about the organisation, they depend upon the available organisational signals to make sense of their

work relationships by their own (Townsend et al., 2012). The more consistent and understandable the signals are, the more visible the intentions of the sender will be, which in turn increases the congruence of the psychological contracts (Den Hartog et al., 2013; Tekleab & Taylor, 2003).

Signaling theory is a social psychological theory that explains how individuals use signals or cues to communicate information about their abilities, intentions, and motivations to others. In the context of HRM, signaling theory suggests that the HRM system can serve to send signal in the form of distinctive, consistent and consensus messages to employees about the organization's values, expectations, and commitment to the employment relationship.

HRM system strength, psychological contract, and work behavior are all related through signaling theory. A strong HRM system can signal to employees about organizational values, and expectation, creating a positive psychological contract between the organization and employees. This psychological contract can further signal to employees that they are expected to reciprocate the organization's investment by performing well and exhibiting positive work behaviors.

2.3.5 Socioemotional Wealth Theory & HRM system strength

Early research in the field of family business faced substantial methodological problems and were mostly atheoretical and descriptive (Berrone et al., 2012). However, as the field advanced and called for theoretical rigor, scholar suggested a number of paradigms to study the idiosyncratic issues in family-controlled firms.
Yet, these paradigms were taken from other disciplines, mainly strategic management and financial economics, in which the main focus was highly dispersed ownership-large public owned corporations. These included stewardship theory, agency theory and resource-based view of the firm. Although significant understandings have been drawn from adaptations and extensions of the above mentioned imported concepts to explain the behaviour of family firms, much need to be explored.

Gómez-Mejía et al. (2007) states that owners of family firms are not only concerned with financial wealth but also take into account their socioemotional wealth from those organization. By socioemotional wealth (SEW), Gomez et. al (2007) refer to *non-financial aspects* of the organization that fulfill the affective needs of the family such as the ability to exercise the influence of the family, identity, and the continuation of the family succession. So, because of the concern of socioemotional wealth, family firms are inclined to place a priority on maintaining greater family control by accepting a high risk of lowered firm performance. However, owners of family firms may act more conservatively by preventing performance variability business decisions because they have to keep the firm from failing.

HRM system strength plays a critical role in shaping the psychological contract between employees and the organization, which in turn influences various work-related attitudes and behaviors. A strong HRM system—characterized by clear, consistent, and relevant HR practices—sends unambiguous messages to employees about the organization's values, expectations, and support (Bowen & Ostroff, 2004). When employees perceive that the HRM system is strong, they are more likely to feel that the organization honors its commitments, thereby reinforcing the psychological contract. This psychological contract represents the implicit beliefs employees hold regarding mutual obligations between themselves and the organization (Rousseau, 1989). A positive psychological contract fosters trust and a sense of fairness, leading employees to reciprocate with positive attitudes, such as commitment and job satisfaction, and behaviors, such as increased effort, loyalty, and organizational citizenship (Guest, 1998). Conversely, weak HRM systems with inconsistent or unclear practices can lead to breaches in the psychological contract, resulting in disengagement, turnover intentions, and counterproductive work behaviors (Morrison & Robinson, 1997). Thus, the strength of an HRM system is fundamental to maintaining a healthy psychological contract, which is essential for achieving desired employee outcomes and overall organizational success.

3. Research Methodology

3.1 Research Design & approach

This study employed a qualitative research design to explore the influence of HRM system strength on employees' psychological contracts and whether it impacts their work-related attitudes and behaviors. A qualitative approach was chosen to capture the in-depth and complexity of individual experiences and perceptions. Under the qualitative research design, a phenomenological approach was adopted to understand employees' lived experiences with HRM systems in family-owned businesses. This approach facilitated an in-depth exploration of how participants perceive and respond to the strength of HRM systems in their organizations.

3.2 Sample & data collection:

Semi-structured interviews were used as the primary data collection method. This format allowed for guided discussions while providing flexibility for participants to elaborate on their unique perspectives. An interview guide was developed based on key themes from the literature on HRM system strength and psychological contract theory and their impact on work attitudes and behaviors. Interviews were conducted in-person which lasted approximately 45–60 minutes and were recorded with participants' consent. However, in some cases, respondents didn't permit to record the interview, so, hand written notes were taken to record the responses.

