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# Variability Within Organizations: Implications for Strategic Human Resource Management


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# Variability Within Organizations: Implications for Strategic Human Resource Management

## Abstract

[Excerpt] Strategic human resource management refers to the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals (Wright & McMahan, 1992). It involves all of the activities that are implemented by an organization to affect the behavior of individuals in an effort to implement the strategic needs of a business. Over the last decade or so, the field of strategic human resource management has witnessed a progression through a number of stages, including a) initial excitement and energy around the convincing argument that HR practices should be considered as a system that, when implemented appropriately, can enhance organizational performance; b) empirical tests of this argument, and c) critiques of the growing field accompanied by propositions for how thinking on the topic can be expanded and improved. Of the critiques that have been levied at the field, the most common contend that the “black box” through which HRM practices are thought to impact organizational performance remains insufficiently specified. Less common, but no less valuable, are critiques surrounding the conceptualization and measurement of fit or alignment, and the need to identify the boundary conditions that influence the effectiveness of “high performance” HRM systems. Even more critiques and proposed theoretical extensions to the field are likely, as it is through such endeavors that we will improve upon and advance our science (cf. Reichers & Schneider, 1990). In this chapter, we introduce and discuss another potential critique of the SHRM field, and, in so doing, hope to illuminate a number of important research questions for the future. In particular, we are concerned with the lack of attention which has been paid to variability within SHRM research. By variability we mean variability at all relevant levels of analysis, but particularly variability within organizations (i.e., individual and group levels). It is our contention that by failing to examine the potential role of variability in SHRM research, we miss a very interesting and important part of the picture.

## Disciplines

Human Resources Management | Strategic Management Policy

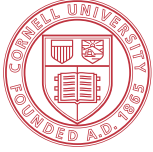
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WORKING PAPER SERIES

# Variability Within Organizations: Implications for Strategic Human Resource Management

Lisa H. Nishii  
Patrick M. Wright

Working Paper 07 – 02



# Variability Within Organizations: Implications For Strategic Human Resource Management

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This paper has not undergone formal review or approval of the faculty of the ILR School. It is intended to make results of Center research available to others interested in preliminary form to encourage discussion and suggestions.

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**Abstract**

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## **Variability Within Organizations: Implications For Strategic Human Resource Management**

### **Introduction**

Strategic human resource management refers to the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals (Wright & McMahan, 1992). It involves all of the activities that are implemented by an organization to affect the behavior of individuals in an effort to implement the strategic needs of a business. Over the last decade or so, the field of strategic human resource management has witnessed a progression through a number of stages, including a) initial excitement and energy around the convincing argument that HR practices should be considered as a system that, when implemented appropriately, can enhance organizational performance; b) empirical tests of this argument, and c) critiques of the growing field accompanied by propositions for how thinking on the topic can be expanded and improved. Of the critiques that have been levied at the field, the most common contend that the “black box” through which HRM practices are thought to impact organizational performance remains insufficiently specified. Less common, but no less valuable, are critiques surrounding the conceptualization and measurement of fit or alignment, and the need to identify the boundary conditions that influence the effectiveness of “high performance” HRM systems. Even more critiques and proposed theoretical extensions to the field are likely, as it is through such endeavors that we will improve upon and advance our science (cf. Reichers & Schneider, 1990).

In this chapter, we introduce and discuss another potential critique of the SHRM field, and, in so doing, hope to illuminate a number of important research questions for the future. In particular, we are concerned with the lack of attention which has been paid to variability within SHRM research. By variability we mean variability at all relevant levels of analysis, but particularly variability within organizations (i.e., individual and group levels). It is our contention

that by failing to examine the potential role of variability in SHRM research, we miss a very interesting and important part of the picture.

### **The Concept of Variability within SHRM Research**

First consider the typical study within the empirical research on the HR practices to performance relationship. A single respondent, usually a senior HR professional, completes a survey regarding the HR practices that exist within his/her organization. Sometimes the practices are with regard to large categories of employees (e.g., hourly or managerial/technical/professional employees; Huselid, 1995) and sometimes with regard to a specific group (e.g., bank teller; Delery and Doty, 1996, or assembly line workers, MacDuffie, 1995). Then, the responses from the HR professional are statistically related to some measure of firm performance. Note that such methods implicitly assume that all employees receive the same practices. Such methods also implicitly assume that the single organizational respondent can accurately represent the opinions and experiences of all organizational members with regard to HR practices, or that variability in employees' experiences of HR practices need not be captured when examining the HR to performance relationship.

In essence, we have hitherto failed to explicitly recognize the many ways in which individuals and groups may experience and respond differentially to HR systems within organizations (see Bowen & Ostroff, 2004 for an exception). Examining such variability is important for a number of reasons. These sources of variability may operate as moderators on the HR practices to performance link. That is, holding all else constant, variability in any one or more of these factors across organizations may be cause for meaningful variability in the HR practices to performance relationship. Without explicit consideration of these factors, this variability might erroneously be considered "noise," or lead to incomplete or inaccurate conclusions regarding the HR practices to performance relationship. Research which fails to more fully consider the range of issues within organizations that impact the HR practices to performance relationship is likely to have limited usefulness for understanding the complexity of

this relationship. It may even obscure important components of this relationship. In order to progress to the next stage of SHRM knowledge, in which inconsistent research findings are explained through expanded theories and an examination of the boundary conditions that are relevant to the relationships of interest, we believe it is critical for scholars to give fuller consideration to the sources of variability at multiple levels of analysis. In this chapter, we begin exploring these sources of variability.

