CORINE BOON

HRM and Fit

Survival of the Fittest!?

HRM and Fit
Survival of the fittest!?

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Survival of the fittest!?

HRM en afstemming
Hoe meer, hoe beter!?

Proefschrift

ter verkrijging van de graad van doctor
aan de Erasmus Universiteit Rotterdam
op gezag van de rector magnificus
Prof.dr. S.W.J. Lamberts
en volgens besluit van het College voor Promoties.

De openbare verdediging zal plaatsvinden op
donderdag 12 juni 2008 om 13.30 uur

door
Cornelia Trijntje Boon
geboren te Lekkerkerk

Promotiecommissie

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PREFACE

People say that writing a PhD thesis is a lonely process. I however, did not at all experience it as such, thanks to the support of many people without whom this thesis would not have been possible.

First of all, I would like to thank my supervisors Jaap, Deanne, and Paul for advising and inspiring me, and for your cooperation and involvement while I was conducting my research and finishing my thesis. You all had your own ways of motivating and guiding me through the whole project, and I have learned a lot from each of you. Although unfortunately it was sometimes difficult to find the time when the four of us could meet, I have really enjoyed our meetings. Deanne, thanks for encouraging me to become a PhD student during the supervision of my Master's thesis. You recognized my fit with science before I did. I very much enjoyed our discussions about my project, research in general and about academic life. I'm looking forward to continue working together in the future. Jaap, thanks for your devotion to my project, which is close to your own work. I have learned a lot from you about all different facets of academic work, including drawing valuable conclusions from the qualitative data, the communication with case study companies and translating my research findings into practical implications. Thanks for your patience! Paul, besides what I've learned from your supervision I enjoyed getting to know you during all our conversations in the car from Tilburg to Rotterdam. Besides this being a lot of fun, you advised me not only on my thesis but also on numerous other things.

I would also like to thank the members of the inner committee of my thesis, professors Roy Thurik, Ben Bakker, and Riccardo Peccei, as well as the other committee members. Thank you for reading and reviewing my thesis. Riccardo, you have been a great help to me from the start of my PhD. I appreciate your willingness to take the time to advise and comment on my work the last few years. This was very valuable for both my thesis and my papers.

Jaap and Deanne gave me the opportunity to work in the department of HR studies at Tilburg University and in the section Human Resource Management – Organization Behaviour at the University of Amsterdam regularly after they left the Erasmus University. I was warmly welcomed in both departments, and I would like to thank all colleagues from HR Studies (officially my colleagues now!) and HRM-OB for making me feel at home.

This brings me to my two 'paranimfs' – Karianne and Karina - who I met at the University of Amsterdam and Tilburg University. The similarity of our names have confused many conference visitors who have been introduced to us, and have contributed to us being known as 'K3'. Karianne and Karina, thanks for all the fun, the trips to Philadelphia and San Francisco and also for your support, both in general and specifically during our trips to the USA. I have learned a lot from both of you!

I would also like to thank my fellow PhD students both at the Erasmus University and the PhD students of the pHResh-network which Luc and I started in 2005. The pHResh seminars and PhD consortia we had twice a year were a good way to get to know other PhD students in HRM and to share our experiences of doing a PhD. It is nice to see that pHResh has grown considerably during the past years.

Haikun and Jeroen, I enjoyed sharing an office with you for four years. Although the number of times the three of us were in the office together was limited, I really enjoyed the talks with both of you at the times we were present. Tulay, thanks for the many coffee breaks we had together.

In January of this year, I have started to work as a post doc researcher in the People Performance and Health care group with Jaap, Paul, Kees, and Monique, and again I am lucky to have more than one department to work in; HR Studies at Tilburg University and iBMG at Erasmus MC. I'm looking forward to working with you in the years to come!

My friends, family, and family-in-law are very important to me, without them I would not have been what I am today. They have always been there for me and have provided the opportunity to relax and to enjoy free time. 'Mam', 'Pap', Linda, and Mirjam, I owe a lot to you since I started my 'academic career' doing sums while sitting under the table as a two-year-old. 'Oma' and 'Opa', thanks for always showing interest in me and my work and for wanting to know exactly what I do.

Last but not least, Marcel, I think I have found my 'perfect fit' in you. I hope you still feel the same, after having to cope with my mood swings and stress during the last year of my PhD. You have been an enormous support to me!

Corine Boon, April 2008

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CHAPTER 1   INTRODUCTION

1.1   Introduction

People are increasingly considered as important assets for organizations. Therefore, the management of the employment relationship in organizations can be considered a key management task. Since the development of Human Resource Management (HRM) as a field of scientific research in the 1980s, many changes have taken place in this area. An important development has been the integration of HRM into the strategic management process. This growing area of research has been labeled strategic Human Resource Management in that it emphasizes the strategic role of HRM in meeting business objectives (Delery, 1998). The basic premise underlying strategic HRM is that organizations adopting a particular strategy require HR practices that may differ from those required by organizations adopting alternative strategies (Delery & Doty, 1996), assuming an important link between organizational strategy and the HR practices that are implemented in that organization. This alignment between HR practices and the competitive strategy has been labeled *vertical fit* (also: *strategic fit*). Besides alignment with strategy (strategic fit), researchers in this area have also argued it is important to align HR practices with each other into a coherent and consistent system or bundle (e.g. Arthur, 1994; Delery, 1998). The assumption is that HR systems, which "simultaneously exploit the potential for complementarities or synergies among such practices and help to implement a firm's competitive strategy, are sources of sustained competitive advantage" (Huselid, 1995). For the HR system to be effective, HR practices are assumed to have to "fit with and support each other" (Baird & Meshoulam, 1988: 122). This fit is called *horizontal fit* (also: *internal fit*), because it focuses at the relationship between the separate HR practices.

The growing literature on the importance of these two types of fit for effective use of HRM in an organization was accompanied by an increasing focus on whether HRM has an impact on performance, which led to the further development of 'HRM fit' as a line of research. The 'fit' approach argues that the effectiveness of HR practices depends on contextual factors, for example sector, country, strategy, systems, or employee groups (e.g.

Boxall & Purcell, 2008). Strategic and internal fit are examples of the link between HRM and such contextual factors. Achieving a 'fit' between the HR system and its context is supposed to be associated with high performance.

1.2 'Fit' in HRM

Several researchers have tested the 'HRM fit' hypotheses, among which were the highly cited works of Arthur (1994), Huselid (1995), and MacDuffie (1995). Arthur (1994) for example, compared the performance effects of control HR systems and commitment HR systems, and found commitment oriented HR systems that included HR practices such as employee participation, training in group problem solving, and socialization, to be associated with higher productivity and lower employee turnover. Huselid (1995) tested the effects of internal and strategic fit on employee turnover, productivity and corporate financial performance, and found modest evidence for internal fit, and only little evidence for strategic fit, and MacDuffie (1995) found that an internally consistent 'bundle' of innovative HR practices affected performance.

Many researchers have emphasized the importance of the aforementioned internal and strategic fit for achieving high performance (Arthur, 1994; Delery & Doty, 1996; Huselid, 1995; Schuler & Jackson, 1987). They consider these two types of fit as important for an HR system to function optimally, using a consistent bundle of HR practices to achieve business objectives. However, the impact of several other contextual factors on HRM (e.g. structure or institutional environment) has been largely disregarded in strategic HRM research. Baron and Kreps (1999: 16) argue that besides the fit between the individual practices, the HR system should fit with "the broader context of what the firm is trying to do", such as the external environment, the workforce, organization's culture, organizational strategy, technology of production and organization of work. Apart from the most obvious control variables, only a few contextual factors that would be important to fit with HRM have been included in empirical studies. As a firm is a network of stakeholders, multiple 'fits' are needed (Boxall & Purcell, 2003). Paauwe (2004) also points out the importance of different contextual factors in his 'Contextually Based Human Resource Theory', which incorporates influences of the product market, the institutional environment and the organizational configuration on HRM. Similarly, Gerhart (2007)

incorporates legal, institutional, and normative influences, labor and product markets, workers, and technology as contextual factors in his theoretical model of HR systems and competitive advantage.

The influence of these main contextual factors on the HR system suggests going beyond strategic and internal fit and to introduce more types of fit between HRM and the context; a distinction between only the 'classic' types of fit - strategic and internal fit - might be too narrow to reflect the complexity of the HRM-performance relationship. In an overview of the strategic HRM literature, Wood (1999) recognizes four different types of fit in different studies on strategic HRM:

- *Strategic fit*: the link between the HR system and business strategy. HR practices focus on stimulating people to fulfill the organizational goals.

- *Internal fit:* the link between the different HR practices within the HR system. According to this view, the HR system should be an internally coherent system of HR practices.

- *Organizational fit:* the link between the HR system and other relevant systems in the organization. Relevant systems might, for instance, include technological systems, production systems, and control systems.

- *Environmental fit*: the linkage between the HR system and the external environment. According to this logic, the HR system should adapt to the changes in the environment and to the rules and expectations of the institutional context which affect the organization.

These four types of fit represent the view that a broader set of contextual factors may affect the effectiveness of HRM, and they may provide a valuable contribution to the 'HRM fit' approach, as incorporating different contextual elements in the concept of fit enables a more comprehensive description of fit in organizations (i.e. Drazin & Van de Ven, 1985).

1.3   Research questions

Although the idea of fit seems theoretically convincing (Becker & Huselid, 2006; Gerhart, 2004), empirical evidence for fit is less compelling (i.e. Gerhart, 2007). Moreover, fit theories contain several assumptions which have not yet been proven, such as the assumption that better fit leads to better performance. There is a lot of criticism on the

current operationalizations of fit (e.g. Boxall & Purcell, 2008; Gerhart, 2004). Moreover, besides higher level contextual factors, researchers have also emphasized the importance of individual level perceptions and reactions to strategic HRM research (e.g. Den Hartog, Boselie & Paauwe, 2004; Guest, 1999; Wright & Nishii, 2007).

In line with this, this thesis aims to contribute to the fit approach by focusing on three main goals. The first goal is to make a contribution to the development of the fit concept in HRM by developing and assessing conceptualizations and operationalizations for the different types of fit. The second goal is bridging organizational and individual level HRM research by adding an individual level type of fit as a fifth type of fit. The final goal is to use these studies to explore possible contributions of fit to the functioning of organizations. The three main goals will be elaborated on in the next paragraphs.

1.3.1 *Alternative conceptualizations and operationalizations*

The first goal of this thesis is to contribute to the development of the 'fit' concept by developing alternative conceptualizations and operationalizations of the types of fit mentioned by Wood (1999): strategic, internal, organizational, and environmental fit. As the focus of environmental fit will be on the alignment between HRM and the institutional context, in this thesis this fit will be labeled 'institutional fit' instead. Fit continues to play an important role in strategic HRM research, but the problem appears to be that there is no consistency and clarity with respect to the operationalizations of fit as well as the methods that can be used to measure the synergistic effects of systems of HR practices (Boselie, Dietz & Boon, 2005; Wood, 1999). Researchers state that the current operationalizations do not do justice to the complexity of the construct; by using mostly linear techniques and typologies, the complexity and dynamic nature of fit has not been measured adequately (e.g. Boxall & Purcell, 2008; Gerhart, 2004). Another typical 'fit' problem is the simplistic representation of strategy, often in static constructs (e.g. cost leadership versus differentiation (cf. Porter, 1985)) that do not capture the full breadth of business strategies in contemporary organizations (Boxall & Purcell, 2008; Paauwe, 2004). Also, the 'classical' approaches for measuring fit overlook employee interests, and devote insufficient attention to dynamics, as fit with various contextual factors represent "a process of adaptation to context" (Boxall & Purcell, 2008: 69).

So far, most researchers have used quantitative methods to measure fit, such as reliability analysis, factor and cluster analysis, multiple regression analysis, or sequential tree analysis (Arthur, 1994; Guest, Conway & Dewe, 2004; Ichniowski, Shaw & Prennushi, 1997; MacDuffie, 1995), with which it is difficult to prove whether complementarities exist as most of these techniques assume additive or linear relationships between variables. Becker and Huselid (2006: 910) argue that fit is "inherently multidimensional and not easily captured by simple bivariate statements". Gerhart (2004: 10) notes a "troublesome lack of progress on this front". Boxall and Purcell (2003: 58) hold that most models are "attractively simple but they are 'too thin'. They miss much of the interactive, multi-variate complexity of strategic management in the real world".

In sum, there is a need for alternative approaches for conceptualizing and operationalizing fit, covering the breadth and complexity of the construct. In line with this, alternative conceptualizations and operationalizations for the different types of fit are developed in this thesis.

1.3.2 *Combining macro and micro level perspectives*

The types of fit mentioned above cover the three main contextual factors that are supposed to have an impact on the HR system, as well as a fit between the different HR practices within the HR system. These types of fit might, however, not be sufficient for having a positive effect on performance. Wright and Nishii (2007) point out that besides the *intended* HR system, the *actual* and the *perceived* HR system are also important for explaining performance effects of HRM. The intended HR system is the HR system as designed by the HR policy makers, and the actual HR system is the resulting HR system after implementation. The perceived HR system reflects employee perceptions of the HR system, which moves the process to the level of the individual (Wright & Nishii, 2007). HR practices can be seen as "'signals' of the organization's intentions towards its employees and are interpreted as such by individual employees" (Den Hartog et al., 2004: 563). These signals may, however, not be interpreted similarly or reacted to in a similar way (Den Hartog et al., 2004). As a result, variation can occur in the HR system because of differences in implementation and communication of the HR practices throughout the

organization, such that the intended HR system varies from employees' perceptions of the HR system (Wright & Nishii, 2007).

Research has shown that the impact of HR practices on performance largely depends on employees' perception and evaluation of these practices (Guest, 1999), which implies that psychological mechanisms like perception and employee reactions can be powerful mediators of the HRM-performance relationship. Boxall and Purcell (2008) also emphasize the importance of the individual level in explaining the relationship between HRM and performance. They state that besides alignment of HRM on the organizational level, employee interests should be aligned with the organization as well. Integrating individual level mechanisms in the HRM – performance relationship can make a valuable contribution to strategic HRM (e.g. Wright & Boswell, 2002). However, employee interests, and perceptions of the HR system are often overlooked in HRM and performance models (e.g. Boxall & Purcell, 2008).

Baron and Kreps (1999) argue that workers will do better or worse in a given organization according to how well they are matched to its attributes. HRM can play an important role in achieving such a match. Person-Environment (P-E) fit is a construct that has been widely applied in organizational psychology, which refers to the extent to which certain types of people fit within certain types of organizational environments, aimed at achieving long-term effectiveness (Bretz & Judge, 1994). Research has shown that a high level of P-E fit has many benefits for employee attitudes and behaviors (Kristof-Brown, Zimmerman & Johnson, 2005). Two commonly studied types of P-E fit which are particularly relevant for HRM research are Person-Organization (P-O) and Person-Job (P-J) fit, which refer to the match between the person and the organization, and the job, respectively.

In line with this, our second goal is to bridge 'macro' and 'micro' level HRM, combining two major sub domains of HRM: strategic HRM, concerned with systemic questions and issues, for example with respect to fit, and micro HRM, covering sub functions of HR policy and practice focused on individuals (Boxall, Purcell & Wright, 2007). According to suggested research directions arguing to incorporate employee perceptions and interests (i.e. Boxall & Purcell, 2008; Guest, 1997; Wright & Nishii, 2007), we add P-E fit as a fifth type of fit. The role of Person-Environment fit in the

relationship between employee perceptions of HRM and employee attitudes and behaviors will be examined.

1.3.3 *Potential contributions of fit to organizational functioning*

As fit is a developing research area in HRM, and as there is a lot of criticism on how fit has been conceptualized and operationalized to date (e.g. Boxall & Purcell, 2008; Gerhart, 2004), this thesis focuses on developing and assessing alternative ways to conceptualize and operationalize fit as well as on studying the potential contribution of P-E fit to strategic HRM. Although performance effects of HRM and fit are theoretically assumed (i.e. Becker & Huselid, 2006; Becker, Huselid, Pickus & Spratt, 1997; Gerhart, 2004), the evidence for a link between different forms of fit and performance has been limited so far. However, further development of the operationalization and measurement of different forms of fit is needed before concluding whether such a link exists. We feel that at this stage of research, first more insight in the concept of fit itself is needed, before being able to test potential performance effects of fit.

Instead, we choose to focus on exploring potential contributions of fit to organizational functioning. Is achieving fit useful for organizations? Is it true that "the more fits, the better the performance"? And, do organizations strive for achieving fit? In line with this, our third goal is to reflect on the empirical findings on strategic, internal, organizational, institutional, and P-E fit in order to try to explore the potential contributions of fit to the functioning of organizations, resulting in propositions about potential effects of fit, and suggestions for further research.

1.3.4 *Research questions*

Following the previous paragraphs, three research questions will guide this thesis:

- *How can strategic, internal, organizational, and institutional fit be conceptualized and operationalized?*
- *What is the role of Person-Environment fit in the relationship between employee perceptions of HRM and employee attitudes and behaviors?*
- *What are the potential contributions of fit to the functioning of organizations?*

For answering the research questions, both a qualitative case study design and a quantitative survey design are used. The exploratory nature of the first research question suggests a qualitative research approach, in which a range of contextual variables can be incorporated (i.e. Eisenhardt, 1989; Yin, 2003). In order to develop the fit concepts, first conceptualizations of fit need to be developed, followed by formulating indicators for each type of fit, resulting in measurement instruments or operationalizations. Therefore, we have used interview data and documents from three organizations in order to develop and assess conceptualizations and operationalizations of fit. For answering the second research question, quantitative analysis is used, as many validated measurement instruments for P-E fit are already available. Moreover, with survey research, individual perceptions of many employees can be measured, instead of the opinions of only a few. The third research question will combine the theoretical and empirical findings of this thesis in order to explore the added value of fit to organizations.

1.4   Relevance

In previous research projects conducted in the field of strategic HRM, the focus was typically on measuring and testing horizontal (i.e. internal) and vertical (i.e. strategic) fit. This project is among the first to define and conceptualize a set of five types of fit. Wood (1999) already stressed the importance of strategic, internal, environmental (institutional), and organizational fit. We have added the fifth type of fit, Person-Environment fit, in order to present a more comprehensive framework that explains the relationship between HRM and performance and to address suggested research directions to incorporate individual perceptions and interests (i.e. Boxall & Purcell, 2008; Guest, 1999; Wright & Nishii, 2007) in this field of research that has been dominated by organizational-level concepts and theories.

The conceptualizations and operationalizations of fit developed in this thesis can contribute to measurement of HRM fit in future research, as important elements and dimensions of the different types of fit will be identified in this thesis. Moreover, we are looking particularly at the questions *how* and *why* the different fits are shaped. Most research projects have focused on proving that there is a link between HRM and

performance, without addressing how and why this relationship exists. These how and why questions can provide an important contribution to the development of the 'HRM fit' area.

The managerial relevance of this research project lies in providing HR departments with information about how to configure the HR system and to link this system with the context in order to increase performance. The results of this study can lead to recommendations about what factors are important for achieving fit. For each type of fit, we will provide organizations with guidelines about the type of fit or a measurement instrument with which management can assess the degree to which the different types of fit are present in their organization (see paragraph 8.7).

1.5   Structure of the thesis

In chapter 2, a theoretical overview of the concept of 'fit' will be given. Then, the research design will be explained in chapter 3. Figure 1.1 gives an overview of the structure of the empirical chapters of this thesis. Chapter 4, 5, and 6 report on the empirical studies[1] conducted in order to develop conceptualizations of strategic, internal, organizational, and institutional fit, covering the first research question.

Chapter 4 presents an alternative approach to conceptualizing strategic and internal fit in HRM, representing the link between strategy and HR practices, as well as between HR practices in the HR system (see figure 1.1). In this chapter, alternative operationalizations of the two most commonly studied types of fit are proposed, and assessed and evaluated using case study data from two organizations in the retail sector.

The development of the concept of organizational fit will be covered in chapter 5, representing the link between organizational systems and HR practices in figure 1.1. In this chapter, the role of strategic HRM in supporting organizational systems and characteristics is examined. A conceptualization of organizational fit is developed using case study data from three organizations.

Chapter 6 incorporates legitimacy challenges besides efficiency goals of HRM by examining the link between the institutional context and HR practices, or institutional fit (see figure 1.1). This chapter covers the interaction between institutional pressures and the

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[1] The empirical chapters of this thesis, chapter 4, 5, 6, and 7, are based on papers. Therefore some overlap will occur with respect to methodology and case study descriptions.

shaping of HRM. The concepts of leeway, human agency and strategic choice are used in order to explain differences in institutional fit, and supported with empirical evidence of three organizations in the Netherlands.

Figure 1.1 Structure of thesis
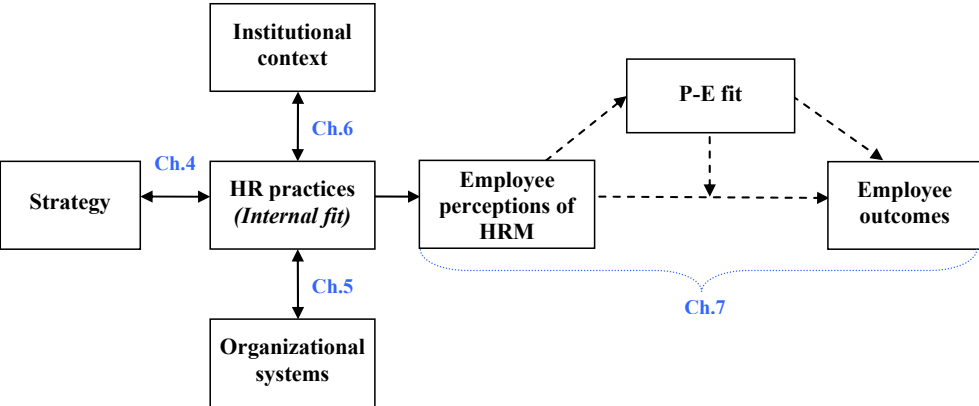
The second research question of this thesis is covered in chapter 7, reporting a study on the relationship between employee perceptions of HRM, Person-Environment (P-E) fit, and employee outcomes (see figure 1.1). Using quantitative data from two organizations, this study examines the role of two types of P-E fit - Person-Organization fit and Person-Job fit - in the relationship between employee perceptions of HR practices and employee attitudes and behaviors.

This thesis will conclude with chapter 8, addressing the third question of this thesis. In this chapter, a discussion of the results is presented, relationships between different types of fit are proposed, and potential contributions of fit to organizational functioning will be explored, leading to propositions to guide future research. This chapter concludes with an evaluation of the fit concept in strategic HRM, evaluating figure 1.1 as a whole.

CHAPTER 2   THE CONCEPT OF FIT IN HRM

2.1   Introduction

"Although it is common for theorists to postulate relationships using phrases and words such as *matched with, contingent upon, consistent with, fit, congruence, and co-alignment,* precise guidelines for translating these verbal statements to the analytical level are seldom provided" (Venkatraman, 1989: 423). Without a precise definition of what 'fit' is, it becomes very difficult to determine whether an organization achieves a fit or not. In this chapter, the concept of fit is explored, as well as its application and use in the field of strategic HRM, providing the theoretical basis for this thesis. First, an overview of the concept of fit is given from strategic HRM and other fields, resulting in a comparison of different typologies of fit. Then, these typologies are related to the central research questions of this thesis.

2.2   The concept of fit

Nadler and Tushman (1980: 45) define congruence or fit as "the degree to which the needs, demands, goals, objectives, and/or structure of one component are consistent with the needs, demands, goals, objectives, and/or structure of another component". The premise underlying the concept of fit is that organizations are more efficient and effective when they achieve fit than in a situation of a lack of fit (Wright & Snell, 1998). Thus, according to the fit concept, an organization is most effective when all its pieces fit together (Nadler & Tushman, 1980). All elements, like situational factors, strategy, coordinating mechanisms seem "to fall into natural clusters or configurations" (Mintzberg, 1983: 151).

Drazin and Van de Ven (1985: 514) recognize that many models are based on the premise that there should be a 'fit' between certain variables in order to perform well, but "despite the critical role that this concept of fit plays, few studies have carefully examined its implications". Moreover, a large variation of conceptualizations of fit are present in the literature, as the concept of fit has been applied in different research areas, for example in strategy (e.g. Venkatraman, 1989; Venkatraman & Camillus, 1984), strategic HRM (e.g.

Delery, 1998; Delery & Doty, 1996), and Organizational Behavior (OB) research (e.g. Kristof-Brown et al., 2005; Kristof, 1996). The theoretical meaning of fit can vary, depending on how it is conceptualized and operationalized in research (Milliman, Glinow & Nathan, 1991; Venkatraman, 1989).

As the fit concept has been used in different content domains and levels of analysis, different theoretical perspectives for explaining fit have been offered, which has led to confusion about the meaning of fit (Ostroff & Schulte, 2007). As a result, researchers have experienced difficulties in both conceptualizing and operationalizing the concept of fit (Milliman et al., 1991). In order to collect adequate data to conduct fit research, a clear operationalization of fit is needed. The operationalization that is used determines the reliability and validity of the outcome. "Fit must be operationalized and measured appropriately to the theory or hypotheses being tested" (Naman & Slevin, 1993: 137). Because of the diversity in conceptualizations and operationalizations of fit, results of different studies are often not comparable with each other. The operationalization of fit can thus be considered as difficult.

2.2.1 Types of fit

In structural contingency and strategy research, a number of typologies of fit have been defined. Drazin and Van de Ven (1985) for example indicated that in structural contingency research, three different conceptual approaches of fit have emerged: the selection, interaction, and systems approach. According to the selection approach, fit is viewed as a basic assumption underlying congruence propositions between organizational context and structure and process (Drazin & Van de Ven, 1985). On the one hand, fit is the result of a process over a long period of time which is assumed to lead to survival of the organization. When an organization does not adapt or fit with the circumstances, it will not survive (i.e. natural selection). On the other hand, fit is the result of managerial choices which lead to adaptation to the changing environment (i.e. managerial selection). These managerial choices can be subject to differing degrees of freedom, depending on legislation and the position in the market. The interaction approach refers to the interaction effect of the organization and its context on the performance of the organization. The focus of this approach is not so much on understanding the congruence between structure and the

organization as in the selection approach, but rather on explaining variations in organizational performance from the interaction of the organization and its context (Drazin & Van de Ven, 1985).

The system approach interprets fit as "feasible sets of equally effective alternative designs, with each design internally consistent in its structural pattern and with each set matched to a configuration of contingencies facing the organization" (Drazin & Van de Ven, 1985: 522). According to this approach, the organization is regarded as an open system that interacts with its environment, and is more than just a set of interrelated elements (Nadler & Tushman, 1980). Patterns of equally effective designs can occur, which relates to the concept of equifinality, implying that a certain level of performance can be achieved through multiple different organization structures; different paths can be taken in order to reach the same results (Gresov & Drazin, 1997). The greater the deviation from the ideal type pattern, the lower the performance. Two things are important for this pattern: on the one hand, the adaptation of the system to the environment, and on the other hand, the internal consistency of the system. Depending on the goals of the organization, there are different organizational configurations which have the potential to enhance firm performance. Such a configuration contains various internal and external components which fit ideally with each other, for example strategy, human resources, technology, culture, and history, and the external environment. For example, Mintzberg (1983) recognized that organizations are structured to define interrelationships among different parts of the organization. He distinguished five basic parts of the organization and developed five different configurations which are effective in different contexts.

In strategy research, Venkatraman (1989) recognizes six different perspectives of fit, which differ along two dimensions: the degree of specificity of the theoretical relationship, and the distinction between criterion-free and criterion-specific. The degree of specificity indicates the level of precision of the relationship. With a high degree of specificity, the form of the relationship and the relationship between underlying variables can be specified. In case of a low degree of specificity, the exact form of the relationship is not clear. With fewer variables in the relationship, it is possible to be more specific. The other dimension concerns the linkage of the concept of fit to a specific criterion or outcome variable. For example, one can link the concept to the criterion 'performance', or use the

fit without linking it to a criterion, assuming universal applicability of the concept. With a criterion-free perspective, the degree of fit can be viewed as an evolutionary process of adaptation, where the firms who continually renew their fit with their external context are the best-performing firms (Sivasubramaniam & Kroeck, 1995). Within this framework, Venkatraman (1989) defines six different perspectives of fit: fit as moderation, mediation, matching, gestalt, profile deviation, and covariation, which are presented in figure 2.1.

Figure 2.1 Six perspectives of fit

Choice of anchoring the specification of
fit-based relationships
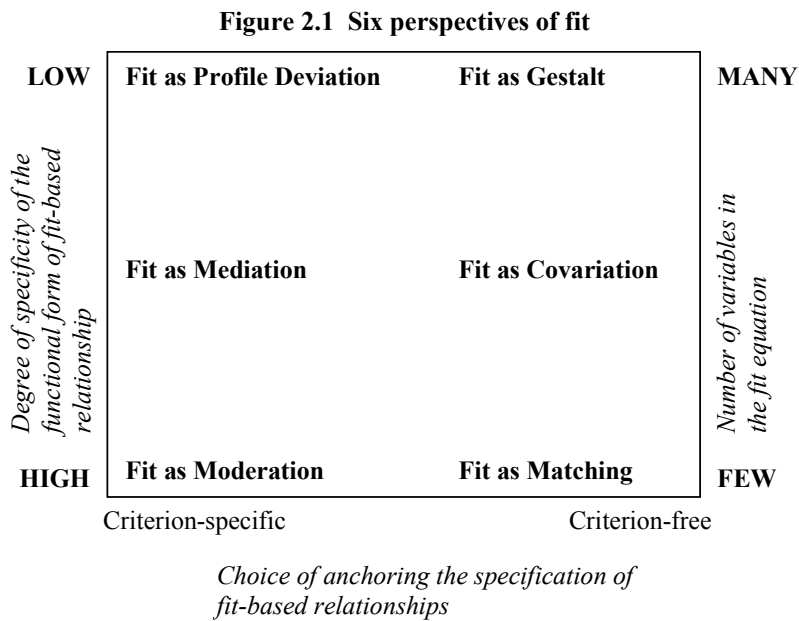
Adapted from Venkatraman (1989)

Fit as moderation implies that the impact of the independent variable on a criterion variable is dependent on the level of a third variable, termed here as the moderator (Venkatraman, 1989). Fit as mediation refers to the existence of a significant intervening mechanism between the dependent and independent variable. Besides the direct relationship, there is also an indirect relationship between the independent and the dependent variable. Fit as matching refers to fit as a theoretically defined match between two related variables, without direct reference to a criterion variable, like performance. Fit as gestalt concentrates on the degree of internal coherence among a set of theoretical attributes. Instead of looking at two variables, more variables are analyzed aimed at finding

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archetypes or gestalts which are internally aligned. Fit as profile deviation is the degree of correspondence with an externally specified profile. The closer the observations resemble the ideal profile, the higher the performance. Fit as covariation refers to a pattern of covariation or internal consistency among a set of underlying theoretically related variables in which all underlying dimensions have to match, and is based on the principles of factor analysis (Venkatraman, 1989).

Early research on organizational systems and fit took into account both the importance of fit among different elements of the organization and the fit of individuals with the organization (Ostroff & Schulte, 2007), applying the six perspectives of fit as defined by Venkatraman (1989). In the 1960s and 1970s however, a separation occurred in fit research, which led to separate macro-level and micro-level fit paradigms. On the macro-level, fit research was dominated by contingency and configurational notions, reflecting the interaction and system approach (i.e. Drazin & Van de Ven, 1985) or fit as gestalts, covariation, and profile deviation (i.e. Venkatraman, 1989). On the other hand, micro-level fit research focused on Person-Environment (P-E) fit and developed their own conceptualizations of fit (Ostroff & Schulte, 2007), mainly influenced by the interactionist perspective (i.e. Schneider, 1983), which corresponds with fit as matching (i.e. Venkatraman, 1989). In this thesis, both macro-level and micro-level types of fit will be examined. Below, we will elaborate on the concept of fit in the field of strategic HRM.