The study employed a purposive sampling technique to select participants from family-owned businesses in Pakistan. The reason for choosing purposive sampling can be justified as it allows to deliberately select respondents from organizations that exhibit relevant characteristics, such as tenure in the existing firm (Minimum four years), and employee cadre (minimum officer level). Twenty-seven employees from six medium-sized and large-scale family firms were included to capture the perception of HRM system strength, psychological contract and their possible outcomes on employee work-related attitudes and behaviors. Sampling continued until data saturation was achieved, where no new themes emerged from subsequent interviews.

3.3 Data Analysis

Thematic analysis has been conducted to identify and interpret patterns within the data. Interview recordings were transcribed verbatim and read multiple times to ensure familiarity with the data. Key phrases and concepts were coded manually to capture recurring themes. Codes were grouped into broader themes and subthemes related to HRM system strength, psychological contracts, and work-related attitudes. To ensure credibility and reliability, cross-verification of data through multiple sources, including interview transcripts and organizational documents where available were analyzed by the author.

4. Results and Analysis

4.1 HRM system strength in case organizations

Table 2 summarizes a comparative analysis of six family-owned businesses based on the strength of their HRM systems. The meta-features of HRM system strength have been evaluated through their sub-dimensions across three categories: Distinctiveness, Consistency, and Consensus. The HRM system strength has been rated on a scale of weak (*), *moderate (***), and strong (***). Additionally, organizational attributes like employee count, scale, and generational involvement have also been included.

Table 2

Strength of HRM system in case organizations

Meta-feature of HRM SS	sub-dimensions	Case-M	Case-V	Case-S	Case-R	Case-P	Case-HN
Distinctiveness	Visibility	***	***	**	*	**	*
	Understandability	***	***	**	*	***	*

	Legitimacy of authority	***	***	***	*	***	*
	Relevance	**	**	**	*	**	*
	Instrumentality	***	***	**	*	**	*
Consistency	Validity	***	***	**	*	**	*
	Consistent HRM messages	***	***	***	*	***	*
	Agreement among principal HRM decision makers	***	***	**	*	***	*
Consensus	Fairness-	***	***	**	*	***	*
	No. of Employees	8350	1500	800-900	200-300	373	150-200
	Scale	Large	Large	Large	Medium	Medium	Medium
	Generation	2nd and 3rd	1st and 2nd	1st and 2nd	1st and 2nd	2nd	2nd
	Weak	*					
	Moderate	**					
	Strong	***					

4.2 Influence of HRMSS on psychological contract and its impact on employee work related attitude and behaviors

A strong Human Resource Management (HRM) system may influence the psychological contract of employees. The psychological contract refers to the unwritten expectations, beliefs, and obligations between employees and their employers. A strong HRM system may impact this contract in several ways such as clear expectations, fair treatment, mutual obligations and communication and feedback etc.

4.2.1 Distinctiveness and Psychological Contract

Distinctiveness in HRM system may influence the psychological contract between employees and the organization. The HRM system encompasses various practices and policies related to recruitment, selection, training, performance management, compensation, and employee relations. Four features of distinctiveness of HRM system namely, visibility, understandability, relevance, and legitimacy of authority have their own implications for psychological contract of employees and organization. For example, a respondent of organization-M shared the following:

"...In my point of view, HRM system play a significant role in shaping my expectations. When I see the organization investing in my growth through training and development..... it creates a sense of obligation on my part to contribute my best to the organization." (ME-4)

Another employee also shared the following:
"...The clear job descriptions and performance appraisals also help me understand what is expected from me... leading to a stronger commitment to meet those expectations." (VH-1)

It can be inferred from the above responses, a strong HRM system is necessary in shaping employee's expectations. It is also important to create a sense of obligations in both employer and employee. Similarly, proper employee trainings and development programs are also helpful in establishing positive psychological contract in employees. training & development are helpful for employee well-being which also has other positive organizational outcomes.