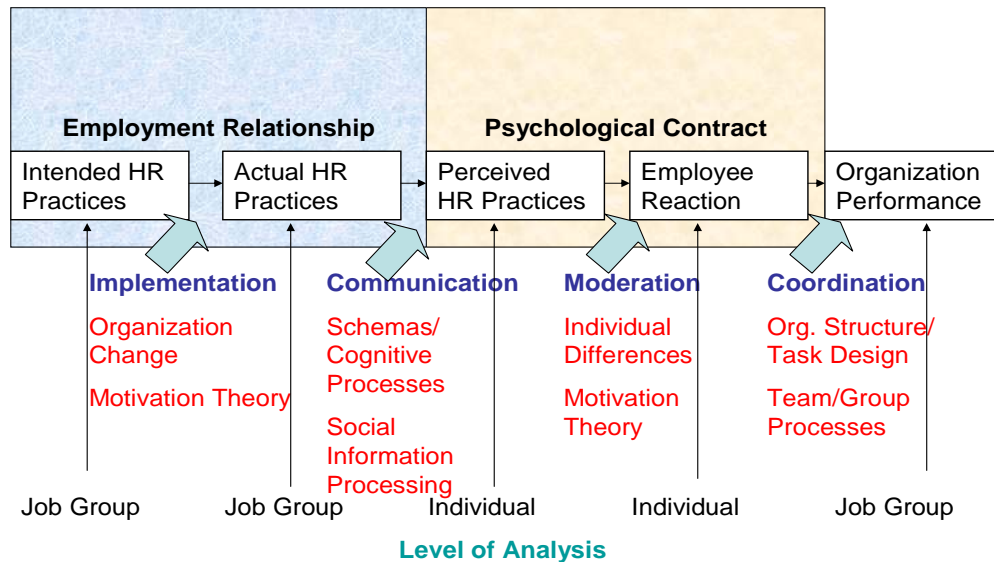
But before we turn to this task, a few caveats are in order. First, we don't claim to propose an exhaustive analysis of variability, although we do hope to identify areas worthy of future research attention. Second, we base our discussion on the assumption that HR practices are ultimately associated with desirable organizational outcomes through their influence on a number of mediating variables. Overall, the process through which HR practices lead to enhanced performance is not well understood; thus, it is not clear whether HR practices exert their effects through similar means across organizations. As we argue in this paper they most likely do not, as suggested by the variability in and around each of the mediating links in the HR practices to performance relationship.

The mediators that we see as being particularly critical are represented in Figure 1. First, we recognize the very real possibility that actual HR practices may differ from intended HR practices as a function of the way that HR practices are implemented. Second, we contend that the effect of actual HR practices does not reside in those practices but rather in the perceptions that employees have of those practices. We expect that employee perceptions of HR practices vary as a function of differences in schemas and associated values, personality, and other individual difference variables (as described below). It is these employee perceptions that are in turn associated with attitudinal and behavioral reactions on the part of employees, which, in the aggregate, are associated with organizational performance. The extent to which employee attitudes and behaviors are associated with performance at higher levels of analysis is a



function of group process variables, such as team structure, task interdependence, leadership, and group cohesion.

Figure 1: Process Model of SHRM



The model just described represents an expansion on the more typical model that has been implied in the SHRM literature, in which HR practices are presumed to be associated with performance through their influence on employee skills, attitudes, and motivation (Park et al., 2003; Huselid, 1995; Wright et al., 1994; 1999). Two key features of our model are the explicit attention we give to the potential difference between intended and actual HR practices and to employee perceptions of those HR practices. The latter is an area that has not received much theoretical or empirical attention. For example, researchers within the field of SHRM have long stressed the importance of commitment in the relationship between HR practices and organizational effectiveness; according to many researchers, appropriately designed HR practices are an important predictor of commitment and satisfaction (e.g., Arthur, 1992; Osterman, 1994; Tsui, Pearce, Porter, 1995; Tsui, Pearce, Porter & Tripolo, 1997; Whitener, 2001). This vein of research assumes that the effect of HR practices on employee attitudes and

behaviors is inherent in the HR practices themselves—“commitment enhancing” HR systems will enhance employee commitment, while “control” HR systems will not.

Yet, psychologists would agree that it makes little sense to assume that employees will respond similarly in their attitudes and behaviors to HR practices. Employees react to environments as a function of the meaning and significance that those environments have for them (Gray, Bougon, & Donnellon, 1985; Jackson & Dutton, 1988; James, James, & Ashe, 1990; Thomas, Clark, & Gioia, 1993). The essence of our argument is based on theories of social cognition, according to which cognition is an important precursor of subsequent attitudes and actions. People attach different meanings to social stimuli based on differences in the cognitive frameworks that they use to make sense of social information (Fiske & Taylor, 1991). Therefore, based on the way that people perceptually filter external information, their attitudinal and behavioral responses to that information may differ.