2.2.2 *Fit in the field of strategic HRM*

In strategic HRM research, Delery and Doty (1996) distinguish three main perspectives for theorizing the relationship between HRM and performance: the universalistic, contingency, and configurational perspective. The universalistic perspective holds that some HR practices are universally effective; regardless in which context they are implemented. The contingency and configurational perspectives are both fit approaches, arguing that the effectiveness of HR practices depends on their fit with elements of the context.

The contingency approach argues that the link between HR practices and performance is moderated by another variable. Strategy is often mentioned as the contingent factor in this relationship (e.g. Schuler & Jackson, 1987; Youndt, Snell, Dean &

Lepak, 1996). The choice of an HR system is then determined by the content of the organizational strategy. For example, Schuler and Jackson (1987) linked different HR systems to the three competitive strategies defined by Porter (1985): innovation, quality enhancement, and cost reduction. Youndt et al. (1996) also covered this link in their research by analyzing the moderating effects of manufacturing strategy (cost, quality, and flexibility strategies) on the relationship between HRM and performance. But other contingencies can also influence the relationship between HRM and performance, for example technology or organizational structure. Moreover, relationships with several control variables are often mentioned as contingencies. These control variables can be both at the organizational or sector level (such as organization size, branch of industry, etc.) and at the individual level (like age, gender, etc.). The contingency approach shows parallels with the selection and interaction approach as defined by Drazin and Van de Ven (1985), and Venkatraman's (1989) fit as mediation, moderation, and matching.

The configurational approach focuses on patterns of equally effective HR systems in organizations, corresponding with the Drazin and Van de Ven's (1985) system approach, and fit as profile deviation, gestalts, and covariation as defined by Venkatraman (1989). According to the configurational approach, for different organizations, different bundles of HR practices are considered to be effective. Configurational analysis looks for resemblance between the existing HR system and the ideal bundle of HR practices for that organization. The larger the deviation from the ideal type, the lower the performance of the organization will be. "In general, configurational theories are concerned with how the pattern of multiple independent variables is related to a dependent variable rather than with how individual independent variables are related to the dependent variable" (Delery & Doty, 1996). They emphasize the importance of the specific *pattern* of those HR practices. These configurations represent nonlinear synergistic effects and higher-order interactions that cannot be represented with traditional bivariate contingency theories (Doty & Glick, 1994).

Because different bundles can perform well in different situations, there is an 'ideal type' bundle for each of these different situations. This ideal bundle can be theoretically-based or derived from empirical data. For example, Verburg, Den Hartog, and Koopman (2007) examined the fit between theoretically defined configurations of HR, employability

and flexibility practices, and Paauwe (1989) developed HR configurations based on organizational structure typologies of Mintzberg (1979). MacDuffie (1995: 197) empirically derived bundles or configurations of HR practices which "affect performance not individually but as interrelated elements in an internally consistent HR 'bundle' or system".

Guest (1997) also proposes a typology of fit, based on the work of Sivasubramaniam and Kroeck (1995). He distinguishes two dimensions along which the different types of fit in HRM can be ordered: criterion-specific versus criterion-free and internal versus external fit. The dimension criterion-specific versus criterion-free was also used by Venkatraman (1989), and the dimension internal versus external fit represents the application of the fit model to the field of strategic HRM. Internal fit refers to a fit between different HR practices, whereas external fit implies a fit between the HR system and its context. Guest (1997) recognizes five types of fit within these dimensions: fit as strategic interaction, fit as contingency, fit as an ideal set of practices, fit as gestalt, and fit as 'bundles' (see table 2.1).

Table 2.1 Five types of fit

	Criterion specific	*Criterion free*
Internal	Fit to an ideal set of practices	Fit as gestalt Fit as 'bundles'
External	Fit as strategic interaction	Fit as contingency

Adapted from Guest (1997)

Fit as strategic interaction represents the linkage between the external context and HRM. An organization makes strategic choices about how to compete in the environment and according to this view, HR practices should match these choices. A better match is supposed to lead to higher performance. Schuler and Jackson (1987) for example, link Porter's (1985) strategic types to HR practices. Fit as contingency reflects the contingency approach. Organizations that are more responsive to the external context of the organization (i.e. nature of the market, nature of the sector, changes in legislation) are supposed to perform better. Although few tests of the pure - criterion free - contingency approach are present in the strategic HRM literature (Guest, 1997), fit studies that use

contingency variables include for example the fit between HR practices and competitive strategy (e.g. Delery & Doty, 1996; Huselid, 1995) or branch of industry (e.g. Datta, Guthrie & Wright, 2005). Fit to an ideal set of practices implies that an ideal set of HR practices exists, which is universally effective. The closer the real HR practices get to the ideal set of practices, the higher the performance will be. To test fit to an ideal set of practices, for example the degree of correspondence of HR practices to Pfeffer's (1994) set of ideal practices can be assessed.

The key of the fit as gestalt approach is finding an appropriate combination of practices of which the sum is greater than the parts. All separate practices are chosen or evaluated in the context of the other practices in place. This results in a unique gestalt for an organization, which is hard to replicate by other organizations. Few studies use the fit as gestalt approach in its pure form, however this approach has been applied for example by testing the similarity of HR practices to theoretically derived HR systems which match the organization (e.g. Delery & Doty, 1996; Verburg et al., 2007). Fit as 'bundles' acknowledges the existence of distinctive patterns or bundles of HR practices. There are different bundles possible which will enhance performance. An organization can choose between different bundles which all fit the organization and enhance performance (different bundles can be equally effective). The practices in the bundle form a coherent and consistent system. This approach has been studied for example by comparing the effectiveness of different bundles of HR practices, combining two or more HR practices (e.g. Delaney & Huselid, 1996).

From this categorization, Guest (1997) derives three main approaches: internal fit, external fit, and configurational fit. Internal fit refers to HRM as an ideal set of practices, external fit to HRM as strategic integration, and configurational fit refers to HRM as bundles. These three approaches to fit show resemblance to the three modes of theorizing the HRM - performance link of Delery and Doty (1996), which are the universalistic, contingency and configurational mode. According to Guest's (1997) definition, internal fit refers to congruence with a set of 'best practices', which seems to contain elements of both the 'universalistic' or 'best practice' approach, as it is assumed that a universally effective set of HR practices exists, and the 'configurational' approach, as it is argued that the closer the HR practices get to the ideal set of practices, the higher the performance. Therefore,

internal fit as defined by Guest (1997) will be placed under both the 'universalistic' and 'configurational' approach, whereas in this thesis, internal fit will be defined as a configurational or 'fit' approach. Table 2.2 provides an overview of different typologies of fit, linked to the universalistic, contingency, and configurational approach of Delery and Doty (1996). Similar to strategic HRM research, structural contingency and strategy research in the concept of fit also makes a main distinction between contingency approaches, mainly involving the fit between a variable and a contextual factor and systems or configurational approaches, involving more different variables.

Table 2.2 The concept of fit: Comparing typologies

Delery & Doty (1996)	Drazin & Van de Ven (1985)	Venkatraman (1989)	Guest (1997)
Universalistic approach			*Internal fit:* Fit to an ideal set of practices
Contingency approach	Interaction approach Selection approach	Fit as mediation Fit as moderation Fit as matching	*External fit:* Fit as strategic interaction Fit as contingency
Configurational approach	Systems approach	Fit as profile deviation Fit as gestalts Fit as covariation	*Configurational fit:* Fit as gestalt Fit as 'bundles' *Internal fit:* Fit to an ideal set of practices

2.2.3 Five types of fit

As mentioned in the previous chapter, different types of fit between HRM and contextual factors have been formulated. In this thesis, we will follow suggestions for examining the fit with multiple contextual elements (e.g. Drazin & Van de Ven, 1985; Paauwe, 2004) by studying strategic fit, internal fit, organizational fit, institutional fit (i.e. Wood, 1999), and Person-Environment fit (i.e. Kristof-Brown et al., 2005). These five types of fit can be linked to different types of fit as listed in table 2.2. Strategic and institutional fit are examples of contingency approaches. Using the typology of Drazin and Van de Ven (1985), strategic fit corresponds with the interaction approach, focusing on the interaction between strategy and HRM, whereas institutional fit corresponds with the selection approach, as institutional fit focuses on natural and managerial selection within differing degrees of freedom, depending on legislation and the position in the market.

HRM and Fit

Person-Environment fit also reflects a contingency approach, as it focuses primarily on matching (i.e. Venkatraman, 1989) or interaction (i.e. Drazin & Van de Ven, 1985) between individuals and environments. Also, from an HR perspective, P-E fit can be labeled as fit as interaction, as we suggest in chapter 7 that in the relationship between HRM and employee outcomes, P-E fit can play a mediating or moderating role. Internal fit and organizational fit correspond with the configurational approach, focusing on systems of internally consistent HR practices (i.e. internal fit), and interactive relationships between different organizational systems, resulting in a consistent organizational configuration (i.e. organizational fit).

Drazin and Van de Ven (1985) found evidence for selection and interaction types of fit operating simultaneously in organizations. They suggest exploration of interrelationships and interdependencies between different types of fit as an important research direction, as the resulting information can lead to more comprehensive descriptions of fit in organizations than a single approach to fit alone (Drazin & Van de Ven, 1985). Also examination of the effects of multiple contextual elements on fit is suggested, as these may have conflicting or synergistic effects. Ostroff and Schulte (2007) also argue that different types of fit might be interrelated. They argue that 'system fit' and P-E fit are naturally related concepts. The organizational elements provide the context within which P-E fit can operate (Ostroff & Schulte, 2007).

2.2.4 Fit and dynamics

Up till now, many theories both in strategic HRM and P-E fit have treated fit as a static process (i.e. Ostroff & Schulte, 2007; Wright & Snell, 1998). Most researchers take a static approach to fit in their measurement of the construct, implicitly assuming that organizations operate in static environments, for example by measuring strategy and HR strategy cross-sectionally (e.g. Schuler & Jackson, 1987; Wright, McMahan, McCormick & Sherman, 1998). However, most organizations operate in dynamic environments; many changes take place and organizations have to cope with these changes by adapting their business and HR strategy to the turbulent environment constantly.

In strategic HRM, some researchers have emphasized the importance of flexibility, which is also important for the effectiveness of the organizational system (Wright & Snell,

1998). Boxall and Purcell (2003: 56) for example, state that "aiming to meet current competitive needs … is important but so too are goals for supporting organization flexibility over time". As many firms operate in a dynamic environment, achieving a fit at a certain point in time is not sufficient for achieving a competitive advantage in the long run. An organization needs to have the capability to adapt to changes in the environment that affect the organization. Similarly, Lengnick-Hall and Lengnick-Hall (1988) argue that achieving a fit between organizational systems will often be beneficial in the short run, but for the long run, organizations should also strive for flexibility. They state that in some situations, for example in case of organizational change, flexibility is necessary in order to cope with multiple and conflicting goals. Lengnick-Hall and Lengnick-Hall (1988) take the perspective that a 'static' fit can be counterproductive because it may constrain innovativeness and limit the skills present in the firm.

Wright and Snell (1998) define flexibility as a firm's ability to quickly reconfigure resources and activities in response to environmental demands. According to this definition, fit and flexibility can exist at the same time. Miles and Snow (1994: 11) also emphasize this by arguing that "fit is a process as well as a state - a dynamic search that seeks to align the organization with its environment and to arrange resources internally in support of that alignment". Besides achieving a fit between the organizational components, the organization has to be flexible enough to adapt to changes, such that a dynamic fit is achieved. Gerhart (2007) also emphasizes the importance of flexibility in his theoretical model of HR systems and competitive advantage by incorporating flexibility/agility besides horizontal and vertical fit. In line with this, attention will be given to the dynamics of fit in this thesis by introducing adaptation, capturing the degree of adaptation to changes.

2.2.5 *Fit and performance*

As mentioned before, inherent in the concept of fit is the assumption that achieving a high level of fit is associated with high effectiveness (Drazin & Van de Ven, 1985; Nadler & Tushman, 1980; Wright & Snell, 1998). Moreover, an important assumption in strategic HRM is that HR practices affect performance through their impact on employee attitudes and behaviors (i.e. Ramsey, Scholarios & Harley, 2000). However, to date only

limited support for the effectiveness of fit exists. Many strategic HRM scholars use financial performance measures as dependent variables in their research (Boselie et al., 2005). However, relying only on financial performance measures does not capture the breadth of the fit concept; regarding performance as a multidimensional concept seems more relevant in order to capture the multidimensionality of the fit concept. For example, Paauwe (2004) presents a multidimensional perspective of performance, looking at performance from the perspective of different stakeholders of the organization. In line with this, Paauwe (2004) distinguishes a strategic dimension, focused on the board of directors, shareholders, financial institutions, and the CEO, a professional dimension, focused on line managers, employees, and the personnel department, and a societal dimension, focused on works councils, trade unions, government, and interest groups. Similarly, Boselie et al. (2005) make a distinction between types of performance based on Dyer and Reeves (1995), between financial outcomes, covering accounting-based and market-based measures, organizational outcomes, covering output-based measures (e.g. productivity, product- and service quality), and HR related outcomes (e.g. attitudinal and behavioral impacts among employees, such as satisfaction, commitment, intention to quit, and employee turnover). Moreover, Boxall and Purcell (2008) emphasize the importance of legitimacy and flexibility besides productive efficiency as performance goals for strategic HRM. Consequently, as institutional, strategic, organizational, internal and P-E fit focus on different elements of the organization, we expect them to be associated with different types of performance. For example, institutional fit is expected to be related to fairness and legitimacy, as the link between HRM and the institutional context is expected to impact the view of society on the way employees are managed within an organization, and their probability of survival (Greenwood & Hinings, 1996; Paauwe & Boselie, 2003). On the contrary, as P-E fit deals with employee perceptions and reactions, it is supposed to influence employee attitudes and behaviors such as organizational commitment and job satisfaction.

In this thesis, the relationship between P-E fit and employee attitudes and behaviors will be assessed. As fit is a developing field in strategic HRM, the focus of examining strategic, internal, organizational, and institutional fit will be on developing and evaluating conceptualizations and operationalizations which are needed in order to examine

performance effects in a later stage. Therefore, examining relationships between these fits and (different types of) performance would represent a later step in the development of the different types of fit, which is not covered in this thesis. Instead, we will attempt to explore the potential contribution of fit to organizational functioning, resulting in hypotheses about the performance effects of fit and directions for further research in this area.

2.3   Conclusion

In this chapter, the concept of fit was explored, as well as its application and use in the field of strategic HRM. Previous research has indicated that measuring fit is very challenging because of the many underlying dimensions and relationships that affect the fit between two variables (e.g. Milliman et al., 1991).

The overview of fit typologies shows that the five types of fit focused on in this thesis represent both contingency (strategic, institutional, and P-E fit) and configurational (internal and organizational fit) approaches to fit. When looking at the five types of fit from an overall view, the 'fit between the fits' might also be relevant for organizations. As fit itself is a concept which involves multiple dimensions, there is likely to be interplay between the different types of fit. Delery (1998) uses different ways to characterize relationships between separate HR practices in an HR system; HR practices can be additively or interactively related. On a higher level, these types of relationships can also be used to describe relationships between different types of fit. For instance, combining organizational systems with a coherent system of HR practices, thus combining organizational fit and internal fit might together form a configuration in which the whole is more than the sum of the parts (positive synergy). However, when looking at institutional fit and strategic fit, the institutional context and strategic choices might be opposing forces (Deephouse, 1999), and the goals they pursue, productive efficiency and legitimacy, are potentially contradictory goals (Jaffee, 2001). Therefore, institutional and strategic fit together might at least at times be a negative synergy, as there is a need for balance as it might not be possible to optimize both fits at the same time, leading to achieving a satisfactory solution rather than optimization (i.e. 'satisficing': Simon, 1979).

After having given this theoretical overview of the concept of fit, the next chapter describes the research design used to conduct the empirical study of the five types of fit.

CHAPTER 3   RESEARCH DESIGN

3.1   Introduction

The preceding chapters presented the main research questions guiding this thesis as well as a theoretical exploration of the concept of fit. In this chapter, the research design that was used in order to answer the research questions will be described. As mentioned in chapter 1, the research questions of this thesis are as follows:

> – *How can strategic, internal, organizational, and institutional fit be conceptualized and operationalized?*
> – *What is the role of Person-Environment fit in the relationship between employee perceptions of HRM and employee attitudes and behaviors?*
> – *What are the potential contributions of fit to the functioning of organizations?*

The first research question is exploratory in nature, focusing on developing new conceptualizations and operationalizations for fit, whereas the second research question aims at testing hypotheses and includes concepts for which measurement instruments are available in the literature. Finally, the third research question is of a reflecting and evaluating nature as it brings together the results on the first two research questions to explore the potential contribution of HRM fit to organizational functioning. Because of the purpose of reflection and evaluation, this research question will be covered in chapter 8 (Discussion).

As the research questions differ in nature from theory development by developing new conceptualizations to theory testing, two different research approaches will be used. Below, the research approaches that were used in order to answer the research questions will be explained.

3.2   Conceptualizing and operationalizing strategic, internal, organizational, and institutional fit

Up till now, empirical research on fit has been dominated by quantitative research methods, such as reliability analysis, factor and cluster analysis, pattern analysis or multiple regression for determining HR systems and internal fit, and interaction terms in regression analysis for strategic fit (e.g. Arthur, 1994; Ichniowski et al., 1997; MacDuffie, 1995; Verburg et al., 2007), with which it is difficult to prove whether complementarities exist. Most of these techniques also assume additive or linear relationships between variables. Becker and Huselid (2006: 910) argue that fit is "inherently multidimensional and not easily captured by simple bivariate statements". These models are "attractively simple but they are 'too thin'. They miss much of the interactive, multi-variate complexity of strategic management in the real world" (Boxall & Purcell, 2003: 58). This implies that quantitative methods will not be sufficient to capture the multidimensional and complex nature of fit.

To answer the first research question, we will take a step back from theory testing to theory development in the area of fit by focusing on developing new conceptualizations of strategic, internal, organizational, and institutional fit. In line with the state of fit research, and the need for new constructs and measurements, using qualitative research methods are advised (i.e. Edmondson & McManus, 2007). Using qualitative methods for answering the first research question enables us to cover the depth and complexity of fit in a way that complements and broadens earlier research that has been done. To provide a rich understanding of the underlying processes involved in achieving these four forms of fit, a case study method is chosen. Case studies provide the opportunity to dig deeper into the nature of fit and how it is shaped by looking at the organization in its real life context. Case study research provides rich data, and is suitable for developing and refining theory (Eisenhardt, 1989). By careful selection of the cases, one or more variables can be 'isolated' in order to examine the nature and effects of these variables. Moreover, it is possible to incorporate different perspectives in addressing the research problem, by using different data types and by collecting data from different levels in the organization. This

will provide rich insights in the different elements associated with strategic, internal, organizational, and institutional fit.

3.2.1 The case study method

The case study method is particularly useful for answering 'how' and 'why' questions, because the events being studied can be observed directly and the persons involved in the event can be interviewed in order to gather data about the background of certain decisions regarding the event (Miles & Huberman, 1994). Case study data can be used for theory building as well as theory testing. In order to dig deep into a case and to increase reliability of the findings, different research methods and data types can be combined within the case study. "The triangulation made possible by multiple data collection methods provides stronger substantiation of constructs and hypotheses" (Eisenhardt, 1989: 538). A potential weakness of case study research is that the large amount of rich data that is gathered leads to developing theory that is rich in detail, but is too specific or narrow such that it lacks overall perspective (Eisenhardt, 1989).

Case study research can be divided in single- en multiple-case designs. In a single case study, research is conducted within a single case, which makes it possible to gain deep knowledge about the research problem and to examine all possible causes and effects. Also, the single case can be used as a critical case or an extreme or unique case to address the research question. A multiple case study design provides the opportunity to compare different cases, which improves the likelihood of accurate and reliable findings (Eisenhardt, 1989; Miles & Huberman, 1994). Using multiple case studies enables researchers to "go beyond initial impressions, especially through the use of structured and diverse lenses on the data" (Eisenhardt, 1989: 541). By doing multiple case studies, researchers can use literal or theoretical replication. Moreover, cases in different types of conditions or contexts can be selected such that if the findings support the hypothesized contrast, the external validity will increase (Miles & Huberman, 1994).

In line with this, we choose a multiple case study approach in order to develop and assess conceptualizations of strategic, internal, organizational, and institutional fit.

3.2.2 Selection of the cases

For conducting this multiple case study, we established criteria for case selection in order to collect valid and reliable data, and to be able to gain a rich view of fit. First, we decided that a number of factors should be kept constant within the cases for the purpose of replication. The selected organizations should be labor-intensive: in organizations with an intensive use of labor, the design and effects of HR practices are likely to be more visible and have a higher impact. Moreover, the organizations to be selected were to be large and to have a specialized HR department, due to the presence of relevant organizational informants and documents.

Second, variation on the degree of institutionalization between the organizations was needed. Selecting organizations from two or more sectors that differ in their degree of institutionalization makes it possible to contrast these cases and examine the effect of the institutional context (for institutional fit).

Third, preferably, the selected organizations would recently have gone through a change process. In a period of change, complex interactions between HR practices and contextual factors are likely to become more visible (Paauwe, 1989). Moreover, this approach enables examination of the dynamics of achieving fit, as how an organization copes with a changing and dynamic environment is expected to affect the level of fit the organization achieves. A possible method that can be used to study the effect of changes is a retrospective approach, which focuses on the effects of a major change in the previous years (Paauwe, 1989). This approach can help to identify whether and how a fit was achieved during or after the change process, as well as to identify the factors that influenced this fit. A potential drawback of this criterion is that during change, many contextual factors are not constant. Therefore, it might be more difficult to isolate which factors affect fit. Moreover, the majority of organizations meets this criterion as organizations operate in dynamic contexts in which frequent change is unavoidable. This research design based on theoretical sampling also introduces a bias towards large and relatively well-organized organizations in the selection of case studies, which will be taken into account when drawing conclusions.

The above-mentioned criteria for case selection led to the following design. Two branches of industry were selected which differ on the degree of institutionalization.

Within each sector, two organizations were selected. The key informant of each organization was asked to select three to four units which represent differences in performance (i.e. one below average, one average, and one above average performing unit) according to the performance standards used by the organization, such that on average the collected data would likely form a representative picture of the organization. This design gives the opportunity for doing comparative analyses between sectors and between organizations. Figure 3.1 illustrates the design of the study.

The selection of case studies according to our design was largely based on getting access to these organizations based on existing contacts, and resulted in selection of the retail and health care sector. Retail represents a low degree of institutionalization and the health care sector is characterized by a high degree of institutionalization. The actual design differs from the ideal case study design that would have had two organizations in each sector, as a health care organization that initially showed interest in our study, was not willing to cooperate in the end. Therefore, we only had access to one health care organization. However, as the data collected in this organization provided a valuable contribution to our study, we chose to incorporate this health care organization in the study.

Figure 3.1 Case study design
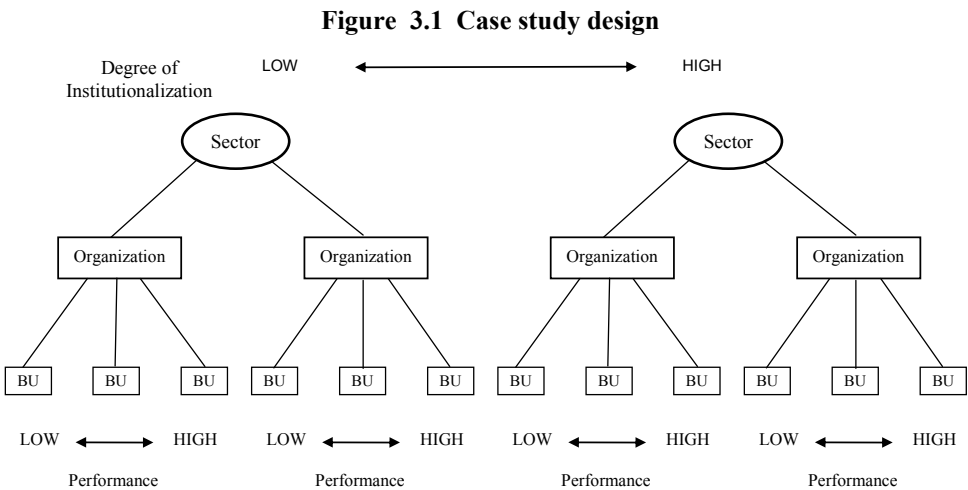
BU = Business Unit

The actual design includes the Dutch operations of three large organizations: two organizations in the retail sector, labeled as Organization A and B, and one organization in the health care sector, Organization C. An extensive description of the three organizations is given in appendix 1A-C. In table 3.1, the main characteristics of the three case study organizations are listed.

Table 3.1 Case study characteristics

	Organization A	**Organization B**	**Organization C**
Sector	Retail	Retail	Health care
Country of origin	NL	Sweden	NL
Number of employees in NL	9600	5000	1850
Number of units in NL	300 stores/ 10 regions	11 stores	7 facilities
Number of selected units	3 regions	3 stores	4 facilities

3.2.3 Research design

The multidimensional nature of strategic, internal, organizational, and institutional fit asks for a measurement approach that incorporates the constructs themselves as well as contextual factors which represent possible influences on these fits. Therefore, a combination of document analysis and semi-structured interviews were used to measure these four types of fit. Within each case, we collected the following data:

Document analysis. First, we analyzed HR documents (i.e. HR policy reports, HR strategy documents, HR folders for employees and managers, etc.), strategic plans, annual reports, and other relevant documents in order to get background information about the organization, and to prepare the interviews.

Interviews. In each organization, semi-structured interviews were conducted by two researchers, which lasted between one and two hours. Each organization appointed a contact person for this research project, who arranged interviews with the HR director as well as with managers and employees such that various functions and different levels of each selected unit were represented, in order to increase reliability of the data. The respondents included HR directors, store or regional managers, HR managers, other HR department members, a financial manager, and works council representatives on head quarters and store or unit level. Table 3.2 provides an overview of the number of

respondents per function. Additionally, in Organization A and C, a works council meeting was attended.

Table 3.2 Number of respondents per function

	Organization A	Organization B	Organization C
HR director	1	1	1
HR managers	4	4	1
Member of HR department	6	1	5
Store/regional managers	1	3	5
Financial manager	-	1	-
Works Council representatives	2	6	1
Total	*14*	*16*	*13*

3.2.4 Measurement of fit

Chapter 4, 5, and 6 focus on developing conceptualizations and operationalizations for strategic, internal, organizational, and institutional fit. Based on available theory on the four types of fit, a case study protocol was developed in order to guide the semi-structured interviews. Interviews were built around open-ended questions, covering the different types of fit. The content of the interviews covered for example organizational strategy, HR formulation and implementation, HR practices, organizational systems, and institutional influences. Examples of questions are: "What are the strategic goals of your organization on both short and long term", "Which important changes have occurred with respect to laws, regulations, and trade unions that affect your organization?", "Which systems, processes or characteristics does the organization have in order to achieve a competitive advantage?", "Does the organization use different HR practices for different groups of employees?", "Who is involved in developing HR strategy and HR practices?", and "Could you describe how the following practices are shaped in your organization?". Follow-up questions were asked to go deeper into the subjects in order to uncover the nature of the different types of fit. Appendix 2 shows the case study protocol and provides an overview of the main subjects and questions that were used during the interviews.

The interview protocol reflects the importance of different contextual variables to the fit concept in strategic HRM. But how do we define HRM while collecting data about fit? In strategic HRM research, there has been little consistency in selecting HR practices to be combined in an HR system (Boselie et al., 2005). A recent review of HRM and

performance studies by Boselie et al. (2005) shows a large variation of HR practices as well as variation in the theories underlying the choice for particular HR systems. For the interview protocol, we have chosen for the relatively broad HR practices which have been mostly covered in strategic HRM research (i.e. Boselie et al., 2005; Delaney & Huselid, 1996): recruitment and selection, education and training, employee development, internal promotion opportunities, performance appraisal and evaluation, rewards, employment security, team working and team autonomy, employee autonomy, employee participation, and other relevant HR practices that the organization uses. The interviews have mainly focused on detecting different elements associated with fit aimed at theory building. As we were interested in how organizations achieve fit and which factors are involved in fit, we were first of all interested in what HR practices the respondents came up with in the interviews and their fit, besides gaining data about all different HR practices. As a result of this approach, we will be somewhat selective in which HR practices to report.

We pilot tested our interview approach prior to the actual study in order to refine our methods, questions and the case study protocol. The pilot case organization was a Dutch organization that provides electronics and technological solutions for a diverse range of specialist areas, such as marine, medical systems, and security systems, with over one hundred employees in seven divisions. The pilot test was conducted in another branch of industry than retail or health care, as the aim for the interview protocol and questionnaire was to be applicable to a broad range of sectors. This approach was chosen in order to incorporate the interaction between HRM and different types of contextual factors, inherent in the nature of fit. Five interviews were conducted in order to test the interview protocol for accuracy and completeness.

3.2.5 *Analysis of the case study data*

All interviews were tape recorded, transcribed, and checked by both interviewers. We summarized the content of the interviews in individual case study descriptions, which were checked for accuracy by the organizations involved. For analyzing the case study data, we used cross-case analysis (Miles & Huberman, 1994), comparing either two or three organizations, depending on the research question that was addressed. We put the quotes and subsequent data from documents in a contrast matrix, containing the different

theoretically driven themes or elements associated with the type of fit under investigation. Then, we analyzed the matrix using a case-oriented approach (Miles & Huberman, 1994), looking at differences and similarities between the cases and the presence of dominant influences and themes. This way, depending on the question we address, selected contextual factors were held constant in the analysis.

All interviews were held in Dutch, and the individual case study descriptions were also written in Dutch. In order to prevent bias in the data because of translation, analyses were conducted on the Dutch data. Only after the analysis were quotes translated to English.

3.2.6 Reliability and validity

To establish the quality of empirical social research, four tests are commonly used: construct validity, internal validity, external validity, and reliability. The study described in this thesis is not explanatory or causal. Instead, the focus of the present study is exploratory in nature and aims at theory development rather than confirmation. Therefore, internal validity is not relevant for this study. Below, we will address the construct validity, external validity, and reliability applied to our study.

Construct validity. Construct validity refers to establishing correct operational measures for the concepts being studied. The following case study tactics increase construct validity: multiple sources of evidence (triangulation) (i.e. Eisenhardt, 1989), establishing a chain of evidence (i.e. Miles & Huberman, 1994), and having key informants review the draft of the case study report. In line with these tactics, we have aimed to increase construct validity in the following ways. We have used data triangulation by collecting different types of data; documents and interview data, and by conducting all interviews with two researchers. Additionally, we used data triangulation by collecting data from different respondents on different levels of the organization. The use of different perspectives of the same construct provides a more reliable picture. This type of validity has also been addressed by Gerhart, Wright, McMahan, and Snell (2000), who emphasize the importance of multi-rater and multi-actor reliability. Multi-rater reliability refers to collecting similar data from more respondents, whereas multi-actor reliability refers to

collecting data from different actors, who represent different perspectives of the problem or construct.

Second, we documented all elements of the research process, including the case study protocol and underlying theoretical concepts, the procedures used to collect data, the data matrices, and the presented results, in order to give insight in the validity of the conclusions (i.e. 'chain of evidence': Miles & Huberman, 1994). Third, we had key informants review the draft of the case study report; in each organization, the case study descriptions were checked for accuracy.