For example, a respondent shared the following:

"We have all HRM policies and practices in written form. They are also available on our portal. All contents are presented in a clear and straightforward manner, further, employees can access HRM Department if they have any questions or concerns... So, as all policies are in written form which can be easily understood, it defines our rights, responsibilities, and opportunities within the organization, making us feel a sense of trust and commitment towards the organization that what performance are expected from us and how we will be rewarded." (ME-2)

4.2.2 Consistency and Psychological Contract

Consistency in HRM practices fosters trust and reliability in the employment relationship. When employees experience consistent treatment and responses from the HR department over time, they develop a sense of trust that their needs and concerns will be addressed fairly and consistently. This trust forms a foundation for a strong psychological contract based on mutual respect and reliability. Employees value predictability and stability in their work environment. A consistent HRM system provides clear expectations and guidelines for employees, reducing uncertainty and ambiguity. This predictability enhances employees' sense of security and stability within the organization, reinforcing their psychological contract. All three dimension of consistency, namely, instrumentality, validity, and consistent HRM messages influence psychological contract. For examples, a respondent from organization-V, shared the following:

"Policies remain consistent over the time. and its better that we know about important policies such as medical, annual leave, increments, and bonuses etc... therefore, we are satisfied that if want any medical related issue so our policies guide us about our medical treatment limits."(VE-4)

It was also observed that organization having strong HRM system had more psychological contract fulfillment as compared to organizations having weaker HRM system. For example, organization-M has a strong HRM system, so organization was fulfilling its all promises. A respondent from organization-M shared the following:

"No such situation never happened here nor I saw with someone else otherwise we are not staying here. We have satisfaction with our organization that's why we are staying here. Although we have opportunities in market because of our experience, but compared to other textile firm, I like working environment of [name of organization]. The behavior here is very professional with each other. Senior's attitude with juniors is also very respectable. Even our Directors also talk very politely with employees not as is the case in other family owned organizations." (ME-4)

4.2.3 Consensus and Psychological Contract

Consensus in a Human Resource Management (HRM) system refers to the level of agreement among individuals within an organization regarding their understanding of cause-and-effect relationships, particularly those related to HR policies, practices, and procedures. When there is consensus, employees share similar perceptions and interpretations of how HR decisions and actions affect various aspects of their work life. The relationship between consensus in the HRM system and the psychological contract of employees is significant and multifaceted. For example, Consensus in HRM fosters clarity and transparency regarding organizational policies and practices. When there is agreement among employees about how HR decisions are made and their anticipated outcomes, it reduces ambiguity and enhances understanding. This clarity helps in forming realistic expectations among employees regarding what they can expect from the organization. Further, it builds trust among employees and between employees and management. When there is agreement on the fairness and effectiveness of HR policies and practices, employees are more likely to trust the organization. This trust contributes to a positive psychological contract wherein employees feel committed to the organization's goals and are willing to invest their efforts to achieve them. For example, respondent from organization-P shared the following:

"We have specified the criteria for annual increment that if employees achieve targets, they will get 15% increment, and if attaining 10% above the target, they will get 20% increment. So, everything is in black and white and everyone has understanding of this... this is helpful as everyone will set targets and work accordingly." (PH-1)

Another respondent from organization-V shared:
"Our benefits and compensations are fair. At the start of the year, we know about the targets that how much sales targets to be achieved. Further, the promotion criteria have also been defined. In the same way, the organization has clear policy for staff loan, annual leaves, medical policy limits. This is good that everyone in the organization knows their rights and obligations." (VE-1)

It was also observed that in organizations, where HRM systems were strong, management was fulfilling its promises. However, where, HRM systems were not well structured and were weak, employee promises were not met. To measure this, respondents were asked whether there was situation in which organization didn't meet its promises. In organizations with strong HRM system, promises from both sides were being met. Yet, organizations with weaker HRM system, there was lack in fulfilling promises from both employees as well as from employers.