Virtually our entire discussion regarding variability in the effects of HR practices is related to the groundbreaking work of Benjamin Schneider. It is he who advanced the now famous mantra, “the people make the place.” In relation to SHRM research, this reminds us that failing to pay explicit attention to the role of people and their varying personal characteristics in influencing the qualities of organizations and their performance is a critical oversight because we cannot fully understand organizations without first understanding the people who comprise them. The attraction-selection-attrition (ASA) model also highlights the likelihood that individuals who react negatively to their organization’s HR practices may leave, thereby 1) enhancing the desired effects of HR on organizational performance over the long run; and 2) reminding us that HR practices may not be reacted to similarly by all individuals (i.e., highlighting individual-level variability). Furthermore, in his pioneering work on organizational climate, Schneider emphasized the importance of sharedness in employees’ perceptions of an organization’s HR and other practices. In so doing, he brought attention to the fact that such

perceptions are not always shared, nor are they necessarily aligned with the espoused messages of organizational practices as intended by management.

### **Variability At The Individual-Level Of Analysis**

Most of the SHRM literature to date has focused almost exclusively on the relationship between managerial reports of HR practices and organizational effectiveness. The content of HR systems, or the specific practices that are said by key managers to be adopted by organizations, have not been distinguished from (a) the process through which HR systems are enacted within organizations, or (b) the perceptions of those practices by the very human resources the practices are hypothetically implemented to affect. This ignores the possibility that the actual effect of HR practices may differ from the expected effect of HR practices as a function of employees' perceptions of the HR practices to which they are subjected (as depicted in Figure 1). While researchers agree that employee experiences of HR practices are important in understanding the connection between HR practices and organizational effectiveness, little research exists on the link between employee perceptions of HR practices and unit or organizational effectiveness.

Most cognitive, social, and organizational psychology theories clearly support the idea that individuals bring different information processing networks (i.e., schemas; Fiske & Taylor, 1991), motivations (e.g., Locke & Latham, 1990), past experiences (e.g., Rousseau, 2001), demographic backgrounds (Cox, 1993), values (e.g., Judge & Bretz, 1992; Meglino & Ravlin, 1998), personality (e.g., Hough & Schneider, 1996), and attitudes (e.g., Brief, 1998) to bear on their interpretations of, and reactions to, organizational experiences. Common SHRM methodologies have not allowed researchers to examine the effect of these sources of variability, but, given the need to illuminate the black box, this variability is important to consider. We discuss some of these sources of variance in this section.

## Employee Perceptions of HR practices

As we mentioned above, the hypothesis that employees' *perceptions* of HR practices are likely antecedents of employee reactions (attitudes and behaviors) has received little theoretical and empirical attention in the SHRM literature. Yet whether or not employees respond to HR practices in ways desired by their employers—that is, with increased satisfaction, commitment, and motivation, improved skills, and greater likelihood of exerting positive discretionary effort—depends on their perceptions and evaluations of HR practices. HR practices serve a signaling function by sending messages that employees use to define the psychological meaning of their work situation (Rousseau, 1995). Thus, the very same set of HR practices can be perceived positively by some employees but not others, depending on the level of perceived fit between those practices and individual values, personality, goals, and schematic expectations (Guzzo & Noonan, 1994). According to social exchange theory, employees gauge their contribution to the organization based on what they perceive the organization to be providing them (i.e., the norm of reciprocity; cf. Ostroff & Bowen, 2000; Schmit & Allscheid, 1995; Whitener, 2001).

The idea that it is people's subjective perceptions of the environment, rather than any "objective" environment, that drives behavior, and that individuals differ in those subjective perceptions of the environment is the cornerstone of psychological climate research (James, James, & Ashe, 1990; Rentsch, 1990). Indeed, scholars in this area view psychological climate perceptions as the mediating link between organizational characteristics and individual outcomes such as employee attitudes, motivation, and performance (Parker, et al., 2003). Consistent with Kurt Lewin's (1936) pioneering notion of "life space," psychological climate perceptions are thought to provide individuals with cognitive representations of their organizational environment that act as a lens through which they attach meaning to organizational events and determine the attitudes and behaviors that will result in desired outcomes. To the extent that psychological climate perceptions engender feelings of satisfaction and commitment, employees are expected to be motivated to expend discretionary

effort on behalf of the organization. In support of this idea, a recent meta-analysis of psychological climate research concluded that affective, cognitive, and instrumental dimensions of climate influence job performance, withdrawal, and psychological well-being through their impact on satisfaction and organizational commitment (Carr, Schmidt, Ford, & DeShon, 2003).

The mediating role of psychological climate perceptions in the relationship between HR systems and performance has also been highlighted by Bowen and Ostroff (2004; Ostroff & Bowen, 2001). They argue that psychological climate perceptions must be shared by employees if they are to lead to enhanced performance at higher levels of analysis. Building on communication and attribution theories, they propose that when the HRM system is perceived by employees as being high in distinctiveness, consistency, and consensus, it will be perceived as being a “strong” HRM system. In strong HRM systems variability in individual-level climate perceptions is reduced and shared climate perceptions emerge, and it is when shared climate perceptions emerge at the group and organizational levels of analysis that desired performance outcomes accrue, for when employees share their perceptions, they are better able to coordinate their behaviors toward the collective achievement of the organization’s strategic objectives. As convincing as their model is, however, it has yet to be tested empirically.