External validity. External validity refers to establishing the domain to which a study's findings can be generalized. Whereas survey research relies on statistical generalization, case studies rely on analytical generalization (Paauwe, 1989). In analytical generalization, the researcher is striving to generalize a particular set of results to some broader theory (Yin, 2003). In our study, we used theoretical sampling (by selecting two sectors with different levels of institutionalization) in order to be able to address the research questions and to be able to refine and develop theory. Moreover, we have selected the cases to be similar on certain factors, such that replication logic could be used. Miles and Huberman (1994) argue that this replication logic can be used to increase external validity in multiple case studies.

Reliability. Reliability implies demonstrating that the operations of a study, such as the data collection procedures can be repeated with the same results (Miles & Huberman, 1994). To increase the reliability of the case study data, a case study protocol was used, and all data collected from the organizations was documented. Moreover, two researchers were present at each of the interviews, who were also both involved in transcribing the interviews, in order to increase reliability.

3.3 The role of P-E fit in the relationship between employee perceptions of HRM and employee attitudes and behaviors

The second research question aims at testing hypotheses and includes concepts for which validated measurement instruments are available in the literature (i.e. mature research: Edmondson & McManus, 2007); quantitative methods have already been widely used to measure P-E fit. While for 'how' and 'why' research questions aimed at

exploration and concept development, case study methods are relevant, 'what' questions can be answered using quantitative methods (Miles & Huberman, 1994). As P-E fit deals with perceptions of employees, an employee survey was chosen to measure the construct. This way, individual perceptions of many employees can be measured, instead of the opinions of only a few.

3.3.1 Selection of respondents

The three case study organizations were asked for participation in the employee survey research. As Organization A had agreed with its works council that only their own employee survey would be allowed in order to decrease the yearly survey load on employees, Organization A was not willing to cooperate in the survey research, whereas Organization B and C were. Therefore, data were collected from employees in two of the three case study organizations, Organization B and C, which implies that both the retail and the health care sector were represented in the sample. In total, we distributed approximately 2110 questionnaires via business unit directors. In Organization B, questionnaires were distributed in two stores, as the third store was not willing to participate as they had a busy period with planning a renovation of the store. In Organization C, employees in all seven facilities were asked to participate. A return envelope was included in the packet so that respondents could send the questionnaire back directly to the researchers at the university, securing respondent anonymity. The directors or store managers sent an internal mailing to all employees motivating them to fill out the questionnaire and explaining that participation was voluntary and anonymous. Also, managers were asked to introduce the questionnaire during consultation meetings with their staff. The directors or store managers sent reminders to all employees three weeks later. This procedure resulted in a total of 412 employees completing the questionnaire, representing a 20% response rate. Respondents represent a wide range of functions, departments, and hierarchical levels in both organizations. The response was relatively low, but consistent with the levels reported in similar studies with mailed surveys (e.g. Delery & Doty, 1996; Huselid & Becker, 1997; Youndt et al., 1996). The low response rate possibly stems from to the type of work in these organizations, with employees working on the shop floor all day. We checked the data for representativeness with respect

to age, gender, tenure, and function, which showed that the sample was representative of the total population. Table 3.3 gives an overview of the number of questionnaires distributed as well as the response for each organization.

Table 3.3 Questionnaire response

	Organization B	Organization C	Total
Questionnaires distributed	825	1285	2110
Response	170	242	412
Response %	21%	19%	20%

3.3.2   The employee questionnaire

There are many validated measures of P-E fit available from earlier research in the field (e.g. Cable & DeRue, 2002; Cable & Judge, 1997; Cooper-Thomas, Van Vianen & Anderson, 2004). The same holds for the selected employee attitudes and behaviors.

Perceptions of HR practices were measured with 38 perceived HR practices items which were developed for this study, based on previous research (i.e. Cable & Edwards, 2004; Guest & Conway, 2002; Ryan & Schmit, 1996; Ten Brink, 2004). As mentioned before, there has been little consistency in selecting HR practices to be combined in an HR system in strategic HRM research (Boselie et al., 2005). Therefore, the list of perceived HRM items was checked for coverage of the mostly researched high commitment/high performance work practices using a recent review of HRM and performance studies by Boselie et al. (2005). As a result, in the employee questionnaire a somewhat broader set of HR practices is covered compared to the qualitative analysis, in which not necessarily each practice was reported on. Incorporating a broad range of 'high performance' HR practices in this questionnaire was also chosen for the purpose of exploration; in order to examine the employee perceptions of which practices were related to P-O and P-J fit and employee attitudes and behaviors. In chapter 7, the questionnaire items as well as the reliability of the scales will be explained in more detail.

The items of the validated scales were translated in Dutch. Subsequently, the questionnaire was pilot tested in an organization that is not part of the actual study. 24 employees completed the questionnaire to check the clarity of the items. This pilot study was used to improve the scales for the actual study. This way, particularly the validity of

the translation, as well as the validity of the perceived HRM items could be checked before being used in the actual study. The full employee questionnaire for this study (in Dutch) as well as the English version of the questionnaire are presented in appendix 3A and 3B.

3.4   Conclusion

In this chapter, the research design used for answering the two main research questions that guide this thesis was outlined. In order to answer the research questions, which differ in nature from theory development to theory testing, the research design contains both a qualitative case study and a quantitative survey, with both types of data collected in the same organizations. Table 3.4 gives an overview of the types of data that were collected in the three selected organizations.

Table 3.4 Data types collected per organization

	Organization A	Organization B	Organization C	Total
Document analysis	√	√	√	
Interviews (n)	14	16	13	43
Questionnaire (n)	-	170	242	412

Table 3.5 Overview of data used in analyses

		Retail		Health care
Chapter	Subject	Organization A	Organization B	Organization C
Chapter 4	Strategic and internal fit	x	x	
Chapter 5	Organizational fit	x	x	x
Chapter 6	Institutional fit	x	x	x
Chapter 7	Person-Environment fit		x	x

Chapter 4, 5, 6 will report on the case study research aimed at developing and assessing conceptualizations for strategic and internal fit (chapter 4), organizational fit (chapter 5), and institutional fit (chapter 6). In each chapter, comparative analyses of different combinations of case study organizations were used. Subsequently, chapter 7 reports the analyses of the quantitative data, used to test the role of P-E fit in the relationship between perceived HR practices and employee attitudes and behaviors. Table 3.5 presents an overview of which case study data are used in the empirical chapters of this

thesis. Subsequently, chapter 8 will be a reflection on all data and analyses conducted in this thesis.

CHAPTER 4 CONCEPTUALIZING STRATEGIC AND INTERNAL FIT IN HRM: AN ALTERNATIVE APPROACH[2]

4.1 Introduction

In the strategic HRM field an ongoing debate contrasts the 'best practice' and 'best fit' approach. Simply put, the best practice approach assumes that certain HR practices universally outperform others. The 'best fit' approach assumes that the effectiveness of HR practices is context-specific. In this 'best fit' approach, researchers mainly focus on two types of fit: strategic or vertical fit and internal or horizontal fit (Boxall & Purcell, 2008). Strategic fit stresses the importance of linking business objectives and HRM. Internal fit emphasizes the alignment of different HR practices into a consistent HR system.

Conceptually, the idea of fit is convincing, which is why it continues to play an important role in strategic HRM research (Becker & Huselid, 2006; Gerhart, 2004). However, to date, only limited empirical support for the impact of fit exists. Also, the current operationalizations and measures of fit are criticized. For example, how to measure the potential synergistic effects of systems of HR practices proposed in internal fit is not clear (Boselie et al., 2005; Wood, 1999). In addition, the current operationalizations do not do justice to the complexity of the fit concept (Boxall & Purcell, 2008; Gerhart, 2004). In strategic fit models, strategy is often oversimplified in static constructs (e.g. cost leadership versus differentiation) that do not capture the full breadth of business strategies in contemporary organizations (Boxall & Purcell, 2008; Paauwe, 2004). Becker and Huselid (2006: 910) argue that fit is "inherently multidimensional and not easily captured by simple bivariate statements". Gerhart (2004: 10) notes a "troublesome lack of progress on this front".

Here, we aim to start developing alternative approaches for measuring fit that incorporate the breadth and complexity of the fit construct. We use in-depth case studies that provide a rich understanding of the underlying processes involved in achieving

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[2] Based on Boon, C., Boselie, P., Paauwe, J. & Den Hartog, D.N. Conceptualizing strategic and internal fit in HRM: An alternative approach, *under review*

strategic and internal fit. The aim of the chapter is twofold: contributing to the development of ways to conceptualize and operationalize these types of fit by offering alternative operationalizations, and evaluating these alternative operationalizations using qualitative data from case studies in two Dutch retail companies. First, we describe fit and introduce our operationalizations. Next, we present our methodology and assess and evaluate our operationalizations using the case study data.

4.2   Strategic fit

Although the strategic fit proposition plays an important role in strategic HRM theory, empirical support for its added value is scarce (Becker & Huselid, 2006). Most researchers use 'classical' strategy typologies of Porter (1985) or Miles and Snow (1978) to operationalize strategy (e.g. Montemayor, 1996; Schuler & Jackson, 1987; Youndt et al., 1996). Organizational strategies, however, are typically more complex and tend to consist of more elements than those captured in these classic strategy typologies (Paauwe, 2004). Boxall and Purcell (2003) formulate three main critiques on the 'classical' approaches for measuring strategic fit: they overlook employee interests, lack sophistication in their description of competitive strategy, and devote insufficient attention to dynamics. These strategy typologies are unable to capture the uniqueness of business strategies. Yet, this uniqueness is seen as the potential source of sustainable competitive advantage (Becker & Huselid, 2006). In sum, alternative approaches to measuring strategic fit in HR research are needed.

Some steps have been made. For example, Gratton, Hope-Hailey, Stiles and Truss (1999) used a set of strategic objectives unique to the organization instead of a predetermined typology of business strategies. They measure strategic fit as the alignment between the set of strategic objectives and 'people policies'. These people policies "create and support the individual behavior and competencies that have the potential to be a source of competitive advantage" (Gratton et al., 1999: 21). They discern five levels of strategic fit, varying from a weak to a strong linkage. A strong link between individual objectives and business goals implies that business objectives are transformed into clear individual objectives, which are agreed upon annually. A weak linkage implies no clear communication of the business strategy to individual employees, and no mechanisms

through which individual tasks and behavior are discussed and linked to strategic objectives (Gratton et al., 1999: 24).

Besides the content approaches discussed above, establishing fit also involves a process dimension (De Wit & Meyer, 1998; Paauwe, 2004). The idea of process approaches is that the integration of strategy, HRM processes and functions results in a fit between human resource needs (following strategy) and employee skills and behaviors (elicited by HR practices) (Bennett, Ketchen & Schultz, 1998). For example, Golden and Ramanujam (1985) focus on the process of strategy formation and the role of the HR department in this process and distinguish four phases of integration between strategy and HRM: administrative, one-way, two-way, and integrative linkage. In case of an administrative linkage, HRM is seen as an administrative function without a long term or strategic focus. Human resources are regarded as necessary costs, not as contributors to the success of the organization, and HR is not a member of the management team and has no informal influence on strategy development. A one-way linkage implies that business goals are considered first. HR practices are derived from these goals, but HRM has no influence on strategy formulation. If strategy affects HRM and, vice-versa, HRM affects strategy, a two-way linkage is seen. Human resources are treated as a success factor for the organization. The integrative linkage reflects the strongest fit. Here, the HRM function is fully integrated with strategy, formally as well as informally. HR is a member of the management team, and HRM has a long-term impact on the organization. Strategy and HR strategy are designed jointly.

Gratton and Truss (2003) emphasize the difference between policy formulation and implementation. When there is a strong linkage between strategy and HRM in theory, but not in implementation, no positive performance effects can be expected. Similarly, Grant (2005) argues that strategy formulation and implementation are co-dependent. "A strategy that is formulated without regard to its implementation is likely to be fatally flawed" (Grant, 2005: xii). Resource-based view researchers state that "the ability to implement strategies is, by itself, a resource that can be a source of competitive advantage" (Barney, 2001: 54).

Strategy implementation is crucial, but often overlooked in research on strategic HRM. Sending a clear and consistent message to employees about what is expected from

them and how their individual objectives are linked to business objectives increases the likelihood of seeing the desired behaviors of employees. Also, the degree to which employees participate in the objective setting process, in other words adding a bottom-up process to implementation, can foster desired employee behaviors (Gratton et al., 1999). Thus, consistent implementation of strategy through HR practices is also necessary for strategic fit to be effective. Based on this overview, we propose an operationalization of strategic fit, containing three core elements: content, process, and implementation (see also table 4.1).

4.3   Internal fit

Besides the need for strategic integration of HR practices, researchers found that "certain HR practices blend better than others do, and it is sensible to select practices in conjunction with and not in isolation from each other" (Wood, 1999: 368). However, the complexity of these subtle interactions makes it difficult to assess internal fit (i.e. Kepes & Delery, 2007). Researchers have typically measured internal fit as either theoretically or empirically derived systems of HR practices. Guest, Conway, and Dewe (2004) present an overview of ways to study HR systems statistically, including factor analysis, cluster analysis, regression analysis, and sequential tree analysis. These techniques are used by researchers to find internally consistent systems of HR practices (e.g. Arthur, 1994; Huselid, 1995; MacDuffie, 1995). Some studies find support for systems of HR practices affecting organizational performance (Arthur, 1994; Begin, 1992; Lepak & Snell, 2002; Verburg et al., 2007). However, theoretically as well as empirically, researchers have not yet found consistent typologies (Boselie et al., 2005; Wright & Boswell, 2002). More insight is needed in which practices can be effectively combined in an HR system, and how individual HR practices affect each other. Qualitative research might help uncover this.

Delery (1998) stresses the importance of knowing how HR practices support each other. The different HR practices can be additively or interactively (synergistically) related. In an *additive* relationship, HR practices have independent effects on outcomes. For example, teamwork and pay for team performance may both stimulate team performance, but in different ways. In an *interactive* relationship, the effectiveness of one

practice depends on the level of the other practices (Delery, 1998). Two different types of interactive relationships occur. HR practices *substitute* one another, or they can have a *synergistic* relationship. In case of substitutes, different HR practices lead to the same outcome, which might be ineffective. A synergistic relationship refers to HR practices that together lead to a different outcome than the sum of the individual outcomes. This could be either a negative synergistic effect (the whole is less than the sum of the parts) or a positive synergistic effect (the whole is more than the sum of the parts). Becker, Huselid, Pickus, and Spratt (1997) use the terms *powerful connection* for a positive synergistic effect, and *deadly combination* for a negative synergistic effect, where combining practices leads to unintended negative consequences, for example, teamwork and pay for individual performance. Internal fit models assume the effectiveness of powerful connections as opposed to deadly combinations (Becker et al., 1997: 43).

Similarly, Baron and Kreps (1999) stress *single-employee consistency*, meaning that different parts of the HR system that bear on a single employee should be consistent. Besides single-employee consistency, Baron and Kreps (1999) also distinguish *temporal consistency* and *among-employee consistency*. Temporal consistency is consistency of the HR practices over time. Among employee consistency implies that different employees in the same situation should be treated similarly. The HR system used for a specific group of employees should then be consistent. The need to more closely distinguish between the HR practices aimed at different groups of employees is also recognized by others. "The current approach to theorizing about and measuring fit implies very little variation or differentiation of the HR architecture, either between firms or within firms" (Becker & Huselid, 2006: 904). Some researchers describe differentiation between employee groups, requiring different HR practices to stimulate high performance (i.e. Delery & Doty, 1996; Ichniowski et al., 1997; Tsui, Pearce, Porter & Tripoli, 1997). An example is the theoretical distinction made between core employees and peripheral employees (i.e. Boxall, 1998; Delery, 1998). Core employees are those who have a long-term relationship with the organization and can contribute to achieving a competitive advantage in a changing environment. Core employees may need a different HRM approach than others, and a good internal fit for this group is supposed to lead to critical performance outcomes.

HR practices communicate messages to the employee (Bowen & Ostroff, 2004; Rousseau, 1995). The content of these messages should be consistent in order to be effective (Baron & Kreps, 1999; Bowen & Ostroff, 2004). In other words, focusing an HR system on dominant, consistent messages is likely to be effective as employees are selected, trained and developed to accomplish the dominant business goal. Bowen and Ostroff (2004) label this the 'strength' of the HR system. Boxall and Purcell (2008) point out that usually not one, but several desirable themes have to be communicated through the HR system. Sometimes these goals can be competing, forcing a trade-off between different goals within the HR system. Thus, HR systems need a clear focus, but this focus is often a set of goals or themes because of the complexity involved. Based on this overview, we propose operationalizing internal fit in three elements: strength of interaction, dominant goals, and employee groups (see also table 4.1).

4.4   Adapting to changes

An issue that has not received sufficient attention in strategic and internal fit is dynamism. Most organizations operate in dynamic environments. Changes occur constantly and organizations have to cope with these changes by continually adapting their business strategy to the turbulent environment. Yet, most HR researchers take a static approach in measurement. Boxall and Purcell (2003: 55) therefore argue that "models should give better attention to dynamics".

Some scholars have studied strategic fit as a dynamic construct, introducing different types of dynamic fit. Chakravarthy (1982) incorporates the influence of dynamic environments in strategic alignment in what he labels 'adaptive fit'. He distinguishes three types of adaptive fit: unstable fit, stable fit, and neutral fit. *Unstable fit* corresponds with a defensive interaction with the environment. *Stable fit* implies that the organization reacts to environmental changes, in other words, the organization is a 'fast follower' (Mirvis, 1997). *Neutral fit* is the strongest type of fit, and despite what the name suggests, it reflects a proactive approach. The organization anticipates changes before they occur and constantly searches for market opportunities. "They often create changes in their environment, to which their competitors must respond" (Chakravarthy, 1982: 36).

Table 4.1 Strategic fit, internal fit, and adaptation: alternative operationalizations

	STRATEGIC FIT
	Links between elements of strategy and HRM: content
Indicator	The extent to which different HR practices aim at achieving business objectives
Indicator	The number of HR practices that are linked with strategy
++	*Most to all elements of strategy and HRM are clearly linked*
- -	*None to some elements of strategy and HRM are linked*
	The role of HRM in strategy formulation: process
Indicator	The extent to which HR is involved in strategy formulation
Indicator	Whether HR is a member of the Management Team on different levels in the organization
++	*HR is fully involved in the process of strategy formulation; HR is a member of the MT*
- -	*HR is not involved in the process of strategy formulation; HR is not a member of the MT*
	Implementation of the HR strategy
Indicator	The extent to which employees are involved in implementation of (HR) strategy
Indicator	Dominance of either top-down or bottom-up implementation
++	*High involvement of employees in (HR) strategy implementation: mostly bottom-up process*
- -	*No explicit attention for implementation*
	INTERNAL FIT
	The strength of interaction between HR practices
Indicator	The extent to which HR practices form synergies
Indicator	The number of powerful connections and deadly combinations that can be identified in the HR system
++	*All HR practices form synergistic relationships or powerful connections*
- -	*There is substantial evidence for deadly combinations between HR practices*
	The alignment of dominant goals with the HR system
Indicator	The number of HR practices that focus towards a set of dominant goals
Indicator	The extent to which the HR practices support each other in achieving a set of dominant goals
++	*All HR practices are clearly focused towards a (set of) dominant goals*
- -	*The HR practices are not focused towards a (set of) dominant goals*
	The degree of consistency of HR systems for different employee groups
Indicator	The extent to which employees in a similar situation are treated similarly with respect to HRM
Indicator	The extent to which the HR system for specific employee groups show powerful connections or deadly combinations
++	*Employee groups are identified, for which HR practices show powerful connections*
- -	*The HR practices for specific employee groups form deadly combinations*
	ADAPTATION
	The degree of adaptation to changes
Indicator	The extent to which the organization adapts to changes in the environment
Indicator	The extent to which HR practices enact or support adapting to changes
++	*The organization anticipates changes before they occur and gains a leading position; HR practices support these changes*
- -	*The organization does not adapt to changes; HR practices do not support adaptation with the environment*

++ High level of fit
- - Low level of fit

Lengnick-Hall and Beck (2005: 742) challenged Chakravarthy's assumption that an organization moves from equilibrium to equilibrium. They argue that organizations should have a close connection to the environment, such that long term successfulness will be achieved. Miles and Snow (1994) see fit as a process of continuously adapting to changes

in the environment and stress that "unless a firm is alert and adept, today's fit becomes tomorrow's misfit". Tight fit implies a close linkage between strategy and HRM, adapting easily to changes that occur. Early fit is a tight fit that is achieved before competitors do. Early fit is proactively oriented and aims at gaining a leading position.

Here, we propose to add a dynamic element to the measurement of fit, that we will label *adaptation* to avoid confusion with the fit construct. Adaptation focuses on how supportive of change and how proactive or reactive organizations and their HR systems are and is important for maintaining internal as well as strategic fit in changing environments. We incorporate this in our measurement. Table 4.1 lists the proposed operationalizations for strategic fit, internal fit, and adaptation. Below, we describe the study we performed to assess and evaluate the proposed operationalizations.

4.5   Methodology

We collected data from the Dutch businesses of two large retail organizations described below. Both firms perform above average and are in the top of the Dutch retail market. We chose retail as it is a dynamic sector. High market pressure and low profit margins characterize this sector resulting in an emphasis on short-term results. A dynamic environment makes it possible to assess the proposed adaptation element in achieving fit.

We used a comparative case study approach. This design provides the opportunity to incorporate a broad range of variables and contextual factors. Case study research provides rich data, and is suitable for developing and refining theory (Eisenhardt, 1989). To evaluate the use of our framework, we selected two organizations that do not differ much on the surface; they show similarities with respect to size, sector, complexity and structure, and both have multiple stores throughout the country. Within each organization, we focused on three business units (stores), to gain a representative picture of the organization.

Document analyses and interviews were used to collect the data for both cases. First, we collected background information about the organizations by analyzing annual reports, strategic plans, HR plans, and other HR documentation. Subsequently, within a four-month period, a total of 30 interviews were conducted in the two organizations, 14 interviews in Organization A, and 16 in Organization B. The respondents included HR

directors, store or regional managers, HR managers, other HR department members, and works council representatives on head quarters and store level. Including multiple actors within the organization provides us with diverse viewpoints and more valid and reliable data (Gerhart et al., 2000). An overview of the respondents and their functions was presented in the previous chapter, table 3.2.

The semi-structured interviews were built around open-ended questions that guided the structure of the interview, based upon the proposed operationalizations. Interviews covered strategic aspects, HR formulation and implementation, HR practices and relationships between them. Examples of starter questions are: "Who is involved in strategy formulation?", "How much freedom do HR managers have to adjust HR strategy to their unit?", and "Could you describe how the HR system is implemented?". Follow-up questions were asked to go deeper into the subjects. In addition to the general questions, the interviews also focused on major changes that occurred in or around the organization during the previous five to six years, and their effect on HRM and fit. By focusing on change, the complex interactions between HR practices and their dynamic nature become more visible. The interview approach was pilot tested by the researchers before starting these cases.

Interviews were conducted by two researchers, lasted between one and two hours and were tape recorded and transcribed. The content of the interviews was summarized in individual case study descriptions, which were checked for accuracy by the organizations involved. For analyzing the cases, we used cross-case analysis. Quotes were put in a contrast matrix, containing the different dimensions of internal and strategic fit and adaptation for both cases. Then, we analyzed the matrix using a case-oriented approach (Miles & Huberman, 1994), scoring the differences and similarities in the strategic and internal fit dimensions and adaptation between the two cases. Scores were based on an assessment of the proposed indicators. A positive assessment of all indicators was scored '++'; a positive assessment on most indicators '+'; partly positive and partly negative '±'; negative on most indicators '-'; and a negative assessment of all indicators was scored '--'.

4.6   Case descriptions

Organization A is a Dutch retail organization selling products for daily use, with almost 300 stores in the Netherlands, and 50 stores in Belgium and Germany. It was founded in 1926 and has more than 9600 employees in the Netherlands, of which 85% work in the stores. The mission is "to make daily life easier and more pleasant for many people by providing basic products". The primary target group is women aged between 25 and 50. The broad assortment contains household products, clothing, and food. Popular products include smoked sausages, cakes, and underwear. Most products are developed by the organization itself, and represent the organization's vision of simplicity, surprising solutions, high quality, and low prices. Organization A won several awards in 2004 and 2005, including prizes for logistics and marketing. In 2005, organization A was ranked in the top 5 of the list of Dutch retail store chains.

Organization A has a strong culture. The organization formulated seven 'culture keys': *client orientation, respect and trust, pro-activeness, results orientation, energy, working systematically, and loving the job*, which represent desired employee behavior. These 'culture keys' form the basis for many HR practices, such as training and development. Employees are loyal and committed to the organization and most are reluctant to leave the organization even if they have job opportunities elsewhere:

> *"Either you work here for your whole life, or you leave directly after starting to work here."*
> (HR manager, Organization A).

In response to high market pressure, Organization A recently implemented 'Rainbow', a change program aimed at improving efficiency by motivating employees to work smarter and more proactively. Before 'Rainbow', availability of employees determined the amount of work that could be done. 'Rainbow' changed the organization to a task-driven organization, where the amount of available work determines the need for employees for a particular day or week. HR in the stores is organized in different regions, consisting of 15 to 17 stores. Each region is managed by a regional manager and an HR manager, who work closely together. The HR director works closely together with supporting functions at Head Quarters level in developing and implementing the HR system.

Organization B is the Dutch division of a Swedish furniture company, founded in 1943, which owns more than 240 stores in 34 countries. There are 12 stores in the

Netherlands with approximately 5000 employees. Organization B's mission is "to create a better everyday life for the many people". To accomplish this mission, the organization offers high quality products with much attention for design, for a low price. In 2005, 2006, and 2007, Organization B was ranked number 1 on the list of Dutch retail store chains.

The founder, who developed a strong marketing concept and a unique corporate culture, still has a strong influence on the organization. Maintaining a strong culture is regarded as crucial for the continuing success of the concept. The organizational culture takes on elements of a 'religion', with operational terminology such as testament and missionary frequently used. The founder wrote down the core values in a booklet called 'the furniture dealer's testament', which is regarded as a directive for all employees worldwide. Managers have an exemplary role in communicating and living the culture. The basic values focus on simplicity, anti-bureaucracy, humbleness, togetherness, and cost consciousness, and are reflected in the fact that all employees wear company clothing and none have their own office. Cost consciousness implies that no manager travels business class, stores are simple and built at low costs, and all stores can be reached using public transport. All employees are called co-workers in order to emphasize the lack of hierarchy and the flat organizational structure.

Organization B has implemented the strategic plan '10 jobs in 10 years', which contains a yearly increase of 10% of sales volume and a price decrease of 20%, while keeping the corporate culture alive. In the mid-1990s the first signs of slowing growth appeared. In 2002, the organization had to address the issue of rising costs, and implemented a 'new ways of working' program. This initiative was designed to explore the benefits of being an international company and to give more power back to the stores, enabling them to reduce bureaucracy and act locally in their own market. The implications for HR were that the local HR function now has more freedom to choose which HR practices to implement in their stores, based on their local situation. Currently, stores 'buy in' these practices from the national head office, internally called 'service office'. Each store has an HR manager and an HR assistant, and the Dutch service office has an HR team (HR director, deputy HR director and supporting HR staff).

Both Organization A and B provide simple, high quality products for a wide customer base. Also, both have a strong culture and high levels of employee loyalty. In

other respects they differ. Organization A mainly operates locally, whereas Organization B is an international company. In terms of number of employees, Organization A is twice as large in the Netherlands. Organization A has many small-sized stores, whereas Organization B has 12 big size stores in the Netherlands.

4.7   Findings

4.7.1   *Strategic fit*

Links between elements of strategy and HRM: content. Both organizations have a similar philosophy regarding both customers and employees. In organization A, the mission "to make day-to-day life easier and more pleasant for many people" is also applied to employees; the HR mission aims at making the life of employees more pleasant by motivating employees' involvement and cooperation. A focus on employee development and involvement is seen. The organization is strategically complex as it combines different product groups and processes. A 'promotion from within' policy is followed. Employees who already work for the organization are trained to perform management jobs, because the uniqueness of the organization implies that managers from outside the organization are seen as less likely to succeed in Organization A:

> *"The potentials that are in development programs aiming to make them store managers start in a management function on the shop floor. This way, they have close contact with the employees and the store and they get to know the culture very well."* (HR department member, Organization A)

> *"Retail is a complex sector. You need experience in the sector in order to succeed in Organization A. Socialization and getting acquainted to the sector takes time."* (HR director, Organization A)

In Organization B, the vision "to create a better everyday life for the many people" is translated into an HR vision that aims at "giving people the opportunity to grow together and being strongly committed to creating a better everyday life for themselves and their customers". Products are offered 'for the many people' and co-workers are recruited from 'the many people'. The educational and professional background of co-workers is less important than their fit with the culture. An HR manager comments:

> *"We strongly focus on values in recruitment in order to achieve a high fit between new employees and our company culture. We use symbols and stories during the application*

interview in order to assess the fit of the applicant with the culture." (HR manager, Organization B)

The firm focuses on working together to achieve organizational goals. In the business plan, strategy elements are translated into specific HR goals. Organization B implemented an 'appraisal cycle' in the stores based on this translation of business goals, consisting of three meetings for each co-worker:

> *"During the first meeting of the 'appraisal cycle', concrete appointments are made about the co-worker's contribution to the store and department goals."* (Works council member, Organization B)

The second meeting checks progress towards goals. A final meeting later in the year serves to evaluate performance. Thus, the appraisal process is directly linked to company objectives.

In both organizations, culture forms a linking pin between strategy and HRM. Organizational culture refers to a pattern of shared basic assumptions (i.e. Schein, 1985). These shared norms and values play an important role in organizations. Strategy is translated to 'culture keys' (Organization A) or 'core values' (Organization B) that reflect desired employee behaviors needed for the strategy to be successful. These culture elements act as guiding principles for the HR system. In Organization A, training is linked to the culture keys. An HR manager comments:

> *"Some training programs focus on one of the 'culture keys'. For example the training 'working together' was given to employees in order to implement the culture key 'respect and trust'."* (HR manager, Organization A)

In Organization B, several employees from each store attend a culture course at the Swedish head office every year to reinforce company culture. These employees are then a purveyor of culture in their own store. Culture is also reflected in HR practices in other ways. For example, culture is a prominent part of the selection process, the induction program for new employees, training, and appraisal. The reward system also reflects the culture:

> *"Because the organization values 'equality' and 'togetherness', we do not use individual performance bonuses. Instead, there is a store bonus, linked to turnover."* (Store manager, Organization B).

HRM and Fit

In summary, we found that the two organizations use a similar approach to the translation of business strategy into HR strategy and HR practices, in which culture elements reflecting desired employee behaviors play an important role. In both organizations, we found that many elements of strategy and HRM are clearly linked. Therefore, we score both organizations '+' on this element. Table 4.2 presents a selection of quotes concerning the links between elements of strategy and HRM.