From example, a respondent from organization-M shared the following:
"The policies which are defined are followed although it can be late such as gratuity can be late but the policies which are defined are followed... Everything which is in written followed always. Awards has been received, performance based increments also granted." (ME-3)

4.3 Psychological Contract and employees work-related attitudes and behaviors

The psychological contract significantly influences employees' attitudes and behaviors in the workplace, impacting job satisfaction, organizational commitment, engagement, retention, performance, citizenship behaviors, and adaptability. Organizations that foster a positive psychological contract are more likely to benefit from motivated, committed, and productive employees. It shapes employees' expectations about their job roles, responsibilities, and what they will receive in return for their contributions. When these expectations align with reality, it enhances job satisfaction. For example, if an employee expects fair compensation for their work and receives it, they are more likely to feel satisfied with their job. A positive psychological contract fosters a sense of loyalty and commitment to the organization. When employees believe that their employer fulfills its promises regarding career development opportunities, recognition, and support, they are more likely to be committed to the organization's goals and values. To measure the influence of psychological contract on employee work-related attitudes and behavior, respondents were asked what they think if management promises are not met, and does it impact performance? A respondent of organization-M shared the following:

"Yes. Obviously, It disturbs mentally that we are working so much and is not obliged. So the employee would be disturbed mentally. In shorter time, he may disturb mentally, but in future, some events may occur that boost employee morale." (ME-3)

Another respondent of organization-P shared the following:
"Yes off course. It will impact both psychologically and work performance. If you see that you are performance is up to the requirement of next seat but management is hiring an external candidate and don't promote the internal candidate, it will negatively impact psychologically." (PE-2)

So it can be argued that breach of psychological contract results in a number organizational outcomes such as work performance, demotivation, mental stress, disengagement, and possibly turnover etc. Another employee of organization-P was asked to describe a time when he felt that his employer did not fulfill a work-related promise

that he was expecting. This can include, but is not limited to, a promotion, a raise, or development opportunity. Following was his response:

"Yes it happened. But it is not the case all time. For example, once management announced bonus but after some time, financial condition of the organization was not good enough to accord bonus to all employees. so management refused to pay bonus. Although it is the policy in writing that the company will pay bonus once in a year but some time it may not be followed and it causes demotivation among us. But after sometime, everything was fine. I got demotivated in this scenario." (PE-1)

A weak HRM system also results in other negative outcomes such as disengagement, absenteeism and possibly turnover. During interviews, a respondent from organization-R shared the following:
"Why do I put in extra effort when no one notices or cares about what I do? I just do what's required to get through the day. There's no point in trying harder." (RE-2)

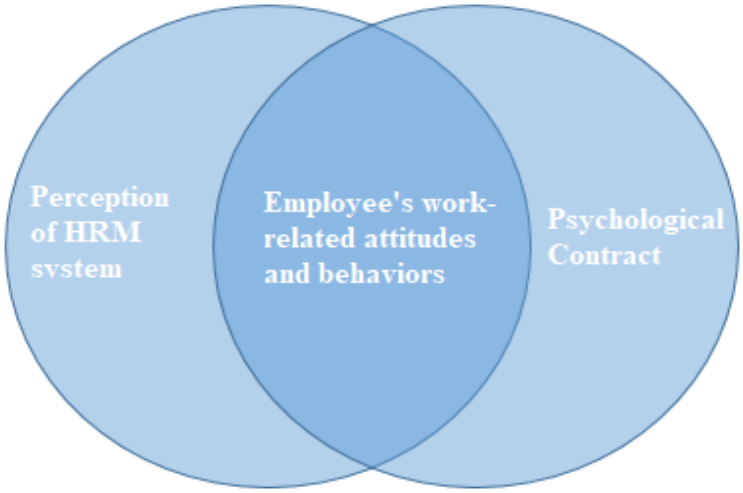
Similarly, another employee from organization-HN shared the following:
"Yes, it is right. In the absence of clear instruction and well-implemented HR system, employees may find reasons to avoid work. It's draining to show up every day. Secondly, employee may often call in sick because they feel overworked and undervalued." (SH-1)

Fulfilling psychological contract also influences employee well-being.
"there was a time when I was struggling with certain aspects of my role. However, the HR department arranged a personalized training session to help me develop the necessary skills. This gesture made me feel valued, and I saw that the organization was willing to invest in my growth. It strengthened my belief that the organization cares about its employees' development and well-being." (PE-2)

Figure 3 illustrates the interplay between the perception of HRM system strength, the psychological contract of employees, and their work-related attitudes and behaviors through a Venn diagram. On the left side, the circle represents the perception of HRM system strength, while the circle on the right represents the employee's psychological contract. The overlapping area between these circles represents the convergence of both factors, indicating the manifestation of employee work-related attitudes and behaviors.