Another potentially important mediator in the relationship between actual HR practices and employee reactions are the attributions that employees make regarding the “why” of HR practices. Nishii (2006) argued that employees are not passive recipients of HR practices, and that the attributions that they make for HR practices can have a significant influence on their satisfaction, commitment, and OCBs, and ultimately on organizational performance. She hypothesized that individual employees would make varying attributions for HR practices based on differences in how they selectively attend to information regarding HR practices and how they process that information (Mischel & Shoda, 1995).

Nishii (2006) relies on social exchange theory to explain how HR attributions are associated with employee reactions. Specifically, when employees perceive that the underlying intentions

of an organization's HR practices translate into positive and beneficial circumstances for them, she argues that they will feel an obligation to reciprocate in positive and beneficial ways, as evidenced by higher levels of commitment, satisfaction, and OCBs. Furthermore, HR attributions are thought to serve as guidelines for employee behavior. Employees observe the HR practices to which they and others in the organization are subjected in order to deduce conclusions about the organization's priorities and expectations for employee behavior. These conclusions in turn serve as frames of reference against which the appropriateness of behavior can be judged (Schneider, 1975; Schneider, Gunnarson, & Niles-Jolly, 1994). Thus it is upon these attributions that employees base their judgments regarding where they should focus their energies and competencies.

Nishii's (2006) results support the notion that the same HR practices can be perceived quite differently by employees, and that, furthermore, department-level HR attributions are associated with department-level satisfaction, commitment, and OCBs, and ultimately with customer satisfaction. Two main implications stem from this research. First, the managerial accounts of HR practices often used in SHRM studies may not adequately represent reality because those reports might represent intended, rather than actual, HR practices and because they ignore the variability in employee perceptions and attributions regarding those practices. Second, some of the inconsistent research findings to date in SHRM may be accounted for by the failure to capture the complexity of the relationship between HR practices and employees' perceptions of and experiences with them. The results showed that even a relatively constant set of HR practices can be associated with different employee attitudes and behaviors, and ultimately unit performance, because employees make varying attributions about those HR practices. Thus, the observed relationship between single respondent reports of HR practices and firm performance may be subject to an unmeasured variance problem that mis-specifies the true nature of the relationship.

**Predictors of employees' perceptions of HR practices**

Given that people's perceptions of HR practices can differ and that those differential perceptions are associated with valued outcomes, the next important question becomes, what factors account for these perceptual differences among employees? Variations in the perceptions and valuations that constitute psychological climate perceptions and HR attributions likely result from individual differences, differences in features of the organizational environment to which they are subjected (i.e., the situation), as well as an interaction between the person and the situation (Brown & Leigh, 1996; Schneider, 1987). We review relevant aspects of the environment below in the section on the group level of analysis, and focus here on some of these individual difference variables.

Perceptions and evaluations of HR systems will depend on employees' values, personalities, goals and needs, social roles and identities, as well as their past experiences, competencies, and expectancies. In essence, the meaning of an HR system depends on whether it is seen as relevant for the fulfillment of an individual's personal goals (Bowen & Ostroff, 2004; Vroom, 1966). For example, younger workers without children might be more favorably disposed towards jobs that offer minimal benefits but above-market pay levels, whereas older employees might prefer more comprehensive benefits (Milkovich & Newman, 1999). Or, employees with young children who have highly accessible self-schemas about being a parent or otherwise have a "balanced careerist" orientation may be particularly critical of work-family balance and employee flexibility practices, as well as relevant benefits such as superior medical coverage for children. By contrast, for a person with a "fast-tracker" career orientation, HR practices that allow for developmental opportunities (e.g., training) and reward excellence should be considered particularly important. In sum, individuals perceive HR practices through different lenses and make varying conclusions about the extent to which the practices satisfy their needs.

Although little empirical work has examined the moderating role of employee characteristics on their perceptions of, and reactions to, HR systems (c.f., Wright & Boswell, 2002), support does exist for the moderating role of employee characteristics on reactions to single HR practices. For example, individuals high in Need for Achievement are more attracted to organizations that reward performance as opposed to seniority (Turban & Keon, 1993) and have individual-oriented reward systems as opposed to organization-oriented reward systems (Bretz, Ash, & Dreher, 1989). They also respond more favorably to high job scope than individuals low on Need for Achievement (Steers & Spencer, 1977). In addition, pay for performance is more strongly associated with motivation for individuals that have a high need for control (Eisenberger, Rhoades, & Cameron, 1999). The personality dimensions of extroversion and agreeableness have been found to interact with job autonomy in predicting contextual performance (Gellatly & Irving, 2001), neuroticism is positively associated with a preference for jobs with high pay (Lawler, 1971), and individuals high in conscientiousness are more attracted to organizations with cultures characterized by need for achievement (Judge & Cable, 1997).

The underlying explanation for these findings is that the favorability of a HR practice depends on its perceived instrumentality in helping individuals to accomplish personal goals or satisfy personal needs (Locke, 1976; Vroom, 1966) and express one's array of personality traits (Tett & Burnett, 2003). As such, the HR strategy that might be most appropriate for improving the performance of one segment of employees may differ from the motivational strategies that are required for other segments of employees. In other words, great variability may exist in the way that employees respond to HR practices. Indeed, research on person-organization (P-O) fit has clearly shown that when people's values and personality match the characteristics of their organizations, they experience higher satisfaction and commitment (Erdogan, Kraimer, & Liden, 2004; Meglino, Ravlin, & Adkins, 1989), organizational identification and perceived organizational support (Cable & DeRue, 2002), and less stress (Ivancevich & Matteson, 1984).