Table 4.2 Links between elements of strategy and HRM (content):

a selection of quotes

Organization A
"Organization A's vision is aimed at making people happy. This is achieved by having fun combined with a minimal level of performance." (HR director)
"The 'culture keys' have a very important influence on the design of the HR system; The culture keys are reflected in training, development, and appraisal." (HR manager)
"Organization A chooses for selecting current employees for higher functions in the organization, although sometimes, people from outside the organization are recruited for such functions, as they have a fresh view on the organization. Retail is a complex sector. You need experience in the sector in order to succeed in Organization A. Socialization and getting acquainted to the sector takes time." (HR director)
"Organization A is a complex organization. As we experienced that managers from outside perform less well here, we chose for developing our own managers from within." (HR department member)
"The current focus is on development of future sales managers. Shop floor employees have been selected to enter a training program which prepares them for a sales manager position. In the end, these employees are expected to become store managers. We prefer internal development of store managers, instead of hiring store managers from outside the organization." (HR department member)
Organization B
"Each year, some co-workers follow our culture course called the "Organization B Way". Subsequently, these co-workers communicate the company's culture in the store." (Store manager)
"There is a dominant culture in Organization B, particularly because we strongly focus on values in recruitment. Also, people who do not fit the culture do not stay long, which means that the co-workers who do stay with Organization B tend to have a strong fit with the culture." (HR manager)
"The competencies of all co-workers are directly linked to the business plan, so everyone makes a unique contribution to the achievement of our strategic goals." (HR manager)
"During the year, the performance of the co-workers is monitored in terms of their ability to achieve their individual goals, which are linked to store and department goals. If needed, co-workers receive extra training." (HR manager)

The role of HRM in strategy formulation: process. In all divisions of Organization A, the HR manager is a member of the management team (MT), and is involved in major decisions. Within the different sales regions, the regional manager and the HR manager work together as a team in implementing and achieving business goals:

> *"There is daily contact between the HR advisor and the regional manager ... HR advisors are increasingly involved in issues linked to the financial results."* (HR department member, Organization A).

However, the HR director is not a member of the executive board at corporate level[3]. As a consequence, HR is not involved in making major organizational decisions. The role of HR here is to support and implement strategy and strategic changes decided by the MT.

In Organization B, the process linkage of strategy and HRM is stronger: all HR managers are members of the MT of their store, and at firm level the HR director is also a member of the country MT[4]. Here, strategy and HR strategy formulation are fully integrated. In strategic business planning, these functions are considered interrelated: "success is to be achieved through people" (stated in: 'A furniture dealer's testament'). This is also reflected in the business plan, in which strategy and HR goals are mentioned simultaneously. Moreover, in Organization B, HR often initiates important changes in the organization, as illustrated by the following response:

> *"In the light of 'making the impossible possible', HR initiated the 'growth accelerator', which implied that the turnover goal of one billion was to be achieved in 3 instead of 5 years."* (HR director, Organization B).

In both organizations, HR is involved in business issues. However, in organization B, HR plays a more prominent role in strategy formulation. Therefore, the role of HRM in strategy formulation is '+' in organization A, and '++' in organization B. A selection of quotes related to the process element is presented in table 4.3.

Table 4.3 The role of HRM in strategy formulation (process): a selection of quotes

Organization A
"HR is characterized by a close integration with management. Besides 'standard' tasks like training, appraisal, and rewards, HR advisors mainly perform a coaching role." (HR manager)
"Because of the need to work more efficiently as identified by the management team, we started to develop 'Rainbow', which focuses on working smarter." (HR manager)
Organization B
"People are the success factor of Organization B. Good products and a good concept are convenient, however the people cause success." (Store manager)
"An HR plan is incorporated in the yearly Business Plan. These disciplines are tied closely together." (Store Manager)
"In fact, a store manager is the HR manager, because people are the success factor of Organization B." (Store Manager)

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[3] According to the organizational chart of Organization A, the HR director is not a member of the management team.
[4] According to organizational charts of the organization as well as the stores, The HR director is a member of the management team.

Implementation of the HR strategy. The two organizations show some similarities in HR implementation. Neither has a clear process or guidelines for implementation. Both mainly formulate end goals, without providing guidelines for how to achieve those goals (as, for example, with the aforementioned Rainbow program in Organization A). Implementation of HR is seen as a challenge in both organizations. Both observe a large variation in HR and management skills of line managers, leading to differences in implementation of the HR system. Most line managers in place have not been selected based on management or HR skills, which may explain why they differ in their performance as a manager. For example, the works councils signal:

> *"Some line managers have 'their own way' of implementing HR practices, which contradicts HR policy."* (Works council member, Organization A)

> *"The execution of the 'appraisal cycle' is difficult. During the last 3 years, 50% of the co-workers has had only one appraisal meeting, and some co-workers had no meetings at all."* (Works council member, Organization B)

Besides similarities, there are also differences in the implementation of HRM between the two organizations. Organization A mainly uses a top-down approach. The HR strategy and system are developed by HR managers, and then introduced to employees. Employees are not consulted during this process, only the works council is involved in major changes in HR practices. A works council member comments:

> *"Often, HR practices are well designed, but poorly implemented. We often signal these flaws early in the implementation process. They should have asked our advice."* (Works council member, Organization A)

Developing employees' commitment to the new practices is stressed during implementation. Organization B uses a different approach, involving employees in strategic planning. Employees have input in goal setting for the store and their department. Their suggestions are collected during departmental meetings, and their manager presents these ideas to the store MT:

> *"Each store develops a store plan based on the Dutch business plan of Organization B. During 'store plan' meetings, department managers consolidate all co-workers' input, which is then communicated to the store MT. The MT then chooses which issues to incorporate in the store plan."* (Store manager, Organization B)

Thus, here a bottom-up process complements the top-down implementation process that is also found.

In both organizations, implementation of HR is a challenge. Yet, in Organization B, employees are more involved in developing and implementing HR practices, adding a bottom-up process to the top-down implementation. This increased involvement leads to fewer problems with acceptance. Therefore, Organization A receives a '±' score on strategy implementation, whereas Organization B scores '+'. Table 4.4 presents a selection of quotes on HR strategy implementation.

Table 4.4 Implementation of the HR strategy: a selection of quotes

Organization A
"Not all line managers are good at implementing HR practices. In selecting these managers, their capacities in this area are not assessed ... There is also no systematic control on correctness of HR implementation." (HR director)
"Often, employees report problems with line managers to the works council. Some line managers even pressure employees to show up even when they are ill, because they are evaluated on sick leave rates." (Works council member)
"Line managers are most important for the success of HR in Organization A. As implementation of HR practices is dependent on the line managers, large differences in the quality of HR implementation exist between departments and business units." (Works council member)
"HR strategy, developed by the HR department, forms a framework for (line) managers within which they can make their own decisions." (HR manager)
Organization B
"We use a multi-incident approach. Many HR practices are implemented simultaneously and within a short timeframe. An example is the training 'coaching leadership', which was implemented only a few weeks after its development." (HR director)
"The HR practices that are developed should be more aligned with the situation in the stores and with the level of the co-worker to gain commitment at lower levels in the organization." (HR manager)
"The HR system is well developed. However, the implementation in the stores is not as well developed. The impact of many initiatives is not positive because of problems in communicating the practices to the co-workers." (Works council member)
"The quality of line managers varies a lot." (Works council member)
"The line managers differ a lot, in particular in quality." (Store manager)
"The HR departments of the store have a fair amount of freedom in adapting HR practices to the specific needs of the store. For example, in case of training, we ask co-workers which training needs they have. Based on these needs, we provide training programs." (Store manager)
"The department manager develops the business plan for the department. Co-workers are involved in this process, they develop the department plan together with the department manager." (Store manager)

4.7.2 Internal fit

The strength of interaction between HR practices. In both organizations, we found evidence that HR practices are developed and implemented based on the content of the other HR practices in place. Employees are selected, trained, evaluated, and rewarded based on the needs of the organization. In Organization B, the 'appraisal cycle' ties different HR practices together. Individual goals are set based on the contribution an employee can make to departmental goals. Employees are then trained to be better able to

contribute to these goals, and are evaluated and rewarded based on the accomplishment of these goals. Organization B also uses a tool called 'knowledge championships':

> *"HR has developed 'knowledge championships', a co-worker test of their knowledge about the organization, culture, products, and customer-base. Based on their score, individual or team training is provided. These training programs are 'customized'."* (HR manager, Organization B)

Individual results of the 'knowledge championship' tests are used as input for appraisals and rewards.

Organization A maps the level of employees' skills and knowledge relative to the desired level in an employee planning system. Employees are advised training based on the gap between current and desired skills, and they are appraised on their progress. New employees are selected in order to fill a gap in knowledge or skills in the store. Although some aspects are similar to the system in Organization B, in Organization A, training and development of knowledge and skills are not obligatory as in Organization B. Employees are responsible for the possible consequences of not receiving training, but training is not compulsory, it is only advised:

> *"Training programs are not compulsory for employees. However, the manager makes clear that it is the responsibility of the employee to not do the training and risk lower performance appraisals."* (HR manager, Organization A)

Another voluntary tool in Organization A is the 'Talent Guide'. This instrument was designed for all employees who want to develop themselves. It provides an overview of the competencies and opportunities for each job, linked to culture elements. Competencies for a function are explained and suggestions are given for developing these competencies by attending training or by training on the job. For example, a sales manager can develop 'pro-activeness' by evaluating the store from the perspective of a customer and noting positive and negative elements, leading to suggestions for improvement. Another way to develop this competence the 'Talent Guide' proposes is attending internal 'pro-activeness' training. As the tool is voluntary, both HR managers and the works council signal that only few employees make use of it:

> *"The 'Talent Guide' is hardly used by employees, particularly lower-level employees. Few training and development opportunities exist for this group. Moreover, the 'Talent Guide' should be simpler to be useful for this group."* (Works council member, Organization A)

Therefore, no integration with other HR practices is seen. Thus, if any, an additive rather than interactive relationship between this practice and other HR practices is likely.

In summary, we found a stronger integration of HR practices in Organization B, where HR practices are clearly linked, implying that synergistic effects could occur. In Organization A, some links between HR practices were found, although not all HR practices were linked effectively and synergy would require stronger links. Therefore, the strength of interaction between HR practices is '±' in Organization A, and '+' in Organization B. Table 4.5 presents a selection of quotes related to the strength of interaction.

Table 4.5 The strength of interaction between HR practices: a selection of quotes

Organization A
"Stores use an employee planning system that outlines the actual and desired competencies of employees. For example for a part-timer who works weekends only, the desired competency level is 30%, and for a full-timer it is 80%-100%. When discrepancies between actual and desired levels are signalled, a training plan is developed for that employee in order to achieve the desired competency level." (HR department member)
"A number of store managers started to link the employee planning system to appraisal. The HR staff has now started to implement this initiative in all stores." (HR department member)
"Some store managers have started to match the 'TIM' (employee planning system used in 'Rainbow') to the performance appraisals. This was an idea of one store manager; all other store managers are now motivated by the HR department to do the same." (HR department member)
"The 'Talent Guide' is implemented in the stores. However, to most employees this tool is not appealing." (HR manager)
"Employees know what the 'Talent Guide' is. However, they do not use it." (HR department member)

Organization B
"From the 5-year business plan, a year-plan is developed for each store, with specific strategic plans for each department. In the appraisal cycle, the co-worker has three meetings a year. One to make appointments about the co-workers contribution to the department goals, the second to evaluate the co-workers performance during the year, and the third meeting which is the actual appraisal afterwards, with consequences for rewards." (HR manager)
"During the year, the performance of the co-workers is monitored in terms of their ability to achieve their individual goals, which are linked to store and department goals. If needed, co-workers receive extra training." (HR manager)
"Each year in June, 'knowledge championships' are being held in all departments, in all stores. The individual test scores are used as input for the 'appraisal cycle' as well as the co-worker development tool we use. This way, co-worker training, development and appraisal are linked." (HR director)
"Training will be a priority next year. With a 'department scan', we will map knowledge and skills of all employees such that training needs will be identified." (Store manager)
"The ambitions of employees are mapped in a development tool. Training is provided and employee tasks are adjusted according to the need to develop particular competencies. Employee performance is evaluated periodically." (HR manager)

The alignment of dominant goals with the HR system. Organizational culture has a dominant influence on the HR system in both organizations. In Organization A, training programs aim to develop the desired employee behaviors reflected in the 'culture keys'.

HRM and Fit

New employees are recruited based on their fit with the culture of the organization and the specific store. In Organization B, the influence of culture is even stronger. Every year some employees attend culture training at head office. This training is based on the 'testament' of the founder, known to every employee. In selection, the candidate's fit with the culture is assessed by using symbols and stories during the application interview. The induction program and other training programs contain large parts focusing on culture. The emphasis is on internalizing the culture and managers are role-models:

> *"Organization B's culture is action-oriented and leaders have an exemplary role. Managers wear the same company clothing as the other co-workers, which is part of this role and of reducing hierarchy."* (HR director, Organization B)

> *"Organization B has a very strong culture. Training courses exist that aim to strengthen the culture and communicate the values. However, the implementation of the culture goes a step further; the culture is internalized."* (Works council member, Organization B)

Managers are evaluated on whether their demonstrated behavior reflects the basic values. Cost-consciousness implies no business class travel and the use of public transportation instead of taxis during business trips.

Flexibility and efficiency are dominant goals for both organizations due to increasing market pressures. Both organizations seek employees' flexibility with respect to working time and skills, during the recruitment process and in training. For example, Organization A changed the work schedule of employees as a result of 'Rainbow':

> *"Employees used to work for a fixed department, in a fixed scheme. Now, the planning is made per period of 15 minutes, and much more flexibility is asked from employees. For example, when planning a holiday, employees first have to check whether it fits the planning."* (Member of HR department, Organization A).

Organization B achieves flexibility through broad training programs for employees ensuring they are employable in different departments within the store when needed. An HR manager comments:

> *"Department managers receive process oriented training in order to be employable in different departments depending on where they are needed. This increases flexibility."* (HR manager, Organization B)

In summary, maintaining organizational culture and flexibility are dominant goals in both organizations. In both, we found that HR practices focus on these dominant goals. Organization B however, achieves an even stronger link by focusing on internalizing

culture through practices and behavior. Therefore, the alignment between dominant goals and HR in Organization A is '+', whereas Organization B scores '++'. A selection of quotes is presented in table 4.6.

Table 4.6 The alignment of dominant goals with the HR system: a selection of quotes

Organization A
"The 'culture keys' have a very important influence on the design of the HR system; The culture keys are reflected in training, development, and appraisal." (HR manager)
"One of the most important criteria for selecting new employees, is that he or she fits in our culture." (HR department member)
"'Rainbow' aims at working more efficiently. Tasks are planned first, and subsequently personnel needs are determined based on the work that is available." (Regional manager)
"The motive for developing 'Rainbow' was the lack of turnover growth while the number of stores kept on increasing. Furthermore, the pressure on efficiency increases due to the 'price war' in the retail sector in the Netherlands." (HR manager)
"As a result of 'Rainbow', employees are encouraged to think for themselves. For example, they have to think about efficient work planning and whether the planning of their vacations fits into the store-planning scheme." (HR department member)
"Flexibility has now become a much more important criterion for selecting new employees." (HR department member)
"We use flexibility in employee planning. However, many employees have trouble adjusting to the new flexibility needs, and want to stay and work in their own department." (HR manager)

Organization B
"The concept and values are spread throughout all layers and departments of the organization. People 'live the concept and culture'. This is stimulated by providing concept and culture training to all new co-workers." (Store manager)
"There is a dominant culture in Organization B, particularly because we strongly focus on values in recruitment. Also, people who do not fit the culture do not stay long, this means that the co-workers who do stay with Organization B tend to have a strong fit with the culture." (HR manager)
"Organization B provides courses aimed at strengthening culture and carry out the values." (Works council member)
"Each year, some co-workers follow our culture course called the 'Organization B Way'. Subsequently, these co-workers communicate the company's culture in the store." (Store manager)
"Each new employee has to follow an induction program within the first six months. Part of this program covers 'Organization B Way', in which the vision of Organization B is explained using discussions and role plays. " (Store manager)
"Flexibility is now an important criterion for selecting new co-workers. You have to be flexible in order to be selected." (Works council member)

The degree of consistency of HR systems for different employee groups. In Organization A, some groups are labeled core employees. For instance, the employees who are responsible for daily planning and monitoring are seen as crucial for the organization's long-term success. Respondents in Organization B denied the existence of core employees:

> *"There are no core employees. All co-workers are crucial for the organization. Even the tray-cleaner in the restaurant has a task that is linked to the business plan. If he or she doesn't do the job well, things will go wrong."* (Store manager, Organization B)

> *"Because everyone wears the same company clothing, no differences are perceived between co-workers."* (Works council member, Organization B)

This absence of 'core employees' relates to the culture in which everyone is considered equal. There is, however, a specific employee group, which is defined by their contribution to achieving business goals in the future: the potentials. All new employees with contracts of 32 hours a week or more are identified as a potential. There are specific HR practices for this group that have one dominant goal: preparing the potentials for a management function. The potentials are evaluated on specific goals and are rewarded differently.

Table 4.7 Degree of consistency of HR systems for different employee groups: a selection of quotes

Organization A
"The core employees are the first sales employees. They manage the shop floor, and are responsible for planning and presentation." (HR manager)
"The first sales employees are the most important employees in the stores. They are the closest to the customers." (HR department member)
"Within Organization A, a distinction is made between lower-level and higher-level employees (mostly managers). They both have their own Collective Bargaining Agreement, with specific opportunities, and different salaries ... the 'Talent Guide' is divided into two parts with separate training and development opportunities that are adapted to these two groups." (HR manager)
" Lower-level employee experience a lack of training and development opportunities for their specific group." (Works council member)
Organization B
"Organization B has developed a potentials program. All new co-workers with full-time contracts have to be identified as a potential. They follow a specific training program adapted to their training and development needs which trains them to be a manager within 1 1/2 years ... The potentials have specific development goals, and are appraised on the achievement of these goals ... Moreover, they receive more salary than regular employees because of high demands in this function." (HR manager)
"Now, five co-workers in our store have entered the potentials program, which trains them to be a manager within 1,5 years." (Works council member)
"All vacant jobs are now filled with potentials, which leaves less freedom of choice for regular employees." (Works council member)
"Potentials have specific tasks in order to prepare them well for a management job." (Works council member)

Organization A distinguishes between higher level jobs which are mainly management functions, and lower level jobs on shop floor level[5]. These two groups have different working conditions as a result of different Collective Bargaining Agreements, and

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[5] According to the organizational chart, a distinction is made between 'higher level personnel' and shop floor employees

separate training and development opportunities, adjusted to the nature and level of the job as incorporated in separate parts of the 'Talent Guide'[6].

In summary, although in Organization B no core employees were identified, specific employee groups were recognized by both organizations. In particular, Organization B has designed a consistent HR system for a specific potentials group, where all HR practices support the goal of preparing them for a management function. In Organization A, inconsistencies in the HR practices within both higher and lower level employee groups exist as the 'Talent Guide' is not integrated with other HR practices for either group. The consistency of HR systems for different employee groups is therefore '±' for Organization A, and '++' for Organization B. A selection of quotes on the degree of consistency for different employee groups is presented in table 4.7.

4.7.3 *Adaptation to organizational or environmental changes*

Within the turbulent, high-pressure retail market, both organizations cope well with changes. In Organization A, the 'Rainbow' program aiming to increase efficiency and effectiveness, was implemented as a response to market pressures:

> *"Because of the need to work more efficiently, as identified by the management team, we started to develop 'Rainbow', which focuses on working smarter."* (HR manager, Organization A)

HR practices were adjusted step by step in order to accomplish this goal. For example, new training programs were introduced focusing on planning, working efficiently, self-activation, and working proactively:

> *"As a result of 'Rainbow', employees are encouraged to think for themselves. For example, they have to think about efficient work planning and whether the planning of their vacations fits into the store-planning scheme."* (HR department member, Organization A)

Addressing multiple HR practices simultaneously helped maintaining the consistency and internal fit of the different HR practices as they were adapted to the new situation.

Organization B focuses on continuous change. Head Quarters imposes continuous change on all stores in order to remain ahead of competition. Every year, prices have to go down by 10%, and 20% of the products are to be replaced every year. Major changes in

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[6] Both the collective bargaining agreement and the 'Talent Guide' (on the intranet) have separate sections devoted to 'higher level personnel' and shop floor employees.

organizational structure are regularly initiated to keep the organization as non-hierarchical as possible, aiming to keep the workforce dynamic and flexible. A respondent remarked:

> *"From time to time, the whole organization is 'shaken up' to prevent too much hierarchy in our growing organization. It is important to stay close to the customer."* (Store manager, Organization B)

These continuous changes have a major impact on the organization, and Organization B stresses a change-driven culture. Core values reflect agility and flexibility, for example, through anti-hierarchy, simplicity, and togetherness. HR practices are adapted to this culture, and aim to select and train flexible employees who fit in this culture of change:

> *"The capacity to change continuously and to stay flexible is also expected from the employees. In employee selection, we look for candidates who fit in our culture, which implies that they have to be flexible."* (Controller, Organization B)

Table 4.8 Adaptation: a selection of quotes

Organization A
"The motive for developing 'Rainbow' was the lack of turnover growth while the number of stores kept on increasing. Furthermore, the pressure on efficiency increases due to the 'price war' in the retail sector in the Netherlands." (HR manager)
"HR priorities at the moment are education and training, and the implementation of 'Rainbow'. In this round off phase of the implementation of 'Rainbow', the priority is to coach store managers." (HR manager)
"With 'Rainbow', employee performance is recorded more extensive than before. These data are used for performance interviews." (HR department member)
"Some store managers have started to match the 'TIM' (employee planning system used in 'Rainbow') to the performance appraisals. This was an idea of one store manager; all other store managers are now motivated by the HR department to do the same." (HR department member)
Organization B
"Organization B changes continuously. For example, 20% of the assortment is replaced each year, and the structure is changed very often." (Store manager)
"The head office in Sweden imposes continuous change on all stores. By continuously changing, Organization B remains ahead of the market." (Store manager)
"Organization B searches employees who are flexible and prepared to work hard. Horizontal as well as vertical employee development is stimulated in our organization. By introducing employees in different functions and departments, cooperation and understanding is motivated." (HR manager)
"More employee flexibility is requested by Organization B." (Works council member)
"During the last few years, more employee flexibility is requested by Organization B, particularly in terms of working days and times." (Works council member)
"There is always room for training, as it is important that employees learn and stay flexible." (HR manager)
"Flexibility is now an important criterion for selecting new co-workers. You have to be flexible in order to be selected." (Works council member)

In summary, although both organizations respond well to change, their approaches differ. The approach of Organization A remains more reactive. Business goals are changed

responding to pressures, which are translated into HR changes. Organization B can be seen as more proactive in its approach and the continuous change philosophy permeates strategy, HR practices and culture. This results in a '+' score for Organization A, and a '++' score for Organization B for adaptation. Table 4.8 presents a selection of quotes on adaptation. An overview of the scores on the different elements of strategic and internal fit, and adaptation is presented in table 4.9.

Table 4.9 Strategic fit, internal fit, and adaptation: summary of findings

	Organization A	Organization B
Strategic fit		
Links between elements of strategy and HRM: content	+	+
The role of HRM in strategy formulation: process	+	++
Implementation of the HR strategy	±	+
Internal fit		
The nature of interaction between HR practices	±	+
Dominant goals of the HR system	+	++
HR systems for different employee groups	±	++
Adaptation		
The degree of adaptation to changes	+	++

++ High level of fit
 + Fair fit
 ± Modest fit
 - Weak fit
- - Low level of fit

4.8   Discussion

The aim of this chapter was to contribute to the development of ways to operationalize strategic and internal fit, and to assess and evaluate these alternative operationalizations through case studies in two retail organizations. We added adaptation to capture the dynamic process involved in achieving strategic and internal fit. Similarities and differences emerged between the organizations on these elements.

We found that organizational culture is an important driver for both organizations. Besides forming a dominant goal, culture also forms a strong link between strategy and HRM, which suggests a close link between strategic and internal fit. Further exploring these relationships between strategic and internal fit seems of interest for future research. Flexibility and efficiency were also dominant goals in both organizations. This supports

the idea that several dominant themes rather than one are communicated through the HR system (Boxall & Purcell, 2008).

We found that Organization B scores higher on most elements of strategic and internal fit, and adaptation. As many characteristics of the organizations are similar, this suggests that other factors may influence fit and an organization's approach to change. The administrative heritage of an organization, consisting of historical and cultural aspects of the organization, as well as institutional factors (institutional fit: Paauwe, 2004; Wood, 1999) may constrain adaptation. For example, Organization A is embedded in a more institutionalized context than Organization B. When change is desired, the influence of unions and works councils who have to agree with the proposed changes, and the relative inflexibility of the Collective Bargaining Agreement constrain the possibilities of Organization A. Organization B successfully applied a trade union busting strategy. They established a company trade union, not affiliated to the recognized Dutch trade union federations and therefore the company is less constrained by external stakeholders where industrial relations issues are concerned.

The different elements within the operationalizations of strategic and internal fit are not completely separate. Using our operationalizations implies not just additively combining the scores of the different elements; these elements should be regarded as interrelated. For example, internal fit suggests that HR practices forming powerful connections support and enhance each other in achieving certain goals. In other words, 'strength of interaction' and 'alignment with dominant goals' are linked in this respect.

In our operationalization of strategic fit, we expect that the role of HRM in strategy formulation is associated with the extent to which there are links between strategy and HRM. In other words, integration of strategy and HRM *processes* seems to enable integration of the *content*. Moreover, the relationship between the elements of strategic fit might be conditional; without a good score on HR strategy implementation, a high level of strategic fit might not be possible. We tried to demonstrate that using a combination of these elements for measuring fit leads to a deeper knowledge of strategic and internal fit than measuring only one of these. By combining different elements in operationalizing these forms of fit, we were able to give more insight in the complex and dynamic nature of fit.

We introduced adaptation as a dynamic component to achieve strategic as well as internal fit. Although usually theorized on and studied separately, our findings suggest that adaptation can contribute to the integration of strategic fit and internal fit. A proactive approach to change requires a close integration between strategy and HRM processes and content, between separate HR practices, and between dominant goals and HRM, which we found in a comparison of Organization B with Organization A. When changes occur in the organization or its environment, the strategy as well as the dominant goal of the HR system may change. This leads to alterations in HR practices that help to pursue the new goal(s). Yet, these adaptations need to be carefully designed in a way that practices still support and enhance each other, and shaped such that consistency over time is achieved. Our evidence suggests that adaptation – provided it takes place in a proactive way – stimulates the interaction between both strategic and internal fit, and in this way generates stronger fits. This way, the concept of adaptation gives a first insight in synergies that may occur when strategic and internal fit are aligned.

Our framework is particularly useful for gaining comprehensive insight in the nature of strategic and internal fit in a comparative analysis of two or more organizations. More research is needed to further develop and test the proposed operationalizations, and to validate this framework. In a follow-up stage, potential performance effects of strategic and internal fit could be explored.

4.9   Conclusion

In this chapter, alternative operationalizations of strategic and internal fit were presented, and evaluated using data from two organizations. We found evidence for all proposed dimensions of strategic and internal fit and adaptation. Although the organizations are similar on the surface, they differed on the dimensions of fit and in their response to change. We were able to score how the organizations performed on the different elements of strategic and internal fit and adaptation. Such scoring systems will be useful for future research on the possible performance effects of associated differences in both types of fit.

A potential limitation concerns the generalizability of the findings on these forms of fit from our two case studies. Our aim was to search for ways of operationalizing and

measuring the theoretical concepts of strategic and internal fit, important in the debate on the link between HRM and performance. Using multiple case studies (the two organizations A and B, and in each company various business-units) we have explored and assessed the value and applicability of our way of operationalizing these two theoretical constructs. Future research is needed to determine whether our findings are indeed also generalizable to other types of contexts.

In sum, we aimed to contribute to developing alternative operationalizations for strategic and internal fit. The operationalizations we developed provided insight and may create opportunities for further research on strategic and internal fit. Future research could further develop and test these operationalizations of strategic and internal fit and their potential impact on firm performance, both in qualitative and quantitative research. Data collection in other sectors and contexts could increase knowledge about strategic and internal fit. Research is also needed on other forms of fit that potentially affect HRM in its relation to performance, such as organizational and institutional fit (e.g. Wood, 1999).

CHAPTER 5   THE ROLE OF STRATEGIC HRM IN SUPPORTING ORGANIZATIONAL SYSTEMS AND CHARACTERISTICS: CONCEPTUALIZING ORGANIZATIONAL FIT

5.1   Introduction

In today's dynamic and uncertain market environments, there is an increasing need for organizations to develop a sustainable competitive advantage to cope with change in order to secure long term success (Wright, Dunford & Snell, 2001). Organization's systems, structures, and processes can be used to support achieving and maintaining a competitive advantage. Moreover, to achieve long term success, researchers have suggested that an organization should align employees' skills and motives with organizational systems, structures, and processes that achieve capabilities on the organizational level (Wright et al., 2001). The HR system can be used to achieve this alignment, allowing the organization and the employees to be effective through improving employee commitment and motivation, and enhancing product quality and productivity on the organizational level. The HR system is then integrated with strategically important business processes (Becker & Huselid, 2006). Therefore, in order to be effective, "an HR bundle or system must be integrated with complementary bundles of practices from core business functions" (MacDuffie, 1995: 198). Copying HR practices or systems from one organization and implementing them in another organization would not be effective as the specific organizational systems, structures, and processes in place are closely embedded in the organization.

The importance of aligning different HR practices in a coherent and consistent HR system (internal fit), and this HR system with strategy (strategic fit) in order to increase productivity or financial performance has been widely emphasized in strategic HRM (i.e. Arthur, 1994; Huselid, 1995). Boxall and Purcell (2008) however, argue that the goal of labor productivity and efficiency is only relevant in a given market and for a given technology. For example, the systems and human resource needs in a manufacturing firm

are considerably different from those in a consultancy firm. In order to achieve long term agility (Boxall & Purcell, 2008), an organizational design is required in which systems, structures, processes, and human resources support each other such that a sustainable competitive advantage is achieved.

In an overview of the strategic HRM literature, Wood (1999) introduces *organizational fit*, which refers to the alignment of the HR system with other systems and characteristics within the organization. However, research on organizational fit has been limited. Research has mainly focused on the manufacturing sector, for example on the work system in lean production (e.g. MacDuffie, 1995), or the total quality management system (e.g. Lawler, Mohrman & Ledford, 1995). Little is known about organizational fit in other sectors. Moreover, the few studies that have tested organizational fit use very diverse approaches, and have focused mainly on the fit between the HR system and one other system in the organization.

In this chapter, we attempt to extend the concept of organizational fit. We take an exploratory approach in studying organizational fit from three different perspectives or 'lenses'. First, an overview of previous research in organizational fit is given, and three organizational systems and characteristics are identified: the production system, being the transformation process used to convert inputs to outputs which gives rise to the division of labor and tasks, the control system, as control and coordination mechanisms are needed to accomplish these tasks, and organizational culture, for managing behaviors required for accomplishing the tasks. Second, with case study data from three Dutch organizations, HR systems are studied from the perspective of these three main characteristics, leading to the identification of key issues and themes involved in organizational fit, aimed at uncovering the nature of organizational fit.

5.2   Organizational fit

Research in the manufacturing sector has shown that HRM is affected by the dominant technology used in the sector and firm (Boxall & Purcell, 2008; Snell & Dean, 1992; Youndt et al., 1996). Besides competitive strategy, the dominant technological system determines which requirements of employees are needed to be successful. Becker and Huselid (1998: 58) argue that "the most important aspect of fit is its embeddedness

throughout the organization; it then represents an 'invisible' capability for effective strategy implementation". Similar corporate strategies are reflected in a variety of operating objectives and problems that are largely influenced by the skills, motivations, and structure of the workforce (Becker & Huselid, 1998). Becker and Gerhart (1996: 794) state that HR systems "only have a systematic impact on the bottom line when they are embedded in a firm's management infrastructure and help it solve real business problems such as product development cycle times, customer service, and so forth". Appelbaum et al. (2000) acknowledge that certain HR practices will only increase performance under some technological and market conditions. Product and technological life cycles and the complexity of the product mix have an impact on the effectiveness of HR practices, thus achieving a fit between these organizational systems and the HR system is likely to enhance performance.