Figure 2

Venn Diagram explaining the influence of HRM system strength on PC and Employee work-related attitudes and behaviors



Source: Authors (2024)

Findings of the study suggests that when employees perceive the HRM system as strong, it tends to align closely with their psychological contract, resulting in more positive work-related attitudes and behaviors. Conversely, when there is a disparity between the perception of HRM system strength and the psychological contract, often due to weaknesses in the HRM system, it can lead to less favorable work-related outcomes.

So, a robust HRM system that corresponds well with employees' psychological contracts fosters favorable work-related attitudes and behaviors, while discrepancies between these elements, typically stemming from HRM system weaknesses, may yield less desirable outcomes in the workplace.

5. Discussion

Strength of HRM system in family-owned business is an important phenomenon and has significant implications. As far as Distinctiveness is concerned, a weaker HRM system was observed in family-owned businesses. In large sized family-owned businesses, management has developed and deployed their HR systems, however, due to lack of the interest of employees, a weaker perception of the HRM system was observed. HR policies are available but lack visibility. Similarly, those employees who have spent more time in the organization have better understandability of the content of HRM system. Relevance dimension of Distinctiveness was also seen to be very weak. Employees in family-owned businesses have weaker understanding with respect to relevance. They are just concerned with work without understanding how their work contributes to the attainment of strategic objectives of the firm. Lastly, it was also observed that family-owned businesses are also observing legitimacy of authority. So, it can be concluded that some of the family-owned businesses are weak in HRM system with respect to overall Distinctiveness feature of strength of an HR system.

The second meta-feature consistency was also observed as having little difference between large and medium scale organizations. The first dimension of consistency, instrumentality varies with respect to functional department. For example, in the case of sales department, targets are communicated at the start of the year and employees already know their implication (amount of reward) if the targets are met. Further, employees in other departments were also of the view that targets and rewards should be communicated earlier so that they may work and accomplish personal and organizational goals accordingly. The second dimension of consistency was validity that is consistency between the intention and the actuality of the practice. Validity in HR system was found as management was following the policy and practices that were present in written form. If the management has formulated a particular practice, they were observing it in true letter and spirit through their own actions and behavior. However, validity was observed in the organizations where formalized and structured system of HRM was in practice. However, in organizations, where structured system was not in practice, validity was found to be low. The last dimension of consistency measured was consistent HRM messages, which is the stability in HR practices over time. It is observed that HRM contents were stable in family-owned enterprises. No frequent policy change was reported by the respondents.

The third meta-feature measured was consensus which is further divided into two sub-dimensions. First, Agreement among principal HRM decision makers was measured. It was observed that management of the family-owned businesses were unanimously supporting the HRM content in the organization. In large scale family-owned businesses, where HR department is formalized, management support HRM policies and contents. However, in small scale firms, where management formalized HR Department just for a way to meet the compliance requirements, employees reported low management support to strengthen HR system. The last dimension of consensus is Fairness, which is a composite of employees' perceptions of whether HRM practices adhere to the principles of delivering the three dimensions of justice: distributive, procedural, and interactional. As far as fairness is concerned, employees showed their satisfaction about the fairness of HRM system. They were of the view that there was no favoritism among employees based on their family relationships. Although there could be bias based on work performance no other form of biasness or favoritism was found in the organization. All employees were

of the view that if there is favoritism in the organization, it will discourage and demotivate other employees to work in the best interest of organization.