In addition, they engage in more citizenship behaviors (Cable & DeRue, 2002), report higher intentions to stay with the organization (Posner, Kouzes, & Schmidt, 1985), and are less likely to turnover (O'Reilly, Chatman, & Caldwell, 1991). According to the principles of Schneider's ASA framework (Schneider, 1987; Schneider, Goldstein, & Smith, 1995) and research findings on P-O fit, we might expect that variability in employees' perceptions of, and reactions to, HR practices diminishes over time, as individuals who are dissatisfied with their organization's HR practices are likely to turnover.

Another major factor influencing employee perceptions of a firm's HR practices is their past experiences with HR practices in different organizations. According to Rousseau (2001), differences in people's pre-employment experiences influence their expectations about the employment. Such pre-employment schemas direct people's information-seeking activities once in the organization. In addition, recruitment and socialization experiences are thought to be particularly influential in the formation of one's beliefs regarding the employment relationship. Recruiting experiences can differ widely based on the recruiting representative with whom an individual has contact, demographic characteristics of the applicant, the specific recruiting messages that an individual receives, and market conditions (Rynes & Barber, 1990). These experiences help to set one's expectations regarding what it will be like as an employee of the organization, which, in turn, influences the way that individuals make sense of subsequent organizational events, especially when, for example, people look for schema-confirming information. Thus, the assumption is that the same organizational context can give rise to differential perceptions regarding HR practices depending on the cognitive processes, i.e., pre-employment schemas, of individuals.

People's perceptions are also likely to be influenced by their organizational roles; an individual's place in the organizational hierarchy, reporting relationships, patterns of informal social interaction, personal experiences with leaders, and experienced schedules of reinforcement contingencies affect the way they evaluate organizational information. Through

sensemaking, social interaction, and shared experiences, employees influence one another's perceptions and attributions of HR practices (James, Joyce, & Slocum, 1988; Kozlowski & Hattrup, 1992; Weick, 1995).

In addition, the position that people occupy within their organization's informal networks influences their perceptions of HR practices because it impacts their access to valued resources and career opportunities (Dabos & Rousseau, 2004). Individuals who are centrally positioned in informal networks have greater control over the allocation and use of valued resources, and hence enjoy better opportunities for obtaining their desired goals. As a result, they develop more favorable perceptions of the employment relationship (Dabos & Rousseau, 2004) and HR practices. This underscores the importance of social interaction patterns in shaping employees' perceptions of HR practices. Similarly, when individuals successfully negotiate "idiosyncratic deals" (Rousseau, 2005) with their managers or other individuals in control of valued resources, they may develop different interpretations of HR practices than coworkers who have different "deals."

Support for the notion that managers play a critical role in shaping individuals' perception of HR practices can be found in the work of Daniel (1985) who found that management style is related to subordinates' psychological climate perceptions. Likewise, Tierney (1999) found that the quality of one's relationship with his/her manager (i.e., leader-member exchange or LMX) positively influences climate perceptions. In related research, Kristof (1996) found that when employees perceive that their values are not similar to those of the organization (i.e., low person-organization fit)—as evidenced, for example, by HR practices—those employees with high LMX relationships with their managers are better able to create desirable organizational experiences that help compensate for low person-organization fit. Together, these results suggest that employee perceptions of the broader organization, including HR practices, are partially a function of experiences with, and attitudes toward, the focal supervisor.

### **Variability At The Group-Level Of Analysis**

Almost as scarce as research recognizing variability in HR perceptions at the individual level of analysis is empirical attention focused on understanding group-level variability and its impact on the HR practices to performance relationship. Wright and Nishii (2005) noted specifically that while firms may have policies that declare what and how HR practices are to be implemented, variability often exists at the work group level because supervisors may differ in how they implement them. Consequently, real differences may exist in the actual practices that employees are subjected to even within the same job.

Group leaders influence employees' perceptions of, and reactions to, HR practices primarily through their role as implementers of organizational policies and practices (Offermann & Malamut, 2002; Zohar, 2000; Zohar & Luria, 2004). Group leaders, or line managers, have the task of executing organizational policies by translating them into situation-specific action directives during their interactions with subordinates (Zohar, 2000). Because organizational procedures cannot possibly cover every contingency that might arise, managers have a certain level of discretion in the way they implement policies, thereby resulting in different perceptions of those policies and practices at the subunit level (Zohar, 2000). For example, Gully and his colleagues (Gully, Phillips, & Tarique, 2003) found that the more collectivistic a manager's values, the larger the merit increases s/he is likely to give to low-performing subordinates. Within a single organization, this can lead to inconsistencies in the treatment and reward of subordinates, thereby affecting employee perceptions and the effectiveness of a merit pay system.