The studies in HRM covering the relationship between organizational systems, structures and processes and HR practices, focus on various types of organizational systems. For example, MacDuffie (1995) studied HR practices and work system practices, such as work teams, problem-solving groups, job rotation, and decentralization of quality-related tasks. He introduces the term 'organizational logic' of flexible production, which links together a bundle of manufacturing practices with a bundle of HR practices, and found that both productivity and quality are superior in lean production plants, with flexible production systems containing both innovative work system and HR practices (MacDuffie, 1995). Lawler et al. (1995) studied the relationship between high involvement practices and total quality management practices, and found that these practices are most frequently coordinated and managed as one integrated program. Snell and Dean (1992) examine the relationship between integrated manufacturing, covering advanced manufacturing technology, just-in-time management, and total quality management, and HR practices. They found that advanced manufacturing and total quality management were positively related to HR practices like selective staffing, training, appraisal, and rewards, whereas just-in-time management was negatively related to selective staffing and performance appraisal. Shaw, Gupta, and Delery (2001) examine the interactive relationship between integrated manufacturing and compensation practices and find moderate support for the effectiveness of this congruence model. Cooke (2007) also argues

that achieving a competitive advantage requires the effective integration of both technology and HR strategies. He found that alternative workplace strategies differed by the degree of integration of technological and HR capabilities (Cooke, 2007). These studies indicate the effectiveness of aligning different types of systems used in manufacturing with HR practices and strategies.

Contrary to research which is strongly focused on manufacturing contexts, Verburg, Den Hartog and Koopman (2007) examined organizational fit in various sectors by looking at different kinds of organizational structures and their fit with different HR systems, which are combined in four different configurations of HR, employability and flexibility: the bureaucratic bundle, market bundle, professional bundle, and flexibility bundle. These bundles vary on the dimensions compliance versus commitment, and individual versus organization. They find that two out of four configurations or bundles they developed occurred in the sample, and that the closer the HR system fits the 'professional' bundle - which focuses on commitment and on development as a task of the organization - the higher the score was on 'willingness to go beyond contract' and economic outcomes. Jackson, Schuler and Rivero (1989) focus on organizational characteristics that are assumed to be related to the patterns of behaviors employers need for effective organizational functioning. They find that technology and organizational structure are linked to the HR system (in particular to compensation and training) in order to focus employees and managers on long-term business goals. Moreover, Bailey (1993) emphasizes that HR practices should work together in supporting organizational systems. Aligning or changing only one HR practice – for example broaden employee tasks without making other changes in employment security and training - is much less effective if it is not accompanied by broader changes in the relationship between managers and workers (Bailey, 1993).

5.2.1 *Organizational systems and characteristics*

The studies described above have found support for the alignment between HR practices with various organizational systems and characteristics, ranging from manufacturing and quality management systems to organizational structures. Most studies look at the alignment between HR practices and one specific system in the organization.

However, the effects of the HR system on achieving a sustainable competitive advantage depend on a broader set of organizational processes, and systems (Wright et al., 2001). While existing studies in organizational fit suggest the effectiveness of integration between HR practices and different organizational systems and characteristics, we will define organizational fit as the alignment of HR practices with a broad set of organizational systems and characteristics.

Boxall (1996) offers a view on organizational systems and processes by distinguishing between 'human capital advantage', and 'human process advantage'. Human capital advantage is achieved by selecting and training employees resulting in the organization having an 'exceptional' human resource base, whereas human process advantage refers to "a function of causally ambiguous, socially complex, historically evolved processes such as learning, co-operation, and innovation" (Boxall, 1996: 67). Wright, Dunford, and Snell (2001) build on Boxall (1996) for explaining the relationship between this broader set of organizational systems and processes and the HR system. They argue that the HR system "helps weave employees' skills and behaviors within the broader fabric of organizational processes, systems and, ultimately, competencies" (Wright et al., 2001: 710). In line with this, Wright et al. (2001) argue that the core competencies of an organization are embedded in human capital (i.e. organization's human resources), social capital (i.e. internal and external relationships and exchanges), and organizational capital (i.e. processes, technologies, systems), integrating human, social, and organizational factors. Similar to Wright et al. (2001), Leonard-Barton (1992) also focuses on the different dimensions of an organization's core capability. Leonard-Barton (1992) distinguishes four dimensions of an organization's 'core capability' needed to achieve a competitive advantage, adopting a knowledge view. The first dimension - employee knowledge and skills - and the second - technical systems - embody the content of the core capability, and the third dimension - managerial systems - and the fourth - values and norms - guide the processes of achieving this capability.

The above-mentioned typologies of organizational systems and processes emphasize the importance of human resources and other systems, characteristics, and resources of organizations. However, HRM researchers have yet to develop a model about how HR systems are effectively integrated with organizational systems and structures

(Cooke, 2007). To address this, a more thorough development of the concept of organizational fit is needed. Therefore, below, different perspectives will be selected through which organizational fit will be studied in order to identify key issues involved in organizational fit.

5.3 Different perspectives on organizational fit

As mentioned before, HRM scholars have used different perspectives or 'lenses' through which organizational fit is studied, focusing on what constitutes organizational fit from the perspective of different types of organizational systems. Below, we set out to identify perspectives through which organizational fit can be studied which can be relevant across different sectors and contexts.

MacDuffie (1995) and Pil and MacDuffie (1996) both use the production system as a dominant perspective for studying HR practices and systems. The production system refers to the systems the organization uses in order to create added value, or to convert inputs to outputs (i.e. transformation process). The production system can take various forms depending on the type of organization, and can involve materials, documents, or information. For example, a manufacturing organization transforms materials along an assembly line, whereas service organizations transform information in the form of documents (Mintzberg, 1979). The nature of the production system is an important determinant of how jobs are designed in the organization (i.e. Dean & Snell, 1991; MacDuffie, 1995), and what knowledge and skills people need in order to perform the job. The nature of the production system affects different elements of job design, for example the use of self-managing teams, job enrichment, job rotation, task complexity and variety (i.e. Dean & Snell, 1991), and the amount of skill variety, task identity, or autonomy (i.e. Hackman & Oldham, 1976).

HR practices can be used to support the production system such that employees meet the job requirements as determined by the design of work. MacDuffie (1995) for example, examines the alignment between HR practices and the production system by focusing among others, on whether the hiring criteria used in selecting employees are aligned with job requirements, and the extent to which rewards are contingent on 'plant' performance, and find this alignment to contribute to plant productivity and quality. Pil

and MacDuffie (1996) also devote attention to the interaction between the production system and HR practices.

Thus, the production system, or 'transformation process' of the organization gives rise to the division of labor in the organization, involving tasks and job requirements. To accomplish these tasks, control and coordination mechanisms are needed (Mintzberg, 1979). Management control is defined as any process that helps align the actions of individuals with the interests of their employing firm (Tannenbaum, 1968). Merchant (1985) distinguishes three types of control systems to support management control: results control, action control, and personnel control. Results control focuses on the achievement of certain goals, action control focuses on desired employee behaviors, and personnel control refers to social and cultural control, mainly through selection and socialization. Harzing (1999) presents a review of different control mechanisms distinguished by various researchers. She develops a typology of control mechanisms, consisting of personal centralized control, dealing with managerial hierarchy, centralization, and direct supervision; bureaucratic formalized control, aimed at specifying behavior that is expected from employees; output control, referring to control of results; and control by socialization and networks. This last category covers socialization, non-hierarchical communication, and cross-departmental relations.

Snell (1992) takes a control perspective in studying HRM, by examining the role of HR practices in manifesting control in organizations. Snell (1992) links performance appraisal, feedback, and reward systems to control systems regulating input, behavior, and results in order to motivate employees to show desired behaviors, and to achieve desired results.

Organizational culture can also be used to manage employee behaviors that are needed in order to accomplish organizations' tasks. Organizational culture can be regarded as part of control when using a broad definition of control as mentioned above, which includes both formal and informal aspects of control. Organizational culture then mainly covers informal control processes such as the above-mentioned control by socialization and networks. However, as organizational culture is widely used as an informal coordinating mechanism, we will separate organizational culture from control. We will not

aim to assess organizational culture as a whole; instead we will focus specifically on how organizations use organizational culture in order to coordinate desired employee behaviors.

The work of MacDuffie and colleagues, builds on socio-technical systems (STS) theory, which draws attention to the interrelatedness of organizations' structure, systems, and processes, integrating the technical and the social or human aspects of the organization, aimed at joint optimization of the social and technical system (cf. Emery & Trist, 1960). Therefore, besides the production system, Pil and MacDuffie (1996: 425) devote attention to organizational culture and routines, defined as "established patterns of operation" as an important complement of high involvement work practices. Similar to Pil and MacDuffie (1996), other authors have also focused on the role of HR practices in managing organizational culture (e.g. Currie & Kerrin, 2003; Tsoukas & Vladimirou, 2001).

Organizational culture refers to a pattern of shared basic assumptions (i.e. Schein, 1985). Shared norms and values play an important role in organizations; many authors have emphasized the importance of values, norms, and organizational routines and culture for achieving a competitive advantage (e.g. Leonard-Barton, 1992; Pil & MacDuffie, 1996). Currie and Kerrin (2003) found that HR practices and systems are used in order to manage and reinforce organizational culture. Moreover, Tsoukas and Vladimirou (2001) find socialization to be important in order to internalize culture.

In sum, we have recognized three perspectives which can be used in order to study the alignment between organizational systems and characteristics and (sets of) HR practices: the production system, control system, and organizational culture. As little is known about organizational fit, and as the concept of organizational fit takes into account many different factors and variables, below we will take an exploratory approach by studying HR practices through the lenses of the production, and control system, and organizational culture.

5.4   Methodology

We collected data from three large Dutch organizations, two of which operate in the retail sector, and one in the health care sector. The selected organizations perform well in their sector, and are financially successful. We used an exploratory case study approach to

study the different types of organizational systems and their relationship with HR practices and systems as described above. A case study approach allows for incorporating a broad range of variables in the study. It provides the opportunity to collect rich data which can be used for developing and refining theory.

We used document analysis and interviews to collect data. More information about the research design and the selected respondents can be found in section 3.2.3. The interviews were semi-structured and focused on the different types of organizational systems and their alignment with the HR system as described above. The interviews covered the production system, control system, organizational culture, HR practices, and strategic issues with respect to the competitive advantage of the organization. Moreover, the different actors in the organizations were asked to indicate what they see as important organizational systems and characteristics, as well as what their alignment with HR practices is in the eyes of the respondents. Example questions were "Which systems, processes or characteristics does the organization have in order to achieve a competitive advantage/ to gain market share?", "How would you characterize the relationship between these systems or processes and the way people are managed in the organization?", and "How would you describe organizational culture/ control systems of the organization, and to what extent are HR practices aligned with these systems and processes?". Follow-up questions were asked to go deeper into the subjects. The interview approach was pilot tested by the researchers. Interviews lasted between one and two hours and were conducted by two researchers. All interviews were tape-recorded and transcribed. The content of the interviews was summarized in individual case study descriptions, which were checked for accuracy by the organizations involved. We used cross-case analysis for analyzing the three cases. Quotes and facts based on documentation and confirmed in the interviews were put in a matrix, based on the chosen perspectives (production, control, and organizational culture), with an additional category for emergent themes or perspectives. Then, we analyzed the matrix using a case-oriented approach, searching for key issues and themes in order to uncover the nature of organizational fit (Miles & Huberman, 1994).

5.5 Case descriptions

Case descriptions of Organization A and B are given in section 4.6 as well as in appendices 1A and B. Organization C is a Dutch non-profit health care organization, which focuses on elderly care in the west region of the Netherlands. It was founded in 1959 and has over 1800 employees working in 27 homes. Organization C has a strong vision that puts client well-being first, developed and implemented more than ten years ago by the current director. The core values focus on 'taking responsibility for your own life', 'use it or lose it', implying that clients do as much as possible themselves, the 'yes-culture', representing a positive attitude, and the 'extended family approach', representing the important role of clients, family, and employees in achieving a high level of client well-being. To support its vision of 'living, care, and well-being', Organization C introduced homes 'for life', with large apartments in which all types of care are possible, from no care at all to intensive nursing. Each inhabitant has his or her own front door, pays rent, and all inhabitants enjoy extra facilities like a restaurant (which is also open to others than the inhabitants). As the focus of Organization C is on well-being and less on traditional elderly care, Organization C's approach is seen as unconventional. For example, while in traditional nursing homes, employees wear white nurse's uniforms and work can be characterized as routinely and task-driven, Organization C's employees wear their own clothes, and let the clients do as much tasks themselves. Clients can also determine their own day-scheme such that they have the feeling that they are 'at home'. Organization C uses few rules and routines; instead the organization is driven by the vision. Although Organization C is non-profit, the organization performs very well financially, and makes profits every year. The financial performance of Organization C is above-average in the Dutch health care sector.

All three organizations are high-performing organizations. Moreover, they are focused on innovation. The three organizations differ in sector, and in terms of number of employees; Organization A is the largest, and Organization C the smallest. Another difference is that Organization B is an international company, whereas Organizational A mainly operates in the Netherlands, and Organization C operates in a specific region in the Netherlands.

5.6   Findings

5.6.1 Production system

Due to high competitive pressures in the retail sector, for both Organization A and Organization B, staffing and flexibility of the workforce plays an important role in order to differentiate themselves from competitors. Employee planning is crucial for achieving and maintaining a competitive advantage. In response to high market pressure, Organization A recently implemented 'Rainbow', a change program aimed at improving efficiency by motivating employees to work smarter and more proactively. Before 'Rainbow', availability of employees determined the amount of work that could be done. 'Rainbow' changed the organization to a task-driven organization, where the amount of available work determines the need for employees for a particular day or week, which asks for more employee flexibility:

> *"Rainbow' aims at working more efficiently. Tasks are planned first, and subsequently personnel needs are determined based on the work that is available."* (Regional manager, Organization A)

> *"Employees used to work for one particular department, in a fixed scheme. Now, the planning is made per period of 15 minutes, and much more flexibility is asked from employees. For example, when planning a holiday, employees first have to check whether it fits the planning."* (Member of HR department, Organization A).

Organization A uses a planning system in order to schedule employee tasks in the stores. The planning system is used in order to map the level of employees' skills and knowledge relative to the desired level in an employee planning system:

> *"Stores use an employee planning system that outlines the actual and desired competencies of employees. For example for a part-timer who works weekends only, the desired competency level is 30%, and for a full-timer it is 80%-100%. When discrepancies between actual and desired levels are signaled, a training plan is developed for that employee in order to achieve the desired competency level."* (HR department member, Organization A)

However, some employees in Organization A have trouble getting used to the amount of flexibility that is expected from them:

> *"We use flexibility in employee planning. However, many employees have trouble adjusting to the new flexibility needs, and want to stay and work in their own department."* (HR manager, Organization A)

> *"Many employees like clarity and predictability in their jobs. They don't want to work for other departments."* (Works council member, Organization A)

HR practices support the systems used to achieve high flexibility in Organization A. For example, selection procedures focus on employee flexibility:

> *"Flexibility has now become a much more important criterion for selecting new employees."* (HR department member, Organization A)

The employee planning system is used to identify gaps in skills and knowledge in the store, such that new employees can be selected in order to fill this gap. Moreover, this planning system is used to advise training based on the gap between current and desired skills, and employees are appraised on their progress. Also, new employees who sign a contract with Organization A are not hired for a specific store, but for Organization A as a whole.

For Organization B, because of the long opening hours of the stores (an average of 70 hours a week), and the varying number of customers in the store each day asks for a high level of flexibility in the stores. A store manager comments:

> *"Store Y has 66 opening hours a week; so in fact, each employee works 'part time' even though he or she works 36 to 40 hours a week. Employee staffing is adjusted to busy and less busy periods."* (Store manager, Organization B)

Organization B uses a planning system that estimates for each day how many employees will be needed in the stores. This planning system is used for efficiently scheduling temporary and part-time employees on busy days. Temporary employees are often hired only for a busy period, for six months in total. Also, the contract of all part-time employees allows Organization B to schedule employees for twenty per cent more or less hours than their contract states.

Organization B has adapted the work process and structure to flexibility needs in two ways. First, as the busiest hours in the store are from 6 pm to 9 pm, Organization B has trained employees of the different departments to be employable at other departments in the store, where assistance is needed during that period. The employees move through the store parallel to the customers such that around closing time, many employees from different departments work at the cash register, where most of the customers are at that time:

"Employees are employable in different departments, in a way that should be logical. After 6.30 pm, the restaurant is not that busy any more, as all customers proceed to the cash register at that time. Therefore, restaurant employees are also employable at the cash register such that they can work at the cash register after 6.30 pm. Employees thus 'move' through the store with the customers." (Store manager, Organization B)

Second, the stores of Organization B all use 'flex pools', with employees which are employed in various departments throughout the store. Depending on the specific store, employees in the 'flex pool' are employable in a cluster of departments, always including the cash register, or in the whole store:

"In store Y of Organization B, flex pool employees are not employed in specific departments. Instead, they are employable throughout the store, which makes them even more flexible. Flex pool employees have fewer responsibilities than other employees, as they have only basic knowledge of all departments, and they are not engaged in placing orders, for example." (Works council member, Organization B)

"Store Z of Organization B uses a flex pool which is organized in clusters: service, logistics, marketplace, and showroom. Ultimately, the whole store will have two types of employees: marketplace, and showroom employees. New employees are already selected according to this new system." (Works council member, Organization B)

'Flex pool' employees are requested by department managers when needed on a particular day. During the holiday season, when the stores are very busy, three 'flex pool' employees are on call in the store during the whole day.

In Organization B, the HR system supports the production system's aim for flexibility. Jobs in Organization B have become broader, as employees have to be employable in different departments when needed. HR practices support these broader jobs through training programs for employees covering a broad range of skills and knowledge to prepare them to be employable in different departments within the store. Similarly, process-oriented training programs are provided for department managers in order to be able to work at any department. Employees in the 'flex pool' receive extensive training about the products and services provided in each department. Also, flexibility is a main criterion for new employees during the selection process, and employees receive broad training in order to match the job requirements:

"Flexibility is now an important criterion for selecting new co-workers. You have to be flexible in order to be selected." (Works council member, Organization B)

"Organization B searches employees who are flexible and prepared to work hard ... By introducing employees in different functions and departments, cooperation and understanding is motivated." (HR manager, Organization B)

The added value of Organization C is created by their use of a vision focused on client well-being, as this approach differentiates Organization C from its competitors in the Dutch health care sector. The focus of Organization C is on well-being and less on traditional elderly care; clients are put first, resulting in high service quality towards clients. As a result of this approach, Organization C uses few rules and routines:

"In Organization C, rules and systems are of minor importance. Instead, the vision is regarded as most important. Organization C is totally different from all other organizations in the health care sector. The organization is chaotic and is driven by the vision." (HR director, Organization C)

Clients can determine their own day-scheme in order to create the feeling that they are 'at home'. As a result, employees have to adapt to each client's wishes about when to get up, when to be washed, and when to eat and drink coffee. Moreover, employee tasks are broad, as employees are responsible for the care of a number of regular clients, instead of being responsible for the execution of one specific task for many different clients. This results in employees not being able to follow a fixed day-scheme. The focus on client well-being therefore demands a lot of flexibility from employees; works council members indicate that the client focus is at the expense of employees:

"The problem is that employees do not notice the importance of the vision that much. Employees are only focused on 'production', and the culture at that level can be labeled as a 'no-culture'. The vision is hardly present among employees." (Works council member, Organization C)

"The difference between a task-driven and a vision-driven approach is that employees that are guided by our vision are responsible for a number of clients instead of a number of tasks. Instead of specialist, employees are generalists with more responsibility for their clients." (Manager, Organization C)

As the educational background of employees is characterized by the traditional norms of the Dutch health care sector, Organization C retrains employees when they enter the organization. This training is aimed at implementing the vision, and at learning to work guided by the vision instead of following routines. Organization C also developed its own

health care education program together with a regional education institute. This education program is applied to the vision of Organization C:

> *"Traditional education programs for nurses focused mainly on technical aspects of providing care. Therefore, Organization C developed a new education program together with a regional education institute in order to train 'socially agogic nurses'. In this education program, the technical aspects are combined with Organization C's values."* (Manager, Organization C)

Organization C works closely together with this education institute; students are provided the opportunity to do their internship at Organization C, and Organization C recruits new employees mainly from graduates of this education institute such that these new employees are already used to the vision. Moreover, the selection procedure of Organization C includes the use of problem scenarios that the candidate needs to solve, in order to see whether the candidate fits Organization C's vision:

> *"The selection procedure strongly focuses on a candidate's fit with the organization and the team."* (Works council member, Organization C)
>
> *"During the selection procedure, it is important that the candidate feels at home in Organization C."* (Manager, Organization C)

Important competencies for new employees include a focus on wellbeing, taking initiatives, and creativity. For higher-level jobs, this recruitment process based on the vision is seen as even more important, as these employees are expected to spread the vision among employees.

In summary, both Organization A and B focus on flexibility and employee staffing, and Organization C uses a vision focused on client well-being aimed at high service quality in order to differentiate itself from competitors. Organization A, B, and C use HR practices like selection and training in order to manage the workforce in such a way that the goals associated with the production system, being flexibility or service quality, can be accomplished. Particularly Organization B uses an extensive approach in order to increase employee flexibility, using a range of broad and process-oriented training programs. In Organization C however, the focus on client well-being appears to risk employee well-being. A selection of quotes related to the production system is presented in table 5.1.

Table 5.1 Production system: a selection of quotes

Organization A
"Because of the need to work more efficiently as identified by the management team, we started to develop 'Rainbow', which focuses on working smarter." (HR manager)
"The motive for developing 'Rainbow' was the lack of turnover growth while the number of stores kept on increasing. Furthermore, the pressure on efficiency increases due to the 'price war' in the retail sector in the Netherlands." (HR manager)
"As a result of 'Rainbow', employees are encouraged to think for themselves. For example, they have to think about efficient work planning and whether the planning of their vacations fits into the store-planning scheme." (HR department member)
"HR priorities at the moment are education and training, and the implementation of 'Rainbow'. In this round off phase of the implementation of 'Rainbow', the priority is to coach store managers." (HR manager)
"Some store managers have started to match the 'TIM' (employee planning system used in 'Rainbow') to the performance appraisals. This was an idea of one store manager; all other store managers are now motivated by the HR department to do the same." (HR department member)
"A number of store managers started to link the employee planning system to appraisal. The HR staff has now started to implement this initiative in all stores." (HR department member)
"In selecting new employees, the potential of the candidate is important. The required skills and knowledge depends on what the store needs in the future." (HR department member)
"Since 1997, employee contracts with Organization A have been changed. First, a specific store was mentioned in the contract, but since 1997 this has been changed to a contract for Organization A as a whole. This way, it will be easier to employ them in different stores, depending on our needs." (Regional manager)

Organization B
"Customer pressure is high, as the stores are very busy" (HR manager)
"Because of the high number of opening hours per week, Organization B has noticed that flexibility is needed, which has resulted in an increasing number of parttime employees." (Works council member)
"Based on previous years, we have a good overview of our turnover for each day of the year. These data are transformed in hours per department, which serves as a guideline for employee planning." (Store manager)
"To accomodate the busy time period in November, December, and January, we hire a number of employees in September, on a 6 month contract. This way, they have a quieter month for their induction period, after which they are fully employable during the busy period." (HR manager)
"According to the collective bargaining agreement, parttimers can be employed between -20% and +20% of their contract hours. We use this regulation in order to capture busy periods." (HR manager)
"Between 6 and 9 pm are the busiest hours of the store. At these hours, more parttime employees are employed. However, it is also important to employ permanent employees with a large contract at that time, as their knowledge is needed." (HR manager)
"We use a flex pool with employees who are employable in different departments. Each morning these employees are informed in which department they have to work that day" (HR manager)
"Flex pool employees have to work in the flex pool for at least 2 years, as Organization B highly invests in these employees. Flex pool training consists of training for all different departments in the store. Therefore, flex pool employees have broad knowledge, they know the basics of every department." (HR manager)
"A flex pool employee has broad knowledge of the assortment. Instead, regular employees have deeper knowledge of their department, they also engage in ordering articles, for example." (Works council member)
"The capacity to change continuously and to stay flexible is also expected from the employees. In employee selection, we look for candidates who fit in our culture, which implies that they have to be flexible." (Controller)
"During the last few years, more employee flexibility is requested by Organization B, particularly in terms of working days and times." (Works council member)
"There is always room for training, as it is important that employees learn and stay flexible." (HR manager)

Table 5.1, continued

Organization C
"The culture-driven nature of Organization C is unique, there are relatively few rules and procedures." (Manager)
"Organization C is culture-driven. In other care facilities, everything is more strictly organized; in Organization C however, employees have much more freedom." (Manager)
"Organization C's approach is very different from other care facilities. All routine-driven work is replaced by a much more flexible way of providing care." (Manager)
"Our culture-driven approach is guided by the question: 'how would you do this at home?' The aim is to make the client feel at home. A procedure-driven approach would easily lead to problems when one rule would be forgotten. In case of our culture-driven approach however, everyone thinks for themselves." (Manager)
"Organization C provides care with a focus on the client feeling 'at home'. This has major consequences for the structure, culture, and employees. Employee responsibilities have increased, employee demands have increased, and there are more responsibilities lower in the organization. Moreover, client satisfaction is increasingly important." (Manager)
"Care is becoming more differentiated; nurses have a range of different tasks instead of one specialized task. Moreover, the fixed day-scheme of employees has changed, as clients can now determine their own day-scheme." (Manager)
"First, all clients had a fixed day-scheme. Now, clients have more flexibility. They can determine themselves for example when they want to eat or drink coffee. Consequently, more employee flexibility is needed, and work planning has become more difficult." (Manager)
"It is important for Organization C that training is up to scratch. The traditional educational programs are task-driven, whereas Organization C is driven by client well-being. Therefore, each employee receives additional training." (Manager)
"An education program for nurses has been adapted to the vision of Organization C. In this training, much attention is paid to the vision and to well-being." (HR director)
"Nurse-trainees are educated according to the client-centered vision. Traditionally educated nurses receive information about the vision during the selection procedure. When the vision does not appeal to the candidate, he or she will not be selected." (HR manager)
"Desired employee competencies include a focus on well-being, not being task-oriented, and creativity." (Manager)
"The client focus and 'yes-culture' often implies a 'no-culture' for employees. Some employees for example, have been turned down for a training program without an apparent reason. Is that a 'yes-culture'?" (Works council member)
"Selecting new employees is sometimes difficult, particularly selection for managing functions. Candidates are often used to a hierarchical system, and have to make a large transition when they start working for Organization C" (HR manager)
"Many people apply specifically for a job with Organization C. Other care facilities are more strictly organized. In Organization C however, employees experience more freedom, which is appealing to the applicants." (HR manager)
"During the selection procedure, there is a strong focus on the vision. Candidates are asked whether they are prepared to provide care based on Organization C's values." (Manager)

5.6.2 *Control system*

In Organization A, the employee planning system that has been implemented with 'Rainbow' is used for output control. As mentioned before, this planning system maps current employee skills and knowledge relative to desired skills is used to advise training to employees and to appraise them on their progress. Although information on employee performance is available, rewards are not based on employee performance:

> *"We have proposed to use a form of performance-based rewards. However, HR managers state that performance-based rewards do not fit in our culture."* (Works council member, Organization A)

HRM and Fit

The recent take-over of Organization A by a private equity company has affected the type of control in the organization. The private equity company has caused high financial pressure, and has a large influence on Organization A's strategic and HR policy:

> *"Particularly the way the private equity company determines Organization A's policy has been a large influence on our organization."* (HR manager, Organization A)

Organization A is a complex organization that combines a range of different product groups. They indicate that this is one of the reasons to opt for promotion of employees from within the organization, such that employees who fit in the organization and know organizational routines will grow in the organization:

> *"Organization A is a complex organization. As we experienced that managers from outside perform less well here, we chose for developing our own managers from within."* (HR department member, Organization A)

As a result of 'Rainbow', Organization A uses a relatively flat organizational structure in the stores, and employees have more autonomy and are encouraged to think for themselves. Employee performance is recorded and closely monitored by line managers:

> *"As a result of 'Rainbow', employees are encouraged to think for themselves. For example, they have to think about efficient work planning and whether the planning of their vacations fits into the store-planning scheme."* (HR department member, Organization A)

> *"With 'Rainbow', employee performance is recorded more extensive than before. These data are used for performance interviews."* (HR department member, Organization A)

However, line managers largely differ in their managing skills, such that superior's intentions are not always good. Works council members comment:

> *"Often, employees report problems with line managers to the works council. Some line managers even pressure employees to show up even when they are ill, because they are evaluated on sick leave rates."* (Works council member, Organization A)

> *"Line managers are most important for the success of HR in Organization A. As implementation of HR practices is dependent on the line managers, large differences in the quality of HR implementation exist between departments and business units."* (Works council member, Organization A)

Organization B uses a goal setting system in order to monitor employee performance, which shows mainly elements of output control. An 'appraisal cycle' based on the translation of business goals is implemented in the stores, consisting of three meetings for each employee:

> *"During the first meeting of the 'appraisal cycle', concrete appointments are made about the co-worker's contribution to the store and department goals."* (Works council member, Organization B)

The second meeting checks progress towards goals. A final meeting later in the year serves to evaluate performance. Employees' rewards are based on the outcome of this performance evaluation. Organization B also uses a tool called 'knowledge championships', an employee test of their skills and knowledge:

> *"HR has developed 'knowledge championships', a co-worker test of their knowledge about the organization, culture, products, and customer-base. Based on their score, individual or team training is provided. These training programs are 'customized'."* (HR manager, Organization B)

Individual results of the 'knowledge championship' tests are recorded and implemented in the 'appraisal cycle', and they are used to provide insight in which skills and knowledge are lacking that are needed to perform tasks.

HR practices are used to support the goal setting system. Individual goals are set as part of the 'appraisal cycle'. Employees are then trained to be better able to contribute to these goals, and are evaluated and rewarded based on the accomplishment of these goals and their scores on the knowledge championships. Employee performance on the knowledge championship tests is used in order to determine the training and development needs for individual employees as well as for departments:

> *"During the year, the performance of the co-workers is monitored in terms of their ability to achieve their individual goals, which are linked to store and department goals. If needed, co-workers receive extra training."* (HR manager, Organization B)

Organization B uses only three hierarchical layers in the stores: the management team, department managers, and shop-floor employees. Employees in Organization B work mainly in teams in their departments, under supervision of the department manager. Because of the high number of opening hours per week, and the high number of part-time employees, managing a department in a fulltime job is seen as a challenge:

> *"Sometimes, a manager does not see a particular employee for several weeks because they have different work schedules. Store Z will soon be open 52 Sundays a year, which will make the communication even more difficult. Managers usually work four days, nine hours a day, including one 'policy day', and one evening shift."* (Works council member, Organization B)

> *"As the opening hours have expanded largely, the structure has been changed in order to keep it non-hierarchical, and to keep high flexibility."* (HR director, Organization B)

Therefore, the HR department of Organization B has chosen to move responsibilities more to the employees, and to train managers in supporting employees, which is called 'coaching leadership'. Since the implementation of this training program for managers, managers' evaluations also include their ability to support and manage their department. However, not all managers are yet a 'coaching leader'. Both an HR manager and works council members comment:

> *"As all stores are open seven days a week as well as in the evenings, managers cannot always be present during the opening hours. Therefore, we have chosen to focus on coaching leadership. Training and supporting programs were developed."* (HR manager, Organization B)

> *"On head quarters level, the HR department is assessing how communication between managers and employees can be improved despite the long opening hours. Coaching leadership has been implemented in Organization B, which involves an increased need for flexibility of managers."* (Works council member, Organization B)

> *"Managers are evaluated on a combination of achievement of turnover goals, employee satisfaction, and coaching leadership. However, we feel that 50% of the managers is not yet a coaching leader."* (Works council member, Organization B)

Also, different departments are responsible for their performance as a team. All employees are involved in determining department goals, and high levels of autonomy are given to employees.