6. Conclusion

In conclusion, the strength of an HRM system is crucial for enhancing psychological contract fulfillment which ultimately influences work-related attitudes and behaviors of employees. When a firm has a strong HRM system, the messages from the organization regarding its values and expectations are clear, therefore the employees have a perception that the relationship between them and their employer is trustworthy. This alignment increases the psychological contract dimensions of perceived fairness, security, and reciprocity with the outcomes of job satisfaction, commitment, engagement, productivity, and organizational citizenship behavior. On the other hand, weak HRM systems might cause psychological contract breach and lead to ambiguity, mistrust, and, in the end, employees dis engagement. When organisations improve the strength of the HRM system, it is possible to achieve a healthy organisational climate for the employees and organisational effectiveness. This paper's conceptual discussion underlines the role of a strong HRM system in enhancing the psychological contract and calls for more empirical work to elaborate the relationships and effects of both concepts on organizational outcomes.

7. Directions for future research

The relationship between HRM system strength, the psychological contract, and employee work-related attitudes and behaviors is rich with opportunities for further exploration. While existing research highlights the broad impact of HRM systems on employee perceptions and organizational outcomes, more specific investigations are needed to deepen our understanding of these dynamics, identify boundary conditions, and refine theoretical frameworks. Future studies should examine how varying levels of HRM system strength influence the formation, maintenance, and breach of the psychological contract. Specifically, research could investigate whether strong HRM systems lead to more stable and positive psychological contracts, while weak systems result in fragile contracts prone to violation. Longitudinal research designs would be particularly valuable in observing how HRM system strength affects psychological contract expectations over time and in response to organizational changes, such as restructuring or downsizing. Additionally, exploring which specific meta-features of HRM system strength (distinctiveness, consistency, and consensus) contribute most significantly to psychological contract fulfillment could help organizations prioritize practices that foster strong, resilient contracts. *Second*, while HRM system strength generally influences psychological contracts in a positive direction, individual differences among employee's likely moderate this relationship. For instance, employees with high levels of self-efficacy, resilience, or organizational commitment may respond differently to HRM practices than those with lower levels of these traits. Future research could examine how characteristics such as personality, cultural background, and career stage influence how employees perceive and respond to HRM system strength. *Third*, given the diversity of today's workforce, exploring generational differences and the role of tenure in the relationship between HRM system strength and psychological contracts is another critical area for future research. Employees from different generations (e.g., Baby Boomers, Generation X, Millennials, Generation Z) may have distinct expectations about the psychological contract based on their experiences, work values, and attitudes toward employment. Similarly, employees with longer organizational tenure may view the psychological contract differently than newer employees, as they have more historical context and experience with the organization's HR practices. *Fourth*, while it is established that HRM system strength impacts employee work-related attitudes and behaviors through the psychological contract, the specific mechanisms linking these constructs remain underexplored. Future research could investigate whether trust, organizational identification, or perceived organizational support serve as mediating variables that clarify this relationship. For example, trust in management may act as a key mechanism by which a strong HRM system positively influences employees' sense of contract fulfillment, leading to higher engagement, loyalty, and reduced turnover intentions. Identifying mediating mechanisms would enhance our understanding of how psychological contract fulfillment translates into specific work-related outcomes and help organizations leverage HRM practices more strategically. Therefore, future research can be carried out to investigate the mechanisms linking

Psychological Contracts and specific work-related outcomes. *Fifth*, organizational and environmental contexts can play a critical role in the effectiveness of HRM system strength. Future research could examine how industry characteristics, economic conditions, or organizational structure impact the influence of HRM system strength on psychological contracts. For instance, in family-owned businesses, HRM system may not be well structured or implemented. Therefore, future research may target family-owned businesses to assess the level of implementation of HRM system and its implications. *Finally*, future research may be also possible for assessing the Impact of Technology on HRM System Strength and Psychological Contract Fulfillment. As organizations increasingly integrate digital platforms into HRM systems, it is important to study how technology influences HRM system strength and the resulting psychological contracts. Digital HR systems, including AI-driven recruitment tools, virtual onboarding programs, and automated performance management processes, could affect how employees perceive the distinctiveness, consistency, and consensus of HRM systems. Future research could investigate how these technological tools impact the formation and fulfillment of psychological contracts. For example, a technology-enabled HRM system that enhances visibility and accessibility may strengthen the psychological contract, while one that reduces face-to-face interaction might weaken employees' trust and connection to the organization.

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