In addition, leaders influence employees' perceptions of HR practices through their leadership styles (Daniel, 1985), personalities, and behaviors (Schneider & Reichers, 1983; Schneider, Ehrhart, Mayer, Saltz, & Niles-Jolly, 2005). They do so by determining employees' job experiences (such as job autonomy, decision-making autonomy, etc.) and access to valued resources such as training and performance rewards (Tierney, 1999), thereby influencing

employees' sensemaking through their own views of HR practices (Schein, 1992; Tierney, 1999), role modeling, and by signaling the consequences and rewards that employees should expect for certain behaviors (Schneider, et al., 2005).

In addition to leaders, other group members also influence employee perceptions of HR practices. Group members develop shared meanings and attitudes because of social interactions and common experiences among members of the group (James, Joyce, & Slocum, 1988; Kozlowski & Hattrup, 1992). Social interaction among group members leads to collective sensemaking, or to the shared development of attitudes and perceptions of the environment (Weick, 1995). Common experiences and working conditions, such as exposure to relatively homogeneous situational factors and events, shared leadership, working conditions, policies and practices, and general task goals (among other factors), lead group members to share their perceptions of the work environment (Kozlowski & Klein, 2000). Even job satisfaction and other work-related attitudes, which have traditionally been thought to contain a large dispositional component, have been linked to environmental influences such that members of a group come to develop shared job attitudes (Gutek & Winter, 1992; Judge & Hulin, 1993; Ostroff, 1992; 1993; Watson & Slack, 1993).

Furthermore, because of the workings of the attraction-selection-attrition model (Schneider, 1987), it is reasonable to expect that people in work units become increasingly homogeneous in attitudes over time as dissimilar individuals leave the group. George (1990), for example, found that groups develop homogenous affective tones as a function of the attraction-selection-attrition cycle. The extent to which group members come to share climate perceptions will likely be influenced by group factors such as cohesion and task interdependence; cohesion because it is associated with communication (Evans & Jarvis, 1980) and task interdependence because it leads to shared experiences and sensemaking. Mayer (2006), for example, found that task interdependence predicted justice climates in a sample of departments within a supermarket chain. Thus, to the extent that employees share more

experiences with members of their units than with employees outside of their units, unit-level differences in collective perceptions of, and reactions to, HR practices should emerge. In turn, shared cognition is important for group performance because it provides the foundation for communication, coordination, and cooperation (Kozlowski, Gully, McHugh, Salas, & Cannon-Bowers, 1996).

In addition to being influenced by membership in formal organizational units, perceptions of HR practices may also vary according to informal group memberships. Specifically, perceptions of HR practices may depend on membership in social identity groups. According to social identity theory (Tajfel, 1982; Tajfel & Turner, 1979) and embedded intergroup relations theory (Alderfer, 1986; Alderfer & Smith, 1982), the ways in which people perceive social realities are largely determined by their group memberships, particularly when experiences with organizational practices and access to valued organizational resources are associated with group membership (Ilgen & Youtz, 1986). When members of a particular group perceive that organizational practices are not fairly implemented, they are excluded from social and information networks, and/or they are not provided with the opportunities necessary to succeed within the organization, then these perceptions are likely to be reflected in their interpretations of HR practices. There is indeed some research that suggests that women and racial minorities report less positive climate perceptions than men and Caucasians, suggesting that demographic groupings may moderate the HR practices to performance relationship (Kossek & Zonia, 1993; Hicks-Clarke & Iles, 2000). However, it is important to recognize that such perceptions of discriminatory or unfair treatment about HR practices may vary according to membership groups other than race and gender. Nishii and Raver (2003), for example, found that climate perceptions cluster according to the group memberships that are salient within a particular organizational context. In their sample, position status and racial minority status were significantly associated with perceptions of diversity climate, but gender was not, presumably because only the former were associated with organizational power, and thus influenced the

way that employees experienced and attached psychological meaning to their organizational environments.

In addition to moderating the relationships between actual HR practices and employees' experiences of those HR practices, group-level characteristics should also moderate later links in the SHRM process model depicted in Figure 1. Specifically, a number of cognitive, affective, and behavioral group process variables influence the extent to which individual attitudes and behaviors become reflected in aggregate levels of group and organizational performance (see Kozlowski & Bell, 2003, for a review). Relevant cognitive factors, for example, might include a group's transactive memory and learning levels. The transactive memory that characterizes a group is presumed to relate positively to the cognitive efficiency of the group by reducing redundancy of effort through the specialization of knowledge and expertise (Hollingshead, 1998). As for team learning, a key component of team performance, group differences emerge due to differences in team psychological safety (Edmondson, 1999) and/or the quality of the coaching that is available to the team (Cannon & Edmondson, 2000).

Affective group constructs such as cohesion and collective efficacy also influence the extent to which group members come together to perform at superior levels. Task cohesion, which refers to a group's shared attraction and commitment to the group goal, is positively associated with group performance (Mullen & Cooper, 1994), particularly when combined with interpersonal cohesion, or interpersonal liking among group members (Zaccaro & McCoy, 1988). Collective efficacy is also positively associated with group performance, as concluded in a meta-analysis by Gully and his colleagues (Gully, Joshi, & Incalcaterra, 2001). Thus, subunits within a single organization that are subjected to the same set of HR practices may still differ in their performance—and therefore the observed HR practice to performance relationship for those groups—as a result of differences in these affective group factors. An interesting question, then, is what organizations can do to influence these group-level factors in ways that optimize the HR practice to performance relationship.