Organization C does not use a formal control system. However, in Organization C, a form of behavioral control is used as management of employees is based on Organization C's vision. With Organization C's focus on implementing the vision, required behaviors are communicated to the employees, and selection and training focused on the vision are used by managers to align the actions of individuals with the interests of the organization. However, works council members signal the absence of the vision among a number of employees.

> *"Desired employee competencies include a focus on well-being, not being task-oriented, and creativity."* (Manager, Organization C)

> *"A practical translation of the vision has been communicated to all layers in the organization. For example, all employees received training in using a client-focus in their job."* (Manager, Organization C)

> *"The vision is less present among employees."* (Works council member, Organization C)

> *"After the induction program, many employees do not use or experience the vision any more."* (Works council member, Organization C)

As performance appraisals are being associated with bureaucratic systems, the director of Organization C has chosen not to use them:

> *"No appraisal system is used in Organization C. We see appraisal as too subjective."* (HR manager, Organization C)

Nonetheless, performance interviews are used, in which points of improvement, team cooperation, sick leave, and training needs are covered. These performance interviews are not seen as subjective by HR managers in Organization C, as these interviews are said to be a two-way interaction between the manager and the employee, and as the interviews have no consequences for employee rewards. Part of the performance interview is an 'employee profile', based on eight competencies which an ideal Organization C employee should possess. The performance interview is used to compare the employee with this profile, and to identify areas of improvement. However, performance interviews are not implemented consistently, and employee rewards are not contingent on the employee performance, or on the outcome of this performance interview. An HR manager comments:

> *"Employees are rewarded according to the Collective Bargaining Agreement. Each year, all employees receive a fixed salary increase, regardless of how they perform in their job. Even underperforming employees receive the same salary increase."* (HR manager, Organization C)

Organization C has a relatively flat structure with only a few hierarchical layers, and the structure is characterized by teamwork. A high level of autonomy is given to employees, as they are responsible for a number of clients with their team:

> *"Organization C has only few hierarchical layers. Hence, team managers are all-round manager, who are also involved in finances for example. Team managers have to communicate the vision to the employees, making a link between the vision and daily practice."* (HR manager, Organization C)

> *"Organization C is anti-bureaucratic."* (Manager, Organization C)

HRM and Fit

> *"Organization C provides care with a focus on the client feeling 'at home'. This has major consequences for the structure, culture, and employees. Employee responsibilities have increased, employee demands have increased, and there are more responsibilities lower in the organization. Moreover, client satisfaction is increasingly important."* (Manager, Organization C)

Although managers in Organization C argue that communication lines are short, works council members state that still, communication should be improved:

> *"Communication should be improved in Organization C. Often, important information is not communicated to the employees."* (Works council member, Organization C)

In summary, from a control perspective, all three organizations use HR practices in order to monitor employee behavior or results. Employee autonomy in combination with limited direct supervision is used in all three organizations. Organization B is the only organization to use rewards in order to reinforce desired results and behaviors. Organization A and C both use performance appraisal with few consequences for employee rewards. A selection of quotes concerning the control system is presented in table 5.2.

Table 5.2 Control system: a selection of quotes

Organization A
"Some store managers have started to match the 'TIM' (employee planning system used in 'Rainbow') to the performance appraisals. This was an idea of one store manager; all other store managers are now motivated by the HR department to do the same." (HR department member)
"A number of store managers started to link the employee planning system to appraisal. The HR staff has now started to implement this initiative in all stores." (HR department member)
"The quality of stores differs considerably, due to large differences in competencies of store managers and their staff (i.e. front-line managers)." (Regional manager)
"Organization A chooses for selecting current employees for higher functions in the organization, although sometimes, people from outside the organization are recruited for such functions, as they have a fresh view on the organization. Retail is a complex sector. You need experience in the sector in order to succeed in Organization A. Socialization and getting acquainted to the sector takes time." (HR director)
"The current focus is on development of future sales managers. Shop floor employees have been selected to enter a training program which prepares them for a sales manager position. In the end, these employees are expected to become store managers. We prefer internal development of store managers, instead of hiring store managers from outside the organization." (HR department member)
"Since 2004, the private equity company has caused high financial pressure." (HR manager)
"The reputation of HR policy of Organization A has changed after the take-over, having an increasing focus on productivity and efficiency. Now, we have an HR policy 'without a heart'." (HR department member)
"We notice the influence of the private equity company particularly in the increasing focus on control." (HR director)
"We have noticed an increasing focus on efficiency. Organization A has become tougher for employees." (Works council member)
"The 'culture keys' have a very important influence on the design of the HR system; The culture keys are reflected in training, development, and appraisal." (HR manager)
"Because of the need to work more efficiently, as identified by the management team, we started to develop 'Rainbow', which focuses on working smarter." (HR manager)

Table 5.2, continued

Organization A, continued
"Some line managers have 'their own way' of implementing HR practices, which contradicts HR policy." (Works council member)
"Not all line managers are good at implementing HR practices. In selecting these managers, their capacities in this area are not assessed ... There is also no systematic control on correctness of HR implementation." (HR director)
"HR strategy, developed by the HR department, forms a framework for (line) managers within which they can make their own decisions." (HR manager)
Organization B
"The competencies of all co-workers are directly linked to the business plan, so everyone makes a unique contribution to the achievement of our strategic goals." (HR manager)
"From the 5-year business plan, a year-plan is developed for each store, with specific strategic plans for each department. In the appraisal cycle, the co-worker has three meetings a year. One to make appointments about the co-workers contribution to the department goals, the second to evaluate the co-workers performance during the year, and the third meeting which is the actual appraisal afterwards, with consequences for rewards." (HR manager)
"Each year in June, 'knowledge championships' are being held in all departments, in all stores. The individual test scores are used as input for the 'appraisal cycle' as well as the co-worker development tool we use. This way, co-worker training, development and appraisal are linked." (HR director)
"Training will be a priority next year. With a 'department scan', we will map knowledge and skills of all employees such that training needs will be identified." (Store manager)
"The ambitions of employees are mapped in a development tool. Training is provided and employee tasks are adjusted according to the need to develop particular competencies. Employee performance is evaluated periodically." (HR manager)
"The new structure implies more team based working. Employees are expected to perform a broad range of tasks." (HR director)
"Our organizational structure consists of only three hierarchical layers: employees, managers, and the management team. Consequently, it is a big step for employees to grow into a managing function." (HR manager)
"Our new structure consists of three hierarchical layers: management team, managers, and employees. In the service department, this structure has already been implemented. Other departments are now in transition to the new structure." (Works council member)
"Organization B is an informal organization, and employees have much responsibility." (Store manager)
"Communication is difficult in Organization B. Because of the long opening hours, it is difficult to find a moment for (department) meetings." (Store manager)
"It is difficult to schedule department meetings, as the store is practically always open." (Works council member)
"The leadership culture of Organization B is appealing. Exemplary behavior plays an important role." (Store manager)
"The increasing number of opening hours have led to a different leadership approach. Managers have to be present on the shop floor more often. The guideline for managers is 50% of the time on the shop floor, and 50% behind their desk." (Store manager)
"On head quarters, training is provided for all managers, for example 'coaching'. The stores themselves provide refreshes courses on a regular basis." (HR manager)
"In order to keep a small distance between managers and employees, all managers are also employed on the shop floor for at least one day a week. Moreover, during busy periods, also management team members and office employees work on the shop floor." (HR manager)
"The competencies of all co-workers are directly linked to the business plan, so everyone makes a unique contribution to the achievement of our strategic goals." (HR manager)
Organization C
"No variable pay is used, employees are rewarded according to the collective bargaining agreement." (HR manager)
"In Organization C, no appraisal system is used. Only performance interviews are held with employees." (HR manager)
"In Organization C, no performance appraisal system is used as performance appraisal is associated with a bureacratic system. We do use performance interviews, which are somewhat more extensive than regular performance interviews, such that they contain some appraisal elements." (HR director)
"During performance interviews, the employee profile is used. This profile is useful in determining training needs of our home." (Manager)

Table 5.2, continued

Organization C, continued
"Part of the performance interview is the employee profile. This profile contains ten elements of the 'ideal Organization C employee'. Employees are compared with this profile, and point of improvement are formulated." (HR director)
"The system of performance interviews is not implemented consistently. Often, these interviews are not being held." (HR manager)
"Training needs are not identified using the employee profiles. We rather provide training based on ad hoc needs." (HR director)
"For each function, employees are evaluated based on important competencies. These competencies are recorded, however they have not been defined properly." (Manager)
"Performance appraisal and rewards are not aligned with the realization of the vision." (Works council member)
"Organization C's structure has few layers. The three layers are: Manager (director of an elderly home), team managers, employees." (Manager)
"Organization C has a flat structure. Managers are close to the employees, and employees are close to the clients." (Manager)
"The communication lines in Organization C are short, such that managers remain close to the target population." (Manager)
"The role of team managers has changed. They have to make sure that care is provided where needed, and that this happens in an effective way." (HR manager)
"Staff meetings are not being held regularly, and if it does, it is often one-way communication from manager to the employees. Employees' input is not consulted regularly." (Works council member)
"Managers receive training focused on the vision once or twice a year. Moreover, they are adviced about how to manage employees and how to communicate the vision to them." (HR manager)
"The problem is, that employees do not notice the importance of the vision that much. Employees are only focused on 'production', and the culture at that level can be labeled as a 'no-culture'. The vision is hardly present among employees." (Works council member)

5.6.3 Organizational culture

Organization A has a strong culture, with high levels of employee loyalty to the organization:

> *"Either you work here for your whole life, or you leave directly after starting to work here."*
> (HR manager, Organization A).

During the selection process, attention is given to the candidate's fit with the culture, as well as during the induction program:

> *"One of the most important criteria for selecting new employees is that he or she fits in our culture."* (HR department member, Organization A)

> *"The induction program is taken care of by an HR department member. The program focuses at Organization A's culture, and 'how things happen in Organization A'."* (HR department member, Organization A)

As mentioned before, the 'culture keys' reflect desired employee behaviors. Different HR practices are used in order to motivate these behaviors, for example training, development, and appraisal. An HR manager comments:

> *"Some training programs focus on one of the 'culture keys'. For example the training 'working together' was given to employees in order to implement the culture key 'respect and trust'."* (HR manager, Organization A)

However, training is not compulsory. Another voluntary tool in Organization A is the 'Talent Guide', an instrument designed for all employees who want to develop themselves. It provides an overview of the competencies and opportunities for each job, linked to the 'culture keys'. Competencies for a function are explained and suggestions are given for developing these competencies by attending training or by training on the job. As the tool is voluntary, only few employees make use of it:

> *"Employees know what the 'Talent Guide' is. However, they do not use it."* (HR department member, Organization A)

Organization B has a strong culture and uses its vision, which is focused on change and flexibility of employees, to manage employee behaviors. Core values reflect agility and flexibility, for example through anti-hierarchy, simplicity, and togetherness. Organization B aims at internalizing culture, which results in flexible employees who fit in this culture of change:

> *"Organization B's culture is characterized by equality, is informal and non-hierarchical. For example, if the store is busy, members of the management team help on the shop floor. Also, office employees and shop floor employees all wear the same company clothing."* (Controller, Organization B)

> *"Organization B has a very strong culture. Training courses exist that aim to strengthen the culture and communicate the values. However, the implementation of the culture goes a step further; the culture is internalized."* (Works council member, Organization B)

The HR system is adapted to the culture of Organization B. Culture is a prominent part of the selection process, the induction program for new employees, training, and appraisal. An HR manager comments:

> *"There is a dominant culture in Organization B, particularly because we strongly focus on values in recruitment. Also, people who do not fit the culture do not stay long, which means that the co-workers who do stay with organization B tend to have a strong fit with the culture."* (HR manager, Organization B)

Each year some employees attend culture training at the head office. This training is based on the 'testament' of the founder, known to every employee. These employees are then a purveyor of culture in their own store. In selection, the candidate's fit with the culture is

assessed by using symbols and stories during the application process. The induction program and other training programs contain large parts focusing on culture. The emphasis is on internalizing the culture and managers are role-models:

> *"Organization B's culture is action-oriented and leaders have an exemplary role. Managers wear the same company clothing as the other co-workers, which is part of this role and of reducing hierarchy."* (HR director, Organization B)

Managers are evaluated on whether their demonstrated behavior reflects the basic values. The reward system also reflects the culture, as store bonuses are used instead of individual performance bonuses as the organization values 'equality' and 'togetherness'.

Similar to Organization B, Organization C also has a strong culture, which is seen as important for an employee to fit in.

> *"You have to fit in Organization C; otherwise you will leave the organization soon."* (HR director, Organization C)

> *"Some employees cannot handle their job. Often, these employees do not fit with Organization C. There is no middle course; either you very much like to work here, or you don't."* (Works council member, Organization C)

The vision of Organization C is seen as a source of added value and success of the organization and is used for managing employee behaviors. Organization C's vision is reflected in a range of HR practices. As mentioned before, socialization and training are used in order to implement the vision; employees are trained in applying the vision in their work, and health care training, which is adapted to the vision of Organization C, is provided by an education institute,:

> *"The 'yes-culture' is central to the HR policy of Organization C. The 'yes-culture' forms an important part of the induction program, and is refreshed regularly as some employees have trouble with putting the 'yes-culture' into practice."* (HR manager, Organization C)

> *"During the induction program, the vision is communicated to new employees. Organization C also pays attention to the vision for a group of nurse-trainees. Organization C has developed an education program for nurses, which is adapted to the needs of Organization C. Nurse-trainees are trained, for example, in listening to the client and being creative."* (Manager, Organization C)

However, many employees experience a tension between Organization C's vision and daily practice in the organization. Although managers strongly emphasize the importance of the vision, many employees do not notice the importance of the vision in their job.

"The client focus and 'yes-culture' often implies a 'no-culture' for employees. Some employees for example, have been turned down for a training program without an apparent reason. Is that a 'yes-culture'?" (Works council member, Organization C)

In summary, from an organizational culture perspective, all three organizations use selection, socialization, and training in order to manage employee behaviors. Organization B achieves an even stronger alignment between HR practices and organizational culture by focusing on internalizing culture. Organization A and C however, face an implementation challenge for their vision and culture keys. A selection of quotes related to organizational culture is presented in table 5.3.

Table 5.3 Organizational culture: a selection of quotes

Organization A
"Organization A's vision is aimed at making people happy. This is achieved by having fun combined with a minimum level of performance." (HR director)
"The 'culture keys' have a very important influence on the design of the HR system; The culture keys are reflected in training, development, and appraisal." (HR manager)
"Many employees feel very connected to Organization A. They absolutely do not want to leave the organization." (Works council member)
"Employees feel connected with Organization A. This leads to high average tenure." (HR department member)
"Organization A chooses for selecting current employees for higher functions in the organization, although sometimes, people from outside the organization are recruited for such functions, as they have a fresh view on the organization. Retail is a complex sector. You need experience in the sector in order to succeed in Organization A. Socialization and getting acquainted to the sector takes time." (HR director)
"Organization A is a complex organization. As we experienced that managers from outside perform less well here, we chose for developing our own managers from within." (HR department member)
"Retail is a complex sector. You need experience in the sector in order to succeed in Organization A. Socialization and getting acquainted to the sector takes time." (HR director)
"The current focus is on development of future sales managers. Shop floor employees have been selected to enter a training program which prepares them for a sales manager position. In the end, these employees are expected to become store managers. We prefer internal development of store managers, instead of hiring store managers from outside the organization." (HR department member)
"Besides competencies, a candidate's fit with the culture and the department is very important during the selection procedure." (HR manager)
"A fit with Organization A's culture, as well as a fit with the team and flexibility are the most important selection criteria." (HR department member)
"Not all new employees follow the induction program." (Works council member)
"The 'Talent Guide' is hardly used by employees, particularly lower-level employees. Few training and development opportunities exist for this group. Moreover, the 'Talent Guide' should be simpler to be useful for this group." (Works council member)
"The 'Talent Guide' is implemented in the stores. However, this tool is not appealing to most employees." (HR manager)
Organization B
"Organization B's culture is characterized by openness, there are no hidden agenda's." (Store manager)
"For example, when you work in logistics, you can earn more in other organizations. Still, people choose for Organization B, because of high levels of flexibility and responsibility." (Works council member)
"Organization B provides courses aimed at strengthening culture and carry out the values." (Works council member)

Table 5.3, continued

Organization B, continued
"Organization B's training programs can be divided in culture training, general training - aimed at all employees -, and specific training for specific groups or departments." (HR manager)
"The induction program covers client orientation, product- and assortment knowledge, value training, and knowledge of other departments." (HR manager)
"Each year, some co-workers follow our culture course called the 'Organization B Way'. Subsequently, these co-workers communicate the company's culture in the store." (Store manager)
"Each new employee has to follow an induction program within the first six months. Part of this program covers 'Organization B Way', in which the vision of Organization B is explained using discussions and role plays." (Store manager)
"We strongly focus on values in recruitment in order to achieve a high fit between new employees and our company culture. We use symbols and stories during the application interview in order to assess the fit of the applicant with the culture." (HR manager)
"The capacity to change continuously and to stay flexible is also expected from the employees. In employee selection, we look for candidates who fit in our culture, which implies that they have to be flexible." (Controller)
"The concept and values are spread throughout all layers and departments of the organization. People 'live the concept and culture'. This is stimulated by providing concept and culture training to all new co-workers." (Store manager)
"A typical characteristic of Organization B is that employees either leave soon after entering the organization, or stay for a very long time." (Controller)
"Organization B has to fit with your personality, otherwise you will not work here for a long period. People who have been working for Organization B for a long time, immediately see whether a new employee will fit into the culture or not." (Works council member)
"All managers receive a recruitment training, which focuses on the fit between new employees and Organization B's concept and culture." (HR manager)

Organization C
"Organization C's vision drives the complete HR system, from selection to performance interviews." (HR manager)
"Nurses' jobs are client-focused. Hence, employees' needs are less important than clients' needs." (HR manager)
"There is a strong focus on well-being. The 'yes-culture' is also important, everything should be possible." (Manager)
"Training is provided in order to reinforce the vision. For example the training "Organization C's vision in practice" (HR director)
"Employees experience a large degree of freedom in Organization C. Team spirit is strong, and team members have complementary skills and knowledge. However, sometimes the vision conflicts with the reality of providing care." (Works council member)
"The selection procedure strongly focuses on a candidate's fit with the organization and the team." (Works council member)
"When a new employee starts working in Organization C, he or she receives information about the vision. Then, the team members and team manager also communicate the vision to the new employee." (Works council member)
"The induction program focuses on expressions of the vision. For example, new employees are told to wear their own clothing instead of a white uniform. Moreover, new employees are introduced in using a client-focused approach. During the first few months, a lot of support is needed." (Manager)
"Part of the induction program is to accompany team members in order to see how 'things are done around here'. Moreover, every three months, a formal introduction day is organized to inform new employees about the vision." (HR manager)
"After the induction program, many employees do not use or experience the vision any more." (Works council member)
"The problem is that employees do not notice the importance of the vision that much. Employees are only focused on 'production', and the culture at that level can be labeled as a 'no-culture'. The vision is hardly present among employees." (Works council member)

5.7 Discussion

In this chapter, we addressed organizational fit. Previous studies on organizational fit have focused mainly on the alignment between the HR system and a specific

organizational system or characteristic, mainly applied to the manufacturing sector, and have not yet come to a consistent conceptualization of organizational fit. We explored HR practices and systems in three case studies in the retail and health care sector from the perspective of three organizational systems and characteristics that have been used in previous studies in strategic HRM: the production system, control system, and organizational culture. These perspectives were used in order to uncover the nature of organizational fit by identifying major themes and issues involved in the concept.

Studying organizational fit from the perspective of the production system, control system, and organizational culture allows for exploring both technical (i.e. production) and social (i.e. control and culture) aspects of the organizational operation. This is in line with MacDuffie (1995), and Pil and MacDuffie (1996), who applied socio-technical systems theory in their studies. We found that the two 'socially' oriented perspectives – control and organizational culture - show some overlap. Nonetheless, as we found organizational culture to be a dominant means for managing employee actions and behaviors in all three organizations, it seems relevant to study organizational fit from an organizational culture perspective besides using a control perspective. Our results also show overlap between the production system and organizational culture, particularly in Organization C, in which the vision forms the core of the production system. This relationship might be stronger in service-oriented sectors compared to manufacturing, as organizational culture is likely to be one of the few means for managing employees in service-oriented sectors.

A theme that can be identified from the findings is the presence of different key drivers of an organization's systems and characteristics, depending on the type of organization. From the production, control, and organizational culture perspective, our results suggest the dominance of an organization's overall core capabilities that drive its systems and characteristics. This relates to the work of Leonard-Barton (1992), who distinguishes four dimensions that make up a core capability; employee knowledge and skills, (embedded in) technical systems, managerial systems, and values and norms, which correspond with the production system, control system, and organizational culture. Our findings suggest that for each branch of industry, core capabilities can be distinguished that are pursued by organizations in order to differentiate themselves from competitors. In Organization A and B, both operating in the retail sector, a focus on staffing and flexibility

makes up their organizational systems and characteristics. As the optimization of staffing in order to match the number of clients drives these organizations, a strong focus on flexibility, staffing and workflow planning is found. For Organization C, operating in the health care sector, we found service quality to be the key driver of organizational systems. Service quality forms a distinctive capability aimed at differentiating from competitors in the health care sector. Organization C aims for achieving high service quality by using a vision focused at client well-being. Our results suggest that the goals associated with developing these core capabilities drive organizational systems and characteristics. Identifying these core capabilities thus helps to gain insight in what makes up an organization's systems and characteristics, and how HR practices are aligned with these systems. Therefore, as core capabilities reflect dominant goals of an organization which drive organizational characteristics and systems and organizational fit, recognizing the core capabilities that are needed in order to be successful in a certain branch of industry seems to be necessary in order to study organizational fit. In this study, we have set out to identify core characteristics of retail and health care organizations. While in manufacturing, organizational systems and characteristics are often more transparent as they involve for example mass or flexible production systems to manufacture automobiles, in other sectors, systems and characteristics can be more difficult to identify. More research is needed to further explore the nature of core characteristics and organizational systems within and across branches of industry.

Although core characteristics seem to be associated with the branch of industry, organizations' approaches to develop their core capabilities differ. For example, Organization C uses a vision focused on client well-being in order to achieve high service quality, which is not a common approach in the Dutch health care sector. Moreover, while Organization A and B both operate in the retail sector, they both use different systems and processes in order to achieve flexibility. These systems seem to fit with the 'DNA' of that specific organization, such that simply copying HR practices and implementing them in another organization would not be effective. This suggests a large influence of the 'organizational configuration' (Paauwe, 2004), which refers to the organizational, administrative, and cultural heritage of the organization. The characteristics and systems of an organization have been developed over time because of decision making in the past and

other changes inside and outside of the organization (Paauwe, 2004). For example, Organization B experiences a strong influence of the founder and his country of origin (Sweden), Organization A's history as a 'social' organization that takes very good care of its employees, and in Organization C we recognize the urge to be different and controversial. Knowledge about the broader context and history of an organization thus seems important in order to understand organizational fit.

When looking at the alignment between HR practices and organizational systems and characteristics, another theme can be identified, being the pervasiveness of HR practices. Our findings suggest that HR practices can be applied in order to achieve more than one goal. For example, we found selection to be aligned with both production and organization culture, achieving different goals with each alignment. Moreover, training was found to be aligned with all three systems. From a production system perspective, training can be seen as a way to fit employee skills and knowledge with job requirements, and from a control perspective, training for managers can be seen as a way to help them manage employee actions, for example by providing training in coaching leadership (Organization B), or training in communicating the organization's vision to employees (Organization C). From the perspective of organizational culture, results show that training can be seen as a way to reinforce or internalize culture.

The results show that other HR practices are also used for different aims. For example, from a control perspective, employee autonomy can be seen as a way to increase flexibility of the workforce (Organization A and B), and to increase service quality (Organization C), whereas from an organizational culture perspective, employee autonomy can be seen a way to reinforce values focusing on anti-hierarchy, equality, and togetherness (Organization B). Moreover, results indicate that from a control perspective, appraisal and rewards can be seen as ways to stimulate desired employee actions, and from an organizational culture perspective, appraisal and rewards can be seen as ways to motivate desired behaviors.

These results suggest that one HR practice such as training can have different goals depending on whether it is seen from the perspective of the production system, control system, or organizational culture. HR practices can be applied pervasively, which implies that they are used for supporting the different aims associated with production, control, and

organizational culture at the same time. In order to be successful as an organization, a high degree of pervasiveness of HR practices seems relevant, as our findings suggest that a lack of alignment of HR practices with different organizational systems are related with implementation challenges. Organization B shows high pervasiveness of HR practices as it aligns each of its HR practices with different organizational systems. For example, from a control system perspective, Organization B has closely aligned desired employee actions with organizational interests by using performance appraisal and reward practices which link store- and department goals with individual performance goals, and from an organizational culture perspective, performance appraisal and rewards are used to evaluate managers on whether their demonstrated behavior reflects basic values. Organization A and C however, do not use reward systems for supporting control systems and organizational culture. The core capabilities of Organization A (flexibility and employee staffing) and C (service quality by using values focused on client well-being) seem to be less well implemented compared to Organization B. Our results show for example that in Organization A, employee flexibility remains a challenge, and in Organization C, the vision is less strongly present on the lower levels of the organization.

In sum, results suggest that the nature of the organizational fit concept is characterized by the degree of pervasiveness of HR practices, reflecting the alignment of HR practices from the perspective of different organizational systems and characteristics (production, control, as well as organizational culture). This corresponds with alignment of HR practices with key strategic business processes, as emphasized by Becker and Huselid (2006). The different goals that are pursued by production, control and organizational culture in turn seem to be driven by one overall aim, which is developing an organization's core capability. Therefore, organizational fit would imply the alignment between HR practices and organizational systems and characteristics forming a coherent configuration supporting an organization's core capabilities.

5.8 Conclusion

In this chapter, we explored organizational fit. Three perspectives – production, control, and organizational culture – were used to study organizational fit. Case study data from organizations in both the retail and health care sector has shown the relevance of

organizational fit outside of manufacturing, on which previous research has focused. Using an exploratory research approach has provided insight in the important themes and concepts that play a role in organizational fit, which can be used in further research on organizational fit. Seen from the three perspectives, we found organizational fit to involve many aspects of the organization and the HR system, such that data on a broad range of aspects are needed in order to measure the construct. Therefore, more qualitative research is needed in order to further develop the construct. Our approach also shows that organizational fit to a certain extent overlaps with strategic and internal fit which were covered in chapter 4. Aspects of organizational culture, dominant themes, and core capabilities which were found to be important for organizational fit also played a role in the different elements of strategic and internal fit.

Following our results, future research on organizational fit could focus on an organization's core capability, as well as the three perspectives production, control, organizational culture, and HR practices. We suggest gathering information about the nature of core characteristics of the branch of industry, which systems or processes are used in order to develop their core capability, and how these systems are organized. Further, information is needed about the job requirements associated with execution of the production system, and how and which HR practices provide the necessary skills and knowledge to match job requirements. For the control perspective, we suggest collecting data about managerial hierarchy, and direct supervision, desired employee results, as well as how and which HR practices are used in order to support the control process. Moreover, information is needed about how and which HR practices are used in order to manage employee behaviors. By collecting data on the above-mentioned themes, the degree of pervasiveness of HR practices can be mapped in order to gain more insight in the degree of organizational fit, needed for further development of the conceptualization and operationalization of organizational fit.

CHAPTER 6   THE INTERACTION BETWEEN INSTITUTIONAL PRESSURES AND HRM: LEEWAY, STRATEGIC CHOICE, AND INSTITUTIONAL FIT[7]

6.1   Introduction

A central assumption underlying strategic HRM literature is that HRM affects organizational performance. Research in this area has focused mainly on the effects of HR practices or systems on organizational productivity and effectiveness (i.e. Arthur, 1994; Huselid, 1995). Productivity and effectiveness however, are not the only sources of organizational success. "Organizations compete not just for resources and customers, but for political power and institutional legitimacy, for social as well as economic fitness" (DiMaggio & Powell, 1983: 150). Different types of stakeholders, like government, trade unions, and professional organizations determine whether they see organizations as legitimate. Legitimacy determines for example the extent to which customers want to buy the products, and banks investing in the organization. In case of a lack of fit with the institutional environment, there will be an increased risk for strikes and legal claims. Institutional theory argues that besides being effective and financially successful, the organization also has to be legitimate in order to survive (Greenwood & Hinings, 1996; Scott & Meyer, 1994). Support and legitimacy are important for an organization, particularly in the long run.

Organizations are deeply embedded in wider institutional environments, and organizational practices are often either direct reflections of, or responses to, rules and structures built into their larger environments (Paauwe, 2004; Powell, 1998). In order to receive support and legitimacy, individual organizations must conform to the rules and requirements of these institutional environments (Scott & Meyer, 1994). Thus, while competitive forces pressure organizations to differentiate themselves from competitors, institutional forces pressure organizations to become similar to their competitors (i.e.

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[7] Based on Boon, C., Paauwe, J., Boselie, P. & Den Hartog, D.N. Institutional pressures and HRM: Developing institutional fit, *under review*

Deephouse, 1999). However, becoming too similar will hinder the organization's competitive positioning. As a result of this tension, organizations balance between the degree of conformity and the degree of differentiation in order to achieve long term survival or viability (Boxall & Purcell, 2008; Paauwe, 2004).

In strategic HRM, both competitive and institutional forces have been captured in one 'external environment' construct, for example in the notion of external fit (e.g. Baird & Meshoulam, 1988; Miles & Snow, 1994). However, there is a complex interaction between the demanding competitive and institutional environments and the shaping of the HR system. Conforming to institutional pressures does not necessarily imply that the most effective and efficient option is chosen. Productive success and legitimacy are therefore potentially contradictory goals (Jaffee, 2001), and in order to achieve high performance, organizations might have to achieve a certain degree of differentiation as well as conforming (Deephouse, 1999). To gain insight in this tension between conforming and differentiation, environmental variables and strategy dimensions should be addressed directly and not in one external fit measure (Wood, 1999). Following Paauwe (2004) and Wood (1999), we capture institutional forces in a separate construct, labeled *institutional fit*. In search of a balance between institutional and competitive pressures, organizations use different ways to respond to institutional pressures (Oliver, 1991). Organizations' responses depend on the internal dynamics of organizations (Greenwood & Hinings, 1996) and can be characterized by deviant, conforming or innovative behavior, which reflect different levels of institutional fit.

This chapter focuses on institutional fit by studying how institutional pressures affect the shaping of HRM. Contrary to the dominant competitive perspective which has been used in strategic HRM, focusing mainly on efficiency goals (e.g. Arthur, 1994; Huselid, 1995), which has been covered in chapter 4 of this thesis in the notion of strategic fit, we will take an institutional perspective in this chapter. We look at organizations' strategies in balancing their degree of 'sameness' (Boxall & Purcell, 2008) and differentiation in order to secure long-term success by studying the interaction between institutional pressures and HRM, resulting in a degree of institutional fit. By using the concepts of leeway, human agency and strategic choice, we explain differences in

institutional fit, and support this with empirical evidence of three organizations in the Netherlands.