Finally, group coordination and cooperation are behavioral process mechanisms that positively impact group performance (Kozlowski & Bell, 2003). For example, coordination behaviors such as delegating team tasks, asking team members for input, and helping one another are positively related to performance (Stout, Salas, & Carson, 1994). Cooperative behaviors are also positively related to task and psychosocial outcomes (Pinto & Pinto, 1990), as well as financial outcomes (Smith, Smith, Olian, Smis, O'Bannon, & Scully, 1994).

That group level constructs influence group performance is not news, but an explicit examination of their moderating effects on the HR practices to performance relationship within organizations would be. Indeed, as researchers focus more attention on cross-level and emergent processes as a means of more fully explicating the process of SHRM, attention needs to be paid to such group-level moderators.

### **Variability At The Job-Level Of Analysis**

Until relatively recently, SHRM research has treated HR systems as almost monolithically uniform across the organization. However, Huselid's (1995) distinction between the HR practices aimed at hourly employees and those aimed at managerial professional employees, and MacDuffie's (1995) and Delery and Doty's (1996) focus on core employee groups began the recognition that multiple HR strategies might exist within the same organization. Most recently, Lepak and Snell's (1999) human capital model make explicit the importance of recognizing the variation in HR systems that exists across jobs.

Lepak and Snell (1999) debunk the assumption that one type of employment relationship with its corresponding HR practices is appropriate for all employees. Rather, they argue that employment relationships should be dictated by the value and uniqueness of human capital. They suggest that human capital varies along two dimensions: value-creating potential, or the ratio of strategic benefits relative to costs incurred in human capital investments; and uniqueness, or the extent to which the human capital in question is idiosyncratic to a firm. According to their model, organization-focused employment relationships that are characterized

by long-term mutual investment and a commitment maximizing HR system are only appropriate for human capital that is both high in uniqueness and in value-creating potential. Human capital that is high in value but low in uniqueness, however, should be acquired from the external market rather than developed internally. This is mainly because the low idiosyncratic nature of the human capital means that it can be easily employed by competitors and thus firms would not gain returns on investments in training and development should the employees leave to work for competitors. They further identify the alliance mode for highly unique human capital with low value-creating potential, and the contracting employment mode for human capital that is low in both uniqueness and value-creating potential. In later work, they suggest that these different HR systems imply different psychological contracts with the employees (Lepak et al. 2000). Note that the previous discussion recognized variability in individual psychological contracts, whereas Lepak and Snell suggest that there should also be “job-level” variance in these contracts.

Tsui, Pearce, Porter and Hite (1995) similarly propose that employment relationships should vary based on the types of job in question. Their model suggests that jobs requiring technological and skill complexity should be correlated with the use of organization-focused employment relationships, which are characterized by broad, open-ended obligations between the employer and employee. This contrasts with economic exchange relationships, which are more common for jobs with an abundant labor supply and lower-skilled jobs, and which involve tight monitoring, explicit rules, and rigidly defined employment contracts that lack benefits and training.

It is also possible that there may be variability in some of the links pictured in Figure 1 according to occupational lines. Rousseau (2001), for example, argues that people's psychological contract perceptions may differ according to occupational ideologies such that people come to expect from their organizations treatment that is consistent with occupational norms and philosophies. Based on differential norms across occupations, this can translate into differences across occupational groups in the expectations of HR practices, and henceforth



evaluations of a firm's HR practices. There is also some support for the idea that members of high-status occupations (e.g., professional) not only have higher expectations of their organization than members of low status occupations (e.g., blue collar), but are also less likely to respond to extrinsic rewards with organizational commitment (Cohen, 1992). Instead, because they attribute the rewards that they receive to their qualifications, their commitment tends to be directed toward their occupation rather than the organization *per se*. This suggests that there may be occupational differences in the perceived HR practices to employee reactions link; that is, that members of different occupations might respond differently to the same set of HR practices.

### **Theoretical Implications**

Currently, cross level or multi-level theories of SHRM are almost non-existent. With the exception of Ostroff and Bowen (2004), virtually no SHRM researchers have attempted to theorize across levels of analysis, yet exactly such theorizing may provide the foundation for renewed energy around research in this area.

Vast literatures on Social Information Processing (Salancik & Pfeffer, 1978) have focused on understanding how social processes impact the perceptions and reactions of individual employees to organizational phenomena such as job characteristics. These same social processes surely play a role in what aspects of the HR practices employees attend to, how they are interpreted, and the reactions that they feel are appropriate. Future research needs to explore these issues.

Similarly, at the group level of analysis, little attention has been paid to variability across groups. Work group leaders likely implement HR policies quite differently, yet we know little as to what might explain the differences in implementation as well as the variability in outcomes that result from such differences. At the job level, Lepak and Snell's (1999) HR architecture has provided at least a rationale for moving away from looking for one HR strategy across an

organization. In addition, Lepak and his colleagues have begun empirically exploring how firms manage multiple HR systems across multiple jobs.

In addition, future research would certainly benefit from exploring within-organization variability in employee perceptions and attributions of HR practices in studies of external fit (i.e., the notion that alignment between HR practices and other external factors such as strategy or technology yields enhanced performance). The inconsistent findings to date regarding external fit may be partially explained by the commonly used large scale firm-level studies in which single respondents are asked to report on a firm's HRM system and strategies. Employees' reactions to and interpretations of a firm's HR practices and strategy might lead the same inputs (HRM systems and strategy), *ceteris paribus*, to varying levels of firm effectiveness.

In recognition of such an idea, some researchers have argued that because external fit is highly idiosyncratic and the way strategy is linked to HR practices, and in turn to firm performance, involves causal ambiguity (Becker & Huselid, 1998), it is time to move beyond traditional contingency frameworks and extend the domain of external fit to include other organizational phenomena (Snell, Youndt, & Wright, 1996). The above discussion suggests that employees' perceptions of HR practices may represent one set of employee experience variables with the potential to deepen our understanding of the relationships among HR systems, strategy, and firm performance.

Similarly, employees' perceptions of HR practices may also prove useful when thinking about internal fit. For example, it is possible that a firm's employees might have perceptions about internal fit that differ from those reported by the HR representatives of their company or from researchers' calculations of internal fit. If one of the main objectives of achieving internal fit is to send consistent messages to employees regarding the firm's goals and expectations for employee behavior, it makes sense to explore notions of fit from the employees' perspective. In particular, how coherent or internally aligned are the HRM-related messages that employees receive from the HR practices to which they are subjected, and is there agreement across

employees (cf. Bowen & Ostroff, 2004)? It is entirely reasonable to expect that in some cases, even if a firm's HR practices (as described in a very generic form in SHRM research surveys) appear to be internally consistent on paper, they may not be experienced as such by employees.

In practical terms, examining employee perceptions of internal consistency can be a useful tool for organizations seeking to enhance their internal fit; it can provide organizations with specific leverage points on which to focus their attention. For example, which HR practices are failing to send the message that Service Quality is the organization's primary strategic objective? About which HR practice(s) do employees disagree with regard to the underlying strategic goal? Identifying the specific HR practices that are the culprit, and then focusing efforts to revise either the HR practices themselves or the communication surrounding those HR practices may prove to be helpful.

In addition, future research that includes qualitative methods aimed at uncovering *why* and *how* employees develop the perceptions and attributions that they do would also be useful. For example, what pieces of organizational information are the most influential in forming employees' perceptions? How are perceptions and attributions shaped by the volume, presentation, and timing of discrepant information regarding HR practices? What are the conditions under which employees are motivated to seek information about the goals of management that motivate HR practices? How is information gathered from various sources weighted differently in the formation of HR perceptions and attributions based on the credibility of the information source or the clarity of the information? How, explicitly, do employees' pre-employment experiences influence the perceptions and attributions that they subsequently develop? Once formed, how susceptible to change are employees' perceptions and attributions? What are the organizational and individual competencies that contribute to the formation of HR attributions with desirable consequences for organizations? Is it the HR

practices themselves, or other signals that accompany them that shape employees' HR attributions?

Furthermore, research that examines the relationship between individual personality and values on the one hand, and perceptions of the system of HR practices on the other, would be valuable. Previous research has shown how personality is related to reactions to a particular HR practice. However, still unexamined is how people respond to the pattern of HR practices. Given the emphasis placed on internal consistency of HR practices, it makes sense to assume that people's perceptions of a particular HR practice (especially as presented to them in a lab study, as has been the case in many such studies) may differ from their perceptions of that practice when evaluated in conjunction with other potentially synergistic HR practices.

Finally, although we restricted our discussion of variability to sources of within-organization variance, we recognize that there are many important sources of variability in the HR practices to performance relationship outside of organizations. In particular, we urge future research to more explicitly examine variability according to industry sector, regulatory environment, and national culture.

### **Practical Implications**

Recognizing the potential variability in perceptions of and reactions to HR systems in organizations suggests a number of implications for practice. First, while Lepak and Snell's (1999) HR architecture rightly notes that firms manage different employee groups differently, they do not discuss how each group reacts to what might be perceived as inequitable treatment. Such an approach to managing multiple employee groups may increase the inequality of outcomes, and the practical impact of such a situation is not clear.

Second, the recognition that work groups within the same job may experience different practices focuses on the critical role that work group leaders play in representing the organization. Because employee reactions can be shaped by both the perceived practices they

experience and their attributions for the motivations behind those practices, work group leaders may strongly determine the effectiveness of an HR system developed by a firm.

Finally, the model presented in Figure 1 highlights the importance of redundancy and consistency of communication in order to effectively implement HR practices that align with strategy and drive performance. As Ostroff and Bowen (2004) noted, HR practices serve as communication devices, and as MacDuffie (1995) noted, part of the value of the HR system is realized through the redundancy of practices. However, the communications that are derived from HR practices must be internally consistent with other forms of organizational communication (e.g., supervisory, written, leader verbal messages, etc.) in order to achieve maximum effect.

### **Summary and Conclusions**

While considerable research attention has focused on the empirical link between HR practices and firm performance, little empirical or theoretical attention has been devoted to recognizing the cross-level nature of this phenomenon. Future SHRM theorizing and research must be willing to acknowledge the variability that exists within a firm regarding how HR practices are implemented, perceived, and interpreted by the employees who are the targets of these practices, and whose behavioral reactions serve as the only way through which the practices can impact performance.

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