6.2   Institutional fit

We define institutional fit as the alignment between HRM and the institutional environment. Institutional fit deals with the influence of a broad range of stakeholders of an organization, such as government, professional associations, trade unions, works councils, and employees. As a result of the influence of different stakeholders with different interests, institutional fit reflects a reputation and legitimacy challenge for organizations; organizations not only pursue efficiency goals by being different from competitors, but also aim to gain legitimacy, as being recognized as legitimate is needed for survival of the organization (Deephouse, 1999; Paauwe, 2004). This aim for legitimacy is driven by other factors than the need for good financial results. Paauwe (2004) argues that besides effectiveness, legitimacy and long-term viability are also major goals for organizations. Organizations conform to expectations from for example government, suppliers, customers, and employees in order to gain legitimacy and increase their probability of survival (Greenwood & Hinings, 1996; Paauwe & Boselie, 2003). Meyer and Rowan (1977: 352) stress that "organizational success depends on factors other than the efficient coordination and control of productive activities. Independent of their productive efficiency, organizations which exist in highly elaborated institutional environments and succeed in becoming isomorphic (to a certain degree) with these environments gain the legitimacy and resources needed to survive".

6.2.1 Institutional mechanisms

Institutionalization refers to the processes by which societal expectations of appropriate organizational action influence the structuring and behavior of organizations in given ways (Scott & Meyer, 1994). According to the institutional perspective, organizational practices are shaped by the institutional context, as they are "deeply ingrained in, and reflect widespread understanding of social reality (and are) enforced by public opinion, by the views of important constituents, by knowledge legitimated through the educational system, by social prestige, by the laws" (Meyer & Rowan, 1977: 343).

HRM and Fit

Institutional fit occurs through a process of isomorphism, resulting from the desire to be legitimate towards different stakeholders of the organization and leading to a situation in which organizational characteristics reflect institutional norms (Dacin, 1997). The concept of isomorphism provides an important contribution to institutional fit by explaining why organizations become more similar over time. DiMaggio and Powell (1983: 149) define isomorphism as "a constraining process that forces one unit in a population to resemble other units that face the same set of institutional conditions". Institutional forces create an environment which is similar for different organizations in a particular organizational field or industry environment (Deephouse, 1999; Scott & Meyer, 1994). Consequently, the organizations within an organizational field, for example a sector, are expected to become more similar, also with respect to HRM. Deephouse (1999) also argues that besides the organizational field itself, also elements of the 'general environment' outside the organizational field influence organizations, such as sociocultural, technological, and economic trends.

The two main types of isomorphism are competitive isomorphism and institutional isomorphism (DiMaggio & Powell, 1983). Competitive isomorphism is applicable in sectors with open competition, assuming a system of rationality that emphasizes market competition, niche change, and fitness measures. Institutional isomorphism is particularly relevant for the understanding of institutional fit because of the applicability to an institutionalized setting. Three different types of institutional isomorphism are distinguished: coercive, mimetic, and normative isomorphism. Coercive isomorphism results from both formal and informal pressures exerted on organizations by other organizations upon which they are dependent and by cultural expectations in the society within which organizations function. The common legal and political environment will lead to an increased converging of organizations, resulting in organizations becoming more alike (DiMaggio & Powell, 1983). In HRM, coercive mechanisms include for example the influence of social partners (i.e. trade unions and works councils), labor legislations, and government (Paauwe & Boselie, 2003).

Mimetic isomorphism results from standard responses to uncertainty, leading to the imitation of structure, organizational design, or certain practices of other organizations. When the environment creates uncertainty, organizations have the tendency to model

themselves after similar organizations in their field which they see as more legitimate or successful (DiMaggio & Powell, 1983). Applied to HRM, mimetic mechanisms refer to imitations of HR strategies and practices of competitors as a result of uncertainty, or following fads related to HRM (Paauwe & Boselie, 2003).

Normative isomorphism is associated with professionalization. Professionalization is defined as "the collective struggle of members of an occupation to define the conditions and methods of their work, to control 'the production of producers', and to establish a cognitive base and legitimation for their occupational autonomy" (DiMaggio & Powell, 1983: 152). Formal education and professional networks lead to increasing similarity of the skills and knowledge of the total workforce in a particular sector, which leads to organizations becoming more similar. In sum, the desire to be legitimate may be due to "powerful normative systems supporting the appropriate organizational practices (normative); legal requirements that are enforced by the state, or for example the EU (coercive); or the quasi-rational assessment of efficient organizational procedures and a systematic effort to institute those proven methods within an organization (mimetic)" (Jaffee, 2001).

Related with the three types of institutional isomorphism as defined by DiMaggio and Powell (1983), Scott (2001) defines three components which represent different facets of the same institutional environment: regulatory, cognitive, and normative institutions, which are motivated by coercive, mimetic, and normative mechanisms, respectively. Regulatory institutions reflect the existing laws and rules that promote certain types of behaviors and restrict others (Kostova & Roth, 2002). The cognitive component reflects the widely shared social knowledge and cognitive categories used by the people in a given country or sector, and the normative component reflects the values, beliefs, norms, and assumptions about human action. It defines goals, as well as the appropriate ways to pursue them (Scott, 2001). Together, these different institutional pressures make up the institutional profile of a sector or country (Kostova & Roth, 2002). An institutional profile is issue-specific (e.g. Kostova & Roth, 2002); for each issue, a different institutional profile can occur. As we define institutional fit as the alignment between HRM and its institutional environment, HRM is the focal issue in this chapter, with its specific institutional profile.

6.2.2 *Human agency and strategic choice*

Because of isomorphic pressures on HRM, competition in a given industry will no longer take place through differentiated HR policies, due to regulatory pressures which are more or less alike for all companies in that particular setting (Paauwe & Boselie, 2003). As institutional pressures can be specific for a particular country or sector, less variation will result in the HR systems within these countries or sectors. Institutional demands and expectations affect the leeway of organizations in choosing an HR system. In sectors or countries which are highly institutionalized, less leeway is present than in sectors or countries which are lowly institutionalized.

Besides institutional pressures, other, non-institutional factors can also determine the leeway for HRM, for example the labor-capital ratio, the financial health of the company (solvability), market conditions, market structure and competitive strategy, and the state of the labor market (Paauwe, 1991). For example, a retail chain firm is usually characterized by labor costs representing a large share of its total operating costs. Combined with a low profit margin, this firm is hardly in a position to differentiate itself from its competitors (Paauwe, 1991). Many different factors each affect a certain part of the degree of leeway in HRM, and therefore affect different HR practices or policies. Therefore, leeway is a multi-faceted concept; government legislation, influence of trade unions, and financial health of the organization for example, all account for a different part of an organization's leeway in HRM. Government legislation for example might affect an organization's way of managing employee safety and working hours, whereas trade unions influence the wages. Paauwe (2004) provides an overview of the institutional and non-institutional conditions governing leeway and how they affect the room for maneuver for HRM, which is presented in table 6.1. In the following, we will mainly focus on the institutional factors and pressures.

Table 6.1 Conditions determining the degree of leeway for HRM

	HRM room for manoeuvre: large	HRM room for manoeuvre: small
Institutional factors		
Stakeholders: 'coercive mechanisms' (DiMaggio and Powell, 1983)	Limited number of relevant stakeholders	Large number of relevant stakeholders
Rules, procedures, and 'legislation': 'coercive mechanisms' (DiMaggio and Powell, 1983)	Limited	Extensive
Professionalization of employee groups: 'normative mechanisms' (DiMaggio and Powell, 1983)	Low	High
Non-institutional factors		
Market situation	Market growth	Market decline
Strategy (Porter, 1985)	Differentiation	Cost reduction
Market structure (Paauwe, 1991)	Monopoly	Polypoly
Competitive strategy (Porter, 1985; Paauwe, 1991)	Differentiation/ Focus	Price
Ratio of labor/ total costs (Paauwe, 1991)	Towards 0	Towards 1
Financial leeway (Paauwe, 1991)	Present	Absent

Source: Adapted from Paauwe (2004)

The presence of different isomorphic pressures, however, does not necessarily mean that organizations see the institutional environment as restrictive. Organizations can themselves create more leeway in choosing an HR system. Oliver (1997) argues that the correct degree of adaptation to institutional mechanisms can be a source of organizational success, even if the organization operates in a highly institutionalized context. Institutional theorists have focused on structural conformity and isomorphism and have tended to overlook the role of active agency and resistance in organization-environment relations (Oliver, 1991). This active role of organizations is also referred to as institutional entrepreneurship, which reintroduces agency, interests and power into institutional analyses of organizations (Garud, Hardy & Maguire, 2007). Within a highly institutionalized context, an organization can still change, if it "decouples itself from the institutional context and reformulates its internal interpretive scheme" (Greenwood & Hinings, 1996). This interpretive scheme embodies assumptions about the domain in which the organization should operate, beliefs and values about the principles of organizing, and performance criteria to assess success (Paauwe, 2004). How organizations respond to institutional 'prescription' therefore depends on the internal dynamics of an organization (Greenwood & Hinings, 1996).

In response to institutional pressures, a strategic choice of conformity or resistance is chosen (Goodstein, 1994). Oliver (1991) also argues that in theory there are different

strategies possible for coping with institutional pressures; varying from active resistance (i.e. manipulation of rules and expectations) to a passive or neutral response (i.e. to acquiesce and fully conform to institutional pressure and expectation). Paauwe (2004) extends this overview by adding a positive or innovative response ('lead', 'initiate' and 'develop'), characterized by using institutional demands and expectations in order to develop a competitive advantage. Similarly, Mirvis (1997) distinguishes 'leaders', similar to the innovative response, and 'followers' and 'laggards', which show similarities with the neutral response. Paauwe and Boselie (2005) extended this framework to five 'adopter categories', applied to the adoption of best practices: innovators, early adopters, early majority, late majority, and laggards. Based on this overview, we combine the strategic choices of conformity and active resistance and we add an active constructive initiating response, aimed at developing a competitive advantage. This results in three types of response strategies: deviant behavior as active resistance, conformist behavior as a passive or neutral response, and innovative behavior as active development.

Having outlined the different types of responses to institutional mechanisms, a further question is why organizations differ in their response. Greenwood and Hinings (1996) state that responses to institutional mechanisms are shaped by the external institutional context as well as internal dynamics. An organization's internal dynamics include internal pressures for change, power dependencies, and the capacity to implement change (Greenwood & Hinings, 1996; Paauwe, 2004). The choices made by organizations are not the automatic outcomes of systems adjusting to environmental circumstances (Child, 1972). Instead, the strategic choice of conformity or resistance to institutional pressures is affected by organizational interests (Goodstein, 1994). Therefore, institutional pressures are not deterministic, but are mediated by the role of powerful individuals and groups within the organization (Watson, 2004). HR strategies are thus outcomes of interpretations and decisions of human actors, mostly HR managers. Colomy (1998) draws attention to the role of human agency in transforming the normative, cognitive, and regulative aspects of institutions. Power, politics, interests, and agency are important determinants of organizations' interpretations and responses to institutions (Dacin, Goodstein & Scott, 2002). Incorporating the role of active agency implies that there is room for strategic choice in highly institutionalized contexts, which can be used for

innovative behavior or resistance to institutional pressures. Kochan et al. (1984) consider management to be the dominant human actor in the organization, as the most important strategic decisions are made by this party (Paauwe & Boselie, 2007). Therefore, we will focus on the role of management as active agency in creating leeway for the organization.

Active agency and the resulting room for strategic choice determine the type of strategic choice an organization makes as a response to institutional pressures. The type of strategic choice an organization makes reflects the type of institutional fit this organization achieves. In other words, the nature of institutional fit is operationalized as deviant, conformist, or innovative. In case of an innovative response, an organization chooses for active innovative development in balancing competitive and institutional pressures in order to achieve both efficiency and long-term viability. When the organization chooses for a deviant or conforming response, respectively active resistance and a passive or neutral response, in contrast to an active response, are chosen. Table 6.2 presents an overview of the different types of institutional fit.

Table 6.2 Types of institutional fit

Nature of institutional fit	Nature of response	Goodstein (1994)	Oliver (1991)	Paauwe (2004)	Mirvis (1997)	Human agency
Innovative	Active innovative development			Lead/ Develop	Leaders	Active
Conformist	Passive / Neutral	Corformity	Acquiesce (Passivity)	Acquiesce (Passivity)	Followers/ Laggards	Passive/ Neutral
Deviant	Active resistance	Resistance	Defy/ Manipulate (Active resistance)	Defy/ Manipulate (Active resistance)		Active

In sum, the institutional embeddedness of an organization in combination with non-institutional factors like financial leeway and market situation determine the leeway the organization has in making choices with respect to HRM. Human agency in turn determines the degree to which an organization uses the leeway to its own advantage. Active agency thus creates leeway for organizations in deciding how to react to different environmental pressures and expectations. In other words, it creates room for strategic choice (Paauwe, 2004). Within the resulting degree of leeway, a response to these

institutional pressures is chosen, which can be characterized as deviant, conformist, or innovative. Some responses are more successful than others (Kochan et al., 1984), and these differences in responses reflect a difference in the nature of institutional fit achieved by organizations. This process underlying institutional fit, based on the theoretical overview, is summarized in table 6.3. Below, we describe the study we performed to assess the interaction between institutional pressures and HRM in three Dutch organizations.

Table 6.3 Institutional pressures and HRM: achieving institutional fit

Institutional profile and embeddedness	Coercive, mimetic, and normative pressures on HRM Regulatory, cognitive and normative institutions	DiMaggio & Powell (1983) Scott (2001)
↓		
Degree of leeway in choosing HRM	Institutional: rate of unionization, legislation, etc. Non-institutional: labor/capital ratio, financial leeway, etc.	Paauwe (1991)
↓		
Human agency	Interpretations and decisions of human actors: Power, politics, interests, and agency	Dacin et al. (2002)
↓↓		
Strategic choice: Nature of institutional fit	Deviant behavior (active resistance) Conformist behavior (passive or neutral response) Innovative behavior (active development)	Goodstein (1994) Oliver (1991) Paauwe (2004)

6.3   Methodology

We collected data from three large organizations which operate in the Netherlands; two retail organizations and one health care organization. We chose these sectors as they differ in the level of institutionalization - the health care sector is highly institutionalized, whereas retail is not – which provides the opportunity to compare sectors with different levels of institutionalization as differences are expected in the interaction between institutional pressures and HRM. Moreover, a comparison can be made between the two retail organizations in order to assess differences in leeway, human agency, and strategic choice within a similar institutional context. This design enables us to examine in depth the different facets of the interaction between institutional pressures and HRM as described in table 6.3. The three selected organizations perform above average in their sector, and are financially successful. We used a comparative case study approach to study the process of achieving institutional fit as described above.

We used document analysis and interviews to collect data. More information about the research design, the selected respondents, and data analyses can be found in section 3.2.3. The interviews were semi-structured and focused on the different elements of the

operationalization of the process of achieving institutional fit as described above. The interviews covered institutional aspects, effects of institutional context on the organization and HRM, strategic aspects, HR strategy formulation, and formulation of collective bargaining agreements. Example questions were "Which important changes have occurred with respect to laws, regulations, and trade unions that affect your organization?", "How have these developments affected the organization and the HR practices?", and "Can you describe the organization's reaction to these pressures?". Follow-up questions were asked to go deeper into the subjects.

We used cross-case analysis for analyzing the three cases. Quotes and facts based on documentation and confirmed in the interviews were put in a contrast matrix, based on the elements of the operationalization, listed in table 6.3. Then, we analyzed the matrix using a case-oriented approach (Miles & Huberman, 1994), scoring the differences and similarities between the three organizations.

6.4   Case descriptions

Case descriptions of the three selected organizations are given in section 4.6 (Organization A and B) and 5.5 (Organization C), as well as in appendices 1A, B, and C. All three organizations perform above-average in their sector. Moreover, they focus a lot on innovation and emphasize the importance of values and culture. The three organizations differ in terms of number of employees; Organization A is the largest, and Organization C the smallest organization. Another difference is that Organization B is an international company, whereas Organization A operates in the Netherlands, and Organization C operates in a specific region in the Netherlands. Moreover, Organization C is a non-profit organization, whereas Organization A and B are profit organizations.

6.5   Findings

6.5.1 *Institutional profile*

Looking at the 'general environment' of our case study organizations (i.e. Deephouse, 1999), the Dutch context is characterized by different types of country-specific labor legislation, focusing on regulating working conditions, unemployment and employment security, employee health, and flexible working hours. Within this general

environment, there are specific institutional profiles of the 'organizational fields' (i.e. Deephouse, 1999) of the retail and health care sector.

The Dutch retail market is characterized by a relatively high labor/capital ratio and a relatively low degree of unionization. The average education level is low. There are no specific education requirements; employees typically receive organization-specific training after joining the organization. Therefore, organizations in the retail sector face low normative isomorphic pressures. Moreover, government laws and regulations do not affect the retail sector to a large extent, only for example minimum wages and the rights and responsibilities of works councils are determined. As not many institutional isomorphic pressures are being observed in the Dutch retail sector, there is a relatively low degree of institutionalization. In contrast, competitive isomorphic pressures seem to be relatively strong. As a result of increasing competitive pressures, organizations in this sector are increasingly focused on efficiency and flexibility of their workforce. These isomorphic pressures result in HRM in both Organization A and B being focused on labor flexibility.

In Organization A, the degree of unionization is between ten and twenty percent. Since the year 2000, Organization A negotiates its own organization-specific collective bargaining agreement (CBA) with the sectoral labor unions in the service sector, who are also affiliated to the national trade union federations. Before 2000, Organization A pursued the CBA of the holding company. While trade unions negotiate the CBA content-wise, works councils in the stores as well as on head quarter level with members representing Organization A's employees safeguards the execution of the CBA. Organization B established its own company union in 1992 which negotiates Organization B's CBA. This company union is unique in the Dutch system of labor relations and is not affiliated to the recognized unions at sectoral and national level. About fifty percent of the employees are members of this company union, and less than five percent are members of a 'regular' trade union[8]. The central works council as well as the works councils in the stores represent employees' interests.

The Dutch health care sector is characterized by relatively high degree of unionization, for elderly care the average rate is thirty percent. Government rules and decisions determine to a large extent what organizations should do as well as how they

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[8] According to the company union website.

should do it, for example regarding safety and work protocols. Quality standards for patient care are defined, and systems are implemented in order to register all patient care, such as the use of electronic patient documentation. Using the care registration system for example is a requirement for being entitled to subsidies from the government, which most organizations depend upon. Thus, organizations experience strong coercive pressures as not conforming to the rules implies loss of subsidies and legitimacy:

> *"The care registration system conflicts with Organization C's vision. Employees thus see the new system as restrictive for their job."* (HR manager, Organization C)

Similar to retail, this sector also has a relatively high labor/capital ratio. Specific education and certificates are required from employees in order to perform tasks in this sector, for example for applying medication to clients[9]. The norms that are taught during these specific education programs leads to increasing similarity of the total workforce in the health care sector. Therefore, normative isomorphism plays an important role.

Organization C has a strong vision which contradicts current norms about 'good practice' in the Dutch health care sector:

> *"The culture-driven nature of Organization C is unique; there are relatively few rules and procedures."* (Manager, Organization C)

> *"Well-being is a central element in our work. This focus is very different from the traditional approach that most health care facilities use."* (HR manager, Organization C)

Organization C's degree of unionization is about thirty percent, and the organization pursues the sector-wide CBA for nursing homes. Moreover, the central works councils as well as the works councils for the different homes are occupied with the correct execution of the CBA within Organization C. A selection of quotes related to the institutional profile is presented in table 6.4.

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[9] According to the Dutch 'BIG' law, "a number of medical actions can only be performed by qualified nurses, to prevent inadmissible health risks for patients." Moreover, for a number of jobs in the health care sector, job titles are protected.

Table 6.4 Institutional profile: a selection of quotes

Organization A
"Trade unions also influence our organization via works council members." (HR manager)
"The collective bargaining agreement of Organization A is like a 'hot bath'. It is very favorable for employees." (HR manager)
"Traditionally, trade unions have a strong influence on Organization A." (HR director)
"The works council is very critical. Organization A shares strategic decisions with the works council before executing these decisions." (HR manager)
Organization B
"The works council is involved in operational issues in Organization B. The relationship between the works council and management is good and cooperative. Advice of the works council tends to be very useful." (HR manager)
"The works council is the soundboard of management. We are involved in local issues, which can be very important for employees. For example, recently, the working hours of storage co-workers changed from mornings to evenings, which was a big change for the co-workers involved." (Works council member)
"The works council and store manager strive after joint goals." (Store manager)
"The works council is involved in developing the store plan. We are asked to introduce three main strategic issues for incorporating in next year's store plan." (Works council member)
Organization C
"Organization C is culture-driven. In other care facilities, everything is more strictly organized; in Organization C however, employees have much more freedom." (Manager)
"Organization C has always been progressive." (Works council member)
"The administrative load of the new system goes one step too far. The uniform implementation of this system in all health care facilities in the Netherlands is the problem. The system doesn't fit with Organization C at all." (HR manager)
"The government imposes many systems and rules which influence the organization of work." (HR director)
"There's good cooperation between the works council and management." (HR manager)
"We have a good, cooperative relationship with management, based on high responsibility and trust." (Works council member)

6.5.2 *Degree of leeway*

The institutional profiles for the three organizations imply a different degree of leeway for each organization, Organization C having the least leeway in HRM. Organization C is subject to isomorphic pressures of government rules for the health care sector. A relatively high degree of unionization and the sector-wide CBA hinder the degree to which Organization C can differentiate itself from competitors. Organization C has little financial leeway as it is highly dependent on government subsidies:

"Because of changes in the government system for subsidies, we have little financial buffers."
(HR manager, Organization C)

This potentially limits the degree of differentiation Organization C can pursue and further decreases the degree of leeway in HRM, such that the leeway is small. In contrast, Organization A has a relatively low degree of unionization, and creates somewhat more leeway in decision making in HRM by having a company-specific CBA. However, competitive pressures, and the take-over of the organization by a private equity company

have led to a decrease in financial leeway which lowers the degree of leeway for HRM, resulting in a moderate degree of leeway:

> *"Before the take-over, Organization A had a good social (HR) policy. After the take-over however, Organization A has lost the long-term vision and changed into a short-term, financial focus."* (HR manager, Organization A)

> *"The large financial pressure on the organization has led to less decision making power for management and the HR department."* (Works council member, Organization A)

Organization B has created a high degree of leeway in HRM by establishing a company union, which negotiates a CBA. Organization B thus negotiates with its own company union, which is not bound or influenced by sectoral or national agreements. Moreover, in spite of high competitive pressures, Organization B is a highly successful organization with a high degree of financial leeway, and large investments in HRM, which further increases the degree of leeway. A works council member comments:

> *"In Organization B, the following rule of thumb is used; for each 10% increase in turnover, 5% more is invested in people."* (Works council member, Organization B)

The conditions that determine the degree of leeway for HRM in Organization A, B, and C are summarized in table 6.5. The different conditions are scored according to their impact on the degree of leeway for HRM, resulting in a 'small', 'moderate', or 'large' degree of leeway, indicating relative differences between the three organizations. A selection of quotes related to the degree of leeway in Organization A, B, and C is presented in table 6.6.

Table 6.5 Conditions determining the degree of leeway for HRM: findings

	Organization A	Organization B	Organization C
Institutional factors Coercive and normative mechanisms	+	+	-
Non-institutional factors Market situation, strategy, market structure, ratio of labor/ total costs, financial leeway	±	+	±
Degree of leeway for HRM	±	+	-

+ degree of leeway is large
± degree of leeway is moderate

Table 6.6 Degree of leeway: a selection of quotes

Organization A
"Since 2004, the private equity company has caused high financial pressure" (HR manager)
"The reputation of HR policy of Organization A has changed after the take-over, having an increasing focus on productivity and efficiency. Now, we have an HR policy 'without a heart'." (HR department member)
"Particularly the way the private equity company determines Organization A's policy has been a large influence on our organization." (HR manager)
"We notice the influence of the private equity company particularly in the increasing focus on control." (HR director)
"The private equity company has a strong focus on returns. They don't stand close to the business, they don't have feeling for our product." (HR director)
"We have noticed an increasing focus on efficiency. Organization A has become tougher for employees." (Works council member)
"In retail, the margins are small, which leads to the need to achieve high sales volumes and high turnover." (HR manager)
Organization B
"Organization B is doing very well. We have noticed that there is a range of possibilities to do additional favors to the co-workers, for instance an improvement in child care." (HR director)
"In Organization B, the following rule of thumb is used; for each 10% increase in turnover, 5% more is invested in people." (Works council member)
Organization C
"Our financial buffers are decreasing. We used to pay only little attention to budgets. Nowadays, we already start calculating in February." (HR director)
"Before, we had room for focusing on well-being. Within the new government rules and systems however, we don't have any room for other matters but efficiency. The last three years, we devoted our attention only on laws and regulations." (HR director)

6.5.3 Human agency

The prime human agency in Organization A with respect to employment issues and labor relations is the management team (MT), which does not regard employees as the most important assets of the organization. Respondents indicate that this may be related to the recent take-over:

> *"The investors in Organization A aim at a 25% profit margin; they pay little to no attention to the people in the organization."* (HR director, Organization A)

The HR director has little strategic decision making power, as he is not a member of the MT[10]. The HR department is often involved in strategic issues after strategic decision making, and supports these strategic decisions with HR practices. For example, recently, the HR department implemented the change program 'Rainbow', following the decision of the MT to improve efficiency in response to high market pressure:

> *"Because of the need to work more efficiently, as identified by the management team, we started to develop 'Rainbow', which focuses on working smarter."* (HR manager, Organization A)

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[10] The organizational chart of Organization A shows that the HR director is not a member of the management team.

"Rainbow' aims at working more efficiently. Tasks are planned first, and subsequently personnel needs are determined based on the work that needs to be done." (Regional manager, Organization A)

'Rainbow' supports the efficiency goal by motivating employees to work smarter and more proactively. As part of the efficiency improvements, Organization A also wanted to decrease employees' wages. However, this resulted in problematic negotiations for a new CBA which lasted several months:

"Employees are dissatisfied as a result of the problematic CBA negotiations. The proposed CBA is disadvantageous, particularly for lower-level employees." (Works council member, Organization A)

In contrast to Organization A, decision makers in Organization B regard human resources as the most important assets of the organization:

"In fact, a store manager is the HR manager, because people are the success factor of Organization B." (Store manager, Organization B)

The HR department has a large amount of decision making power. The HR department is therefore the prime human agency of Organization B. Decisions to improve efficiency and performance often involve employee development instead of cutbacks in the budget of HR. HR often initiates important changes in Organization B, and membership of the country MT[11] makes involvement in strategic issues possible. For example, HR initiated the 'growth accelerator', which implied that the turnover goal of one billion was to be achieved in 3 instead of 5 years. Moreover, direct negotiations with the company union enable the organization to apply the CBA to the specific needs of the organization, with much attention for employee well-being[12].

In Organization C, HR is mainly seen as an administrative function by the director and other strategic decision makers, with little decision making power. The main task of the HR department is day to day operational problem solving, and making sure employment rules and procedures are followed correctly:

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[11] Organizational charts of Organization B show that HR managers in the stores are members of the store MT, as well as at country level, the HR director is a member of the country MT.

[12] According to information on the website of the company specific union: "The company union has specific knowledge of Organization B's culture, as well as direct communication with front-line employees. Moreover, the company union uses a network of specialists on a wide range of areas relevant for Organization B."

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> *"In general, HR managers focus more on supporting employees than on developing strategic HR policy."* (HR manager, Organization C)

Instead, the prime human agency with respect to issues related to HRM is the general director. The HR director comments:

> *"The director and managers have HR responsibilities in Organization C. HR managers focus mainly on administrative tasks."* (HR director, Organization C)

When Organization C has some financial leeway, the director often uses this leeway in order to make decisions in line with the vision, even if this implies risking subsidies and legitimacy in the sector:

> *"Some rules are not followed, as these would risk client well-being. A choice is made between either following procedures and receiving a subsidy, or client well-being. For example, many rules and regulations for providing care conflict with the 'use it or lose it' principle. Often, client well-being is put first, such that Organization C does not receive the subsidy. In other words: our vision is regarded as more important than government rules."* (Manager, Organization C)

With its strong vision, Organization C attempts to differentiate itself from other organizations in the sector. The director of Organization C strives to change existing norms in the sector by proving that its vision-driven approach is successful. For each decision, the director weighs the benefits of the vision and the subsidy or rules in terms of well-being of the clients, as the vision implies increasing well-being of the clients. For example, in case of an increasing risk of stumbling of the client, the protocol prescribes to 'fix' the client to his or her bed or chair. To increase the well-being of the client in accordance with Organization C's vision, the choice is made not to 'fix' the client, but to make the client's direct surrounding safer instead. Moreover, as the educational background of employees is focused on traditional norms that hold in the Dutch health care sector, which contradict the norms of Organization C, Organization C retrains employees when they enter the organization:

> *"It is important for Organization C that training is up to scratch. The traditional education programs are task-driven, whereas Organization C is driven by client well-being. Therefore, each employee receives additional training."* (Manager, Organization C)

The training is aimed at implementing Organization C's vision, and at learning to work according to the vision instead of following routines. Organization C also developed its

own health care education program together with a regional education institute, which is applied to the vision of Organization C:

> *"Traditional education programs for nurses focused mainly on technical aspects of providing care. Therefore, Organization C developed a new education program together with a regional education institute in order to train 'socially agogic nurses'. In this education program, the technical aspects are combined with Organization C's values."* (Manager, Organization C)

Thus, active agency is observed in Organization C, which is used to continue challenging existing norms.

In sum, in terms of human agency, strategic decision makers in Organization B put employees and the HR department at an important position in the company, which enables HR managers to actively create leeway in HRM. In Organization A, active agency creates less leeway in HRM as decision makers are less involved in HR issues than in organization B. Therefore, the role of human agency in Organization A regarding institutional pressures can be described as a neutral, conforming role. In Organization C, the role of active agency is different. The director as the prime human agency creates a large amount of leeway in HRM, but uses this leeway to actively resist and challenge existing norms. A selection of quotes concerning human agency is presented in table 6.7.

Table 6.7 Human agency: a selection of quotes

Organization A
"The motive for developing 'Rainbow' was the lack of turnover growth while the number of stores kept on increasing. Furthermore, the pressure on efficiency increases due to the 'price war' in the retail sector in the Netherlands." (HR manager)
"As a result of 'Rainbow', employees are encouraged to think for themselves. For example, they have to think about efficient work planning and whether the planning of their vacations fits into the store-planning scheme." (HR department member)
"Employees used to work for a fixed department, in a fixed scheme. Now, the planning is made per period of 15 minutes, and much more flexibility is asked from employees. For example, when planning a holiday, employees first have to check whether it fits the planning." (HR department member)
Organization B
"An HR plan is incorporated in the yearly business plan. These disciplines are closely tied together." (Store manager)
"In the light of 'making the impossible possible', HR initiated the 'growth accelerator', which implied that the turnover goal of one billion was to be achieved in 3 instead of 5 years." (HR director)
"People are the success factor of Organization B. Good products and a good concept are convenient, but the people cause success." (Store manager)

Table 6.7, continued

Organization C
"HR practices like training, rewards, and performance interviews are executed by managers, not by HR managers." (Manager)
"The HR function in Organization C operates according to the needs of the organization. Needs are listed, and HR initiatives are developed for these needs." (HR manager)
"The HR managers are goal-oriented. Many procedures are practical in nature, such that it is possible to solve problems effectively. The focus on needs in the organization represents the line of action of the HR department." (HR manager)
"We first determine whether government regulations conflict with our vision. If so, a choice is made for either following the vision, or the regulations. For example, according to food protocols, restaurant employees should wear white uniforms. In our organization, we chose to let them wear uniforms because of practical reasons, but no white uniforms as it conflicts with our vision." (Manager)
"An educational program for nurses has been adapted to the vision of Organization C. In this training, much attention is paid to the vision and to well-being." (HR director)
"How to make choices within the framework of government legislation is important for Organization C." (Manager)

6.5.4 Strategic choice: institutional fit

As a result of the institutional profile, degree of leeway, and the role of human agency, the three organizations each make a different strategic choice in response to institutional pressures. Organization B creates leeway with their company union, and the HR department as prime human agency has high decision making power in the organization. In other words, Organization B creates room for strategic choice, and uses this leeway in order to actively develop its HR strategy. The strategic choice of Organization B reflects a focus on employee development; employees are regarded as important assets for increasing organizational performance:

> *"People are the success factor of Organization B. Good products and a good concept are convenient, but the people cause success."* (Store manager, Organization B)

As the strategic choice for HRM reflects employee development, the link between the institutional context and HRM in Organization B can be described as active and positive. Therefore, the nature of institutional fit in Organization B can be characterized as innovative, which represents active development in order to develop a competitive advantage. As mentioned before, in Organization A, the role of human agency can be characterized as passive or neutral. As Organization A does not find ways to increase the degree of leeway in HRM, it chooses to conform to institutional pressures in order to achieve legitimacy. The strategic choice of Organization A regarding HRM can be characterized by a focus on cutbacks in HR in order to increase performance, as efficiency is prioritized over people by the private equity company that took over the organization:

"The reputation of HR policy of Organization A has changed after the take-over, having an increasing focus on productivity and efficiency. Now, we have an HR policy 'without a heart'." (HR department member, Organization A)

This has led to problematic CBA negotiations with trade unions, resulting in conforming to trade union influences. Therefore, the nature of institutional fit in Organization A can be characterized as conformist.

For Organization C, the high degree of institutionalization and the sector-wide CBA do not create opportunities for differentiation. In spite of the low degree of leeway, Organization C uses active agency to create leeway. Organization C resists institutional pressures by challenging existing norms in the Dutch health care sector in order to differentiate itself from competitors with its strong vision. For example, as mentioned before, human actors in Organization C often make decisions in line with the vision instead of government regulations. Moreover, Organization C made the (strategic) choice to develop an education program which is adapted to its vision:

"An education program for nurses has been adapted to the vision of Organization C. In this training, much attention is paid to the vision and to well-being." (HR director, Organization C)

As Organization C's focus is on challenging existing norms, the strategic response of Organization C can be characterized as active resistance. Therefore, we label the nature of institutional fit of Organization C as deviant. A selection of quotes related to strategic choice is presented in table 6.8.

Table 6.8 Strategic choice/ institutional fit: a selection of quotes

Organization A
"The motive for developing 'Rainbow' was the lack of turnover growth while the number of stores kept on increasing. Furthermore, the pressure on efficiency increases due to the 'price war' in the retail sector in the Netherlands." (HR manager)
"As a result of 'Rainbow', employees are encouraged to think for themselves. For example, they have to think about efficient work planning and whether the planning of their vacations fits into the store-planning scheme." (HR department member)
"The private equity company that took over Organization A aims at a 25% profit margin; they pay little to no attention to the people in the organization." (HR director)
"Rainbow' aims at working more efficiently. Tasks are planned first, and subsequently personnel needs are determined based on the work that is available." (Regional manager)

Table 6.8, continued

Organization B
"An HR plan is incorporated in the yearly business plan. These disciplines are closely tied together." (Store manager)
"In the light of 'making the impossible possible', HR initiated the 'growth accelerator', which implied that the turnover goal of one billion was to be achieved in 3 instead of 5 years." (HR director)
"In fact, a store manager is the HR manager, because people are the success factor of Organization B." (Store manager)

Organization C
"We first determine whether government regulations conflict with our vision. If so, a choice is made for either following the vision, or the regulations. For example, according to food protocols, restaurant employees should wear white uniforms. In our organization, we chose to let them wear uniforms because of practical reasons, but no white uniforms as it conflicts with our vision." (Manager)
"Some rules are not followed, as these would risk client well-being. A choice is made between either following procedures and receiving a subsidy, or client well-being. For example, many rules and regulations for providing care conflict with the 'use it or lose it' principle. Often, client well-being is put first, such that Organization C does not receive the subsidy. In other words: our vision is regarded as more important than government rules." (Manager)
"It is important for Organization C that training is up to scratch. The traditional educational programs are task-driven, whereas Organization C is driven by client well-being. Therefore, each employee receives additional training." (Manager)
"Traditional education programs for nurses focused mainly on technical aspects of providing care. Therefore, Organization C developed a new education program together with a regional education institute in order to train 'socially agogic nurses'. In this education program, the technical aspects are combined with Organization C's values." (Manager)

6.6   Discussion

The aim of this chapter was to contribute to the strategic HRM literature by studying how institutional pressures affect HRM. We used the concepts of leeway, human agency and strategic choice in order to explain differences in the nature of institutional fit, and explored our theory in case studies of three Dutch organizations.

We found that the three organizations represent three different types of institutional fit as they chose different strategic responses to institutional pressures; Organization B as innovator, Organization A as conformist, and Organization C as deviant. The concepts of institutional embeddedness, degree of leeway, and human agency provide much information about the possible antecedents of the strategic choice an organization makes, focusing not only on 'deterministic' influences of the institutional context, but also on the role of human agency in shaping HRM. First, we found the institutional profile of the retail and the health care sector to differ considerably. However, in contrast to earlier research (e.g. Goodstein, 1994), we did not find the type of sector to be one of the main factors in explaining the nature of institutional fit. Active agency seems to be the most important driver of the strategic response to institutional pressures, even in highly institutional contexts. In the retail sector, organizations compete mainly for financial resources. In contrast, in the health care sector, organizations' institutional pressures are very high,

which results in gaining legitimacy to be a dominant goal. Moreover, as most health care organizations are non-profit, they have little financial leeway, which makes these organizations even more dependent on for example the government. However, even in a highly institutionalized sector, Organization C uses active human agency. The two organizations within the retail sector also differ in the nature of institutional fit, which mostly seems to stem from differences in human agency.

We found that the position of HR decision makers relates to the amount of leeway that was created in the retail sector. Comparing Organization A and B, both operating in the retail sector, they both use different responses within a similar institutional context. In Organization B for example, an efficiency increase mainly involves increasing investments in employee development, whereas Organization A's strategy to increase efficiency has been to decrease investments in employees by negatively adjusting the CBA, which led to problematic negotiations for a new CBA and to legitimacy issues. This seems to be related to the 'strategic' position of HRM in the organization, or the amount of leeway granted to HR by the MT, which determines to a large extent the decision making power of the HR department. In Organization B, which regards the HR department as a 'business partner', people are put first, whereas in Organization A, where the role of the HR department is to support and implement strategic decisions, and people are not put first, investments in HR are cut down sooner. Moreover, the professional and active role of HR in Organization B led to Organization B's choice for establishing their own company union, which creates more leeway than Organization A, which negotiates with regular trade unions. In fact, Organization B uses the role of active agency in order to shape its institutional context. This highlights the differences between an active and a more conforming role of human agency in two organizations within the same sector.

The role of human agency can also be related to the organization's choice for the degree of conformity and the degree of differentiation from competitors. In Organization C, the director performs an active role in creating leeway for the organization aimed at differentiating Organization C from competitors. In spite of dominant institutional pressures, Organization C shows a large role of human agency, which is used in order to resist current norms in the sector. In contrast to Organization B, which uses human agency in order to create leeway for active innovative development, Organization C uses human

agency for active resistance. Both Organization B and C however, differentiate themselves from competitors. In other words, in searching a balance between conforming and differentiating, differentiation is associated with both active innovative development and active resistance, whereas conforming is associated with a passive or neutral response to institutional pressures.

Oliver (1991) provides an explanation for Organization C's focus on resistance, by distinguishing different determinants of the strategic choice of an organization. The *content*-factor implies that when institutional pressures conflict with organizational goals, resistance is more likely. This factor seems to be the dominant cause for the strategic choice of Organization C, as the vision of Organization C conflicts with institutional norms in the Dutch health care sector. The motive for differentiation, however, is not necessarily pursuing efficiency goals. Organization C for example, has a strong focus on differentiation because of the need to be seen as different from other organizations in the health care sector; efficiency is not a main goal for Organization C.

The concepts that have been used in this chapter for explaining institutional fit are closely related. For example, strategic choice and institutional fit both deal with the choice an organization makes in order to respond to institutional pressures. However, the two constructs differ in orientation. An organization's strategic choice can be seen as an organization's style in responding to institutional pressures, whereas the nature of institutional fit can be seen as the resulting nature of response. Moreover, an active role of human agency is reflected in the response style as well as the resulting nature of the response.

This chapter shows that in contrast to other types of fit in HRM, such as strategic or internal fit (e.g. Arthur, 1994; Huselid, 1995), institutional fit is a construct with an inherent balance. As institutional fit reflects the tension organizations experience when pursuing both efficiency and legitimacy goals, the construct does not simply involve maximization of 'performance' or legitimacy, like several other theories in strategic HRM. Instead, achieving institutional fit reflects achieving an optimal level of conforming to institutional pressures and differentiation from competitors. Therefore, institutional fit can make a contribution to strategic HRM by providing insight in this more nuanced and

balanced goal setting of organizations, focusing on legitimacy goals besides the commonly examined efficiency goals.

A next step will be to determine which legitimacy and efficiency effects are associated with the different types of institutional fit. Particularly the deviant type of institutional fit could lead to a low as well as high degree of legitimacy and effectiveness. Our data points in different directions on this matter. Organization C's financial performance is above average in the Dutch health care sector, and many other organizations have copied and implemented elements of its vision. The reputation Organization C enjoys among (potential) clients and employees is very high. On the other hand, in terms of violating government laws and regulations, Organization C has been sued many times as the restaurants in the elderly homes were accused of distortion of competition. Also, government bodies involved in quality checks in the sector usually approve of the overall quality level, but do not approve of the procedures used to achieve the quality level. A number of quotes related to performance and legitimacy of Organization C is presented in table 6.9. More research is needed to study the effects of the different types of institutional fit as well as to measure legitimacy and its different elements.

Table 6.9 Performance and legitimacy: a selection of quotes

Organization C
"Organization C has a leading position in the Dutch health care sector; Organization C is a front runner. Because of Organization C, new concepts have been introduced in the sector, which have been copied by competitors. Moreover, employees are satisfied with the organization. An internal quality standard we use is whether employees would want to live in our elderly homes themselves." (Manager)
"Clients' influence is increasing, and these clients are interested in our concept." (Manager)
"In the eyes of many, Organization C is a pioneer with respect to health care improvements. Organization C takes advantage of its favorable reputation. Many job candidates apply specifically for a job with Organization C because of its reputation, as I have read in many job applications." (HR manager)
"Organization C has always been progressive." (Works council member)
"Because of the director's charismatic appearance in the media, he is very influential in the health care sector." (Works council member)
"Often, we experience a tension between medical responsibility and our vision. During quality inspections, often problems are recognized with our procedures, as they conflict with government rules regarding accepted procedures. However, the general judgement of the quality of the provided care is good. For example, the number of bedsores and food deficiencies of Organization C is well below the average in the sector." (Manager)

6.7   Conclusion

In this chapter, the interaction between institutional pressures and HRM was examined by using the concepts of degree of leeway, strategic choice, and institutional fit, and empirically supported by using data from three organizations in the Netherlands. Using case study research enabled us to gain a rich overview of institutional fit as well as the factors that determine the level of institutional fit. This study serves as a starting point in showing the relevance of institutional fit in strategic HRM research. The Dutch context is particularly interesting for studying institutional fit. Because of a relatively high degree of institutionalization, Dutch organizations are likely to have less leeway in developing HR practices, which makes it more relevant to achieve a balance between conforming and differentiating from competitors. It is difficult to study institutional pressures and institutional fit by taking a snapshot of the organization, as this would involve long term sector wide research. In this chapter, we chose to focus on the organizational level in order to gain insight in the mechanisms involved in shaping HRM from an institutional perspective.

The mechanisms we described in this chapter provide insight in the factors that determine the choices organizations make in trying to balance competitive and institutional pressures. More research is needed to further develop and test the institutional fit construct and to study the effects of institutional fit on different types of performance.

By collecting data from different actors in organizations in both a highly and lowly institutionalized sector in our study, we have demonstrated which mechanisms play a role in achieving a certain type of institutional fit by balancing the degree of conformity to institutional pressures and differentiation for competitive positioning. Therefore, institutional pressures and the need to achieve institutional fit are to a greater or lesser extent relevant across the globe. This research has shown that research in institutional fit need not be limited to one sector, or one national context. The institutional context might not be as deterministic as previous research has suggested; for an organization's response to institutional pressures, active agency seems to make a difference.

CHAPTER 7   THE RELATIONSHIP BETWEEN PERCEPTIONS OF HR PRACTICES AND EMPLOYEE ATTITUDES AND BEHAVIORS: EXAMINING THE ROLE OF PERSON-ORGANIZATION AND PERSON-JOB FIT

7.1   Introduction

Human resource management (HRM) practices used in selection, training, development, and compensation can contribute to establishing and strengthening the match or fit between employees and their job and organization. Person-Environment (P-E) fit refers to the extent to which certain types of people fit within certain types of organizational environments (Bretz & Judge, 1994). Research shows that high P-E fit positively affects employee attitudes and behaviors (Kristof-Brown et al., 2005). With regard to HRM, research on the most commonly studied types of P-E fit, Person-Organization (P-O) and Person-Job (P-J) fit, has focused mainly on the selection process and the effects of job applications on the level of fit (Cable & Judge, 1997; Kristof-Brown, 2000; Van Vianen, 2000). However, far less research is available on the effects on P-E fit of other organizational and HR practices following employees' entry (Kristof-Brown et al., 2005).

In the field of strategic HRM, researchers have devoted attention to the effects of HR practices on organizational performance through the use of 'high commitment' and 'high performance' HR practices (e.g. Huselid, 1995). It is assumed that the contribution of such practices to the level of employee commitment and performance is, in turn, a key contributor to organizational performance (e.g. Ramsey et al., 2000: 503). The organization's HR system ideally reflects the strategy and organizational context and communicates information about this context to (potential) employees (Bretz & Judge, 1994). Differences in implementation and communication may lead to variation in the HR system as it reaches individual employees and personal experiences and preferences may also result in employees interpreting the same signal differently. In other words, employees

may have different perceptions of HR practices. However, little is known about how these perceived HR practices relate to perceptions of P-E fit (Bretz & Judge, 1994).

The main goal of the present study is to examine the relationship between perceptions of a broad set of HR practices, P-O and P-J fit, and several employee 'outcomes' seen as relevant in both HRM and P-E fit literature, namely organizational commitment, organizational citizenship behavior (OCB), intention to leave, and job satisfaction. Besides testing direct relationships, we also propose indirect relationships and test whether P-O and P-J fit act as mediators in the relationship between HR practices and employee attitudes and behaviors. Finally, we propose and test several interactive effects of perceived HR practices and P-O and P-J fit on attitudes and behaviors and in doing so explore the possible role of P-O and P-J fit as moderators of the relationship between perceived HR practices and employee attitudes and behaviors.

By linking perceptions of a set of 'high performance' HR practices to P-O and P-J fit, and employee outcomes, we aim to bridge the P-E fit and strategic HRM literatures. Our first contribution is to the P-E fit literature by studying the relationship between a set of HR practices and P-O and P-J fit instead of using a single HR practice. Moreover, few researchers have tested the effects of HRM on both P-O and P-J fit in one study. By using both P-O and P-J fit, we aim to contribute to exploring the differences between these constructs (i.e. Lauver & Kristof-Brown, 2001). Secondly, we aim to add value to the strategic HRM literature by assessing the role of employee perceptions of HR practices, introducing P-O and P-J fit, and examining their role in explaining the relationship between perceived HRM and employee 'outcomes'.

7.2 Theory and hypotheses

Kristof (1996) defines P-O fit as the compatibility between people and organizations that occurs when: (a) at least one entity provides what the other needs, or (b) they share similar fundamental characteristics, or (c) both. This definition recognizes two main conceptualizations used in the P-E fit literature: supplementary fit and complementary fit (Kristof, 1996; Muchinsky & Monahan, 1987). Supplementary fit occurs when a person possesses characteristics, which are similar to other individuals in an environment. Most studied are value congruence and goal congruence. "Complementary fit occurs when a

person's characteristics 'make whole' the environment or add to it what is missing" (Kristof, 1996: 3). Complementary fit encompasses both demands-abilities fit and needs-supplies fit. Demands-abilities fit occurs when an employee's abilities satisfy the demands of the organization. The employee possesses knowledge, skills, and abilities and offers them to the organization. Needs-supplies fit focuses on an employee's needs and preferences that have to be fulfilled by the organization's supplies.

P-O fit is often defined as supplementary fit, and P-J fit as complementary fit (see also: Edwards, 1991; Lauver & Kristof-Brown, 2001). Kristof-Brown, Zimmerman, and Johnson (2005: 288) recognize that "complementary conceptualizations of fit have dominated the Person-Job fit literature". In sum, P-J fit involves needs and abilities that are directly linked to characteristics of the job, whereas P-O fit refers to the match between the person and the values and goals of the organization as a whole. We use these definitions and distinguish between P-O fit and P-J fit in this study.

Many P-E fit studies do not include both. However, meta-analysis shows that both P-O and P-J fit have a large impact on individual attitudes and behaviors (Kristof-Brown et al., (2005). Values and goals on the one hand and abilities and needs on the other have strong, but distinct influences on employee outcomes. P-O fit is strongly associated with organizational commitment and turnover, and high P-J fit is associated with high levels of job satisfaction. Also, combining high levels of P-O and P-J fit leads to even stronger effect sizes (Kristof-Brown et al., 2005).

7.2.1 HR practices, P-O and P-J fit

The empirical evidence that P-O fit and P-J fit are strongly related to positive employee outcomes makes achieving a high levels of fit desirable for organizations. As stated, HR practices may help firms achieve such fit.

The Attraction–Selection–Attrition (ASA) framework developed by Schneider (1987) is an important framework in the P-E fit literature that helps explain how HR practices might affect fit. The assumption is that the match between people and organizations leads to long-term effectiveness. The ASA framework argues that the goals of founders of organizations continue to be reflected in the characteristics of these organizations. These characteristics attract certain kinds of people to work for the

organization in the long run (Schneider, Goldstein & Smith, 1995). The attraction process describes that people feel attracted to organizations that share the same characteristics as they do. Next, in the selection stage of the ASA cycle, the organization recruits and selects people that have the characteristics they look for. Finally, the attrition process is based on the idea that people who do not fit with the organization, will leave. In the long run, the ASA cycle will lead to organizations becoming more homogeneous. Those who fit with the organization tend to stay, and those who do not fit leave, often soon after they enter the organization. Schneider (1987) hypothesizes that P-E fit is stronger for employees with longer tenure, in organizations with strong recruitment and selection processes, and for employees who remain in organizations with high turnover rates.

Besides selecting people to match a particular job or function, the ASA cycle implies that achieving a match with the work setting itself is also relevant (Van Vianen, 2000). HRM can play an important role in achieving that and enhancing both P-O and P-J fit. Psychological contract research shows that (perceived) HR practices are major mechanisms through which employees come to understand the terms of their employment (Rousseau & Greller, 1994). HR practices shape a person's experience in an organization, based on personal interpretations and social constructions (Rousseau & Greller, 1994). In other words, employees who have positive experiences with HR practices are more likely to have a positive perception about their fit with the organization and their jobs. HR may increase the level of P-O and P-J fit by consistently communicating values, characteristics, demands, and expectations of the organization to its employees.

Although to date no research has been conducted into the relationship between broader sets or systems of 'high performance' HR practices and P-E fit, research on more specific practices suggests positive relationships. For example, case study research on HRM illustrates how organizations can use selection procedures based on company values to hire employees who fit well in the company culture (Boon, Boselie, Paauwe & Den Hartog, 2007). Also, P-E fit research shows that job applicants prefer an organization with which they share similar characteristics (Bretz & Judge, 1994) and that interviewers select for P-O fit (Cable & Judge, 1997). Also, studies on job choice have addressed the effects of employee development and reward systems on job decisions. Researchers argue that people make job choice decisions based on their perception of P-O and P-J fit (Cable &

Judge, 1994). Bretz and Judge (1994) found that pay level and promotion opportunities were significant predictors of job choice and Cable and Judge (1994) found that pay policies are strongly related to job search decisions.

After the initial phase of job choice and hiring, socialization practices help establish P-O and P-J fit between newcomers and organizations (Cable & Parsons, 2001; Cooper-Thomas et al., 2004). Case study research illustrates how organizations use development and reward practices to stimulate desired employee behaviors and strengthen the match between the employee and the job as well as the organization (e.g. Boon et al., 2007). Combined, these findings suggest that multiple HR practices, including selection, development and training, as well as appraisal and reward systems, may affect P-O and P-J fit. However, to date research tends to focus on the role of a single HR practice for either form of fit. Here, we include a broad set of perceived HR practices to study the relationship between perceptions of HR practices and P-O and P-J fit. As stated, strategic HRM researchers have studied integrated sets of 'high performance' HR practices (e.g. Huselid, 1995). Here, we also take such an approach and hypothesize:

> *Hypothesis 1:* Perceptions of a set of 'high performance' HR practices will be positively related to Person-Organization fit and Person-Job fit.

7.2.2 *Direct and indirect effects of perceptions of HR practices*

HR practices communicate important goals and desired employee behaviors from the organization to the employee (Guzzo & Noonan, 1994; Rousseau, 1995) and can be seen as "'signals' and are interpreted as such by individual employees" (Den Hartog et al., 2004: 563). The signals of the HR system are, however, often not interpreted similarly or reacted to in a similar way by each individual because of differences in experience, values or preferences (Den Hartog et al., 2004). "All HR practices communicate messages constantly and in unintended ways, and messages can be understood idiosyncratically, whereby two employees interpret the same practices differently" (Bowen & Ostroff, 2004: 206).

In Wright and Nishii's (2007) model, the effects of HR practices on employee attitudes and behaviors occur via employee perceptions of HR practices. Not the HR

practices as intended, but rather how employees experience HR practices is supposed to have a strong effect on employee outcomes. These perceptions might also affect employee performance (Den Hartog et al., 2004). Although perceived HR practices are proposed to have a strong association with employee outcomes, not many researchers have actually tested this relationship. Instead, research has focused on the effects of actual HR practices or systems on attitudes and behaviors or on the role of perceptions of a single specific practice rather than a combination of practices. To take into account these differences in interpretations of HR practices, this study will focus on employee perceptions of a set of HR practices.

Many HRM scholars propose that HR practices will affect employee and firm performance through their impact on employee attitudes (e.g. Becker et al., 1997; Wright & Nishii, 2007). As mentioned before, 'high commitment' and 'high performance' work practices have been widely used in research in this area. As the role of HR practices is to influence employee attitudes and behaviors required by the organization (Truss, 2001), positive effects on attitudinal and behavioral outcomes are expected. Therefore, we will focus on a set of perceived 'high performance' HR practices in this study and expect these HR practices to be positively associated with employee attitudes and behaviors.

Employee outcomes commonly used both in the HRM, and P-O and P-J fit literature include organizational commitment, Organizational Citizenship Behavior (OCB), intention to leave, and job satisfaction (i.e. Boselie et al., 2005; Kristof-Brown et al., 2005; Kristof, 1996). In line with this, we expect:

> *Hypothesis 2:* Perceptions of a set of 'high performance' HR practices will be positively related to organizational commitment, intention to show OCB, and job satisfaction, and negatively related to intention to leave.

Besides the expected direct relationships between perceived HR practices and P-O and P-J fit and between perceived HR practices and employee outcomes, mediation may occur. Ramsey et al. (2000) indicate that the opportunities and benefits HR practices provide leads to employees' perceptions that their needs are met. In turn, employees respond by taking initiatives without instruction and showing loyalty and enthusiasm for

their employer. Employees will do better or worse in a given organization according to how well they are matched to its attributes (Baron & Kreps, 1999). As achieving a match between employees with the organization and their job can be seen as one of the goals of HR practices, the effect of perceptions of HR practices on employee attitudes and behaviors might (at least in part) be mediated by P-O and P-J fit.

In their meta-analysis, Kristof-Brown et al. (2005) find that P-J fit is more strongly related to job-related outcomes such as job satisfaction, and P-O fit is more strongly related to organization-related outcomes, such as organizational commitment (Kristof-Brown et al., 2005; Lauver & Kristof-Brown, 2001). Therefore, we expect P-O fit to mediate the relationship between perceived HR practices and the two organization-related outcomes in this study, namely organizational commitment and OCB. Cable and Judge (1996) found that employees' P-J fit perceptions significantly predicted job satisfaction and turnover intentions, but not organizational commitment or willingness to recommend their organization to others. Therefore, we expect P-J fit to mediate the relationship between perceived HR practices and both job-related outcomes intention to leave and job satisfaction:

Hypothesis 3: Person-Organization fit (partly) mediates the relationship between perceptions of HR practices and (a) organizational commitment and (b) Organizational Citizenship Behaviors.

Hypothesis 4: Person-Job fit (partly) mediates the relationship between perceptions of HR practices and (a) intention to leave and (b) job satisfaction.

In the literature, examining P-E fit as a moderator has also been suggested as an interesting research direction (e.g. Erdogan & Bauer, 2005). An employee's level of P-O and P-J fit might affect the extent to which their perceptions of HR practices affect their attitudes and behaviors. Corresponding with the aforementioned relationships, we again expect P-O fit to be related more strongly to organization-related outcomes and P-J fit more strongly to job-related outcomes. Employees with a high P-O fit will have a better understanding of what the organization wants and needs, as their norms and values match

to a large degree the norms and values of the organization (Erdogan & Bauer, 2005). The signals the organization sends through the HR system might be better understood by these employees such that the intended effects of the HR practices - high commitment and performance - are more likely to be achieved. In contrast, low P-O fit employees are more likely to misinterpret the signals sent through the HR system, which leads to HR practices being less effective, and thus showing a weaker relationship with organizational commitment and OCB. Thus, we hypothesize that the level of P-O fit affects the extent to which perceptions of HR practices are related to commitment and OCB, such that the relationship is stronger at a high level of P-O fit.

For P-J fit we expect the relationship to occur in the opposite direction. As P-J fit focuses on the match between job requirements and individual skills and knowledge, employees with a low level of P-J fit are less likely to be successful in their job (Erdogan & Bauer, 2005). Moreover, a negative perception of employees' need fulfillment by their job will likely have a negative impact on employee performance. For these employees, HR practices can provide the opportunity to be trained and developed in order to better match skills requirements, as well as use participation and autonomy practices in order to adjust their job in order to match their needs and skills. As a result, their job satisfaction is likely to rise and their intention to leave is likely to decrease. Employees with a high level of P-J fit are expected to be more successful in their job as their skills match the requirements of their job. For this group, HR practices are expected to have less impact on their intention to leave and job satisfaction. Thus, we hypothesize that the strength of the relationship between perceived HR practices and job satisfaction and intention to leave is affected by the level of P-J fit, such that the relationship is stronger at a lower levels of P-J fit.

> *Hypothesis 5:* Person-Organization fit moderates the relationship between perceptions of HR practices and (a) organizational commitment and (b) Organizational Citizenship Behaviors such that the relationship between perceptions of HR practices and organizational commitment and OCB will be stronger when P-O fit is high compared to when it is low.

Hypothesis 6: Person-Job fit moderates the relationship between perceptions of HR practices and (a) intention to leave and (b) job satisfaction such that the relationship between perceptions of HR practices and intention to leave and job satisfaction will be stronger when P-J fit is low compared to when it is high.

7.3   Method

7.3.1 Overview of data collection

Data were collected from employees in a wide range of functions, departments, and hierarchical levels in two large organizations in the Netherlands, one in the retail sector, and one in health care. We distributed approximately 2110 questionnaires via business unit directors. A return envelope was included in the packet so that respondents could send the questionnaire back directly to the researchers at the university, securing anonymity. The directors sent an internal mailing to all employees motivating them to fill out the questionnaire, while explaining that participation was voluntary and anonymous. Managers were asked to introduce the study during staff meetings. Reminders were sent three weeks later. A total of 412 employees completed the questionnaire, representing a 20% response rate. The sample was 75% female, which is representative for the population of these organizations. The average age was 39 (ranging from 16 to 66), average tenure 7.5 years (ranging from 1 month to 34 years), 15% of the respondents held a management position, and 82% had a permanent contract.

7.3.2 Measures

Items were administered in Dutch. In a pilot test, 24 employees of an organization that is not part of the current study completed the questionnaire to check the clarity of the items.

Perceived HR practices. We developed 38 perceived HR practices items for this study based on previous research (i.e. Cable & Edwards, 2004; Guest & Conway, 2002; Ryan & Schmit, 1996; Ten Brink, 2004). In HRM and performance research, there has been little consistency in selecting HR practices to be combined in an HR system. Therefore, the list of perceived HRM items was checked for coverage of the mostly used high commitment/high performance work practices using a review of HRM and

performance studies by Boselie et al (2005). Participants were asked to indicate for each item the extent to which they perceive that the organization offers them the HR practice ("The organization offers me…") on a 5-point Likert scale ranging from 1 (not at all) to 5 (very great extent) and included a wide range of practices, such as selection, training, participation, teamwork, and rewards. Sample items are "Work that gives me the opportunity to express myself", and "The possibility for my team to take the responsibility for our results". Table 7.1 provides the items.

An exploratory factor analysis on the 38 items indicated a solution with 10 factors having an eigenvalue higher than 1. However, the scree plot showed a bend at both one and seven factors, indicating a clear break in eigenvalues between first and the second, and the seventh and the eighth component. As the hypotheses involved a set of HR practices, we first computed a scale containing all perceived HR practices items, representing a combined set of 'high performance' HR practices. Cronbach's alpha for this combined scale is .95. Subsequently, the seven-factor solution was computed (explained variance: 59%), which is easily interpretable and in accordance with theory: 1: Training/development; 2: Participation/ autonomy/job design; 3: Performance appraisal/rewards; 4: Teamwork/autonomy; 5: Work-life balance; 6: Recruitment/selection; 7: Employment security (see Table 7.1 for factor analysis results). Cronbach's alpha's for all seven scales exceed .75 (see also Table 7.2).

In the analyses below, we first test the role of the overall 'high performance HR system' measure. Subsequently, we explore the role of each of the seven HR practices separately, in order to see which HR practices (if any) within the set of HR practices have the strongest and most consistent association with the dependent variables. For each analysis, first the whole set of HR practices will be entered. If the set of HR practices is significantly associated with the dependent variable, the separate HR practices will be used in a next step, leaving out the overall set of HR practices.

Table 7.1 Factor analysis results of perceived HRM items

	Component						
	1	2	3	4	5	6	7
The organization offers (me)…							
Comprehensive and diverse work		0,64					
Challenging work		0,66					
Work that gives me the opportunity to express myself		0,69					
The opportunity to participate in decision making processes		0,55					
Participation in developing (strategic) plans		0,50					
The opportunity to do my work in my own way		0,77					
The opportunity to make my own decisions		0,82					
The opportunity to take the responsibility for my own tasks		0,74					
Possibilities to present my opinion on matters		0,61					
Critical selection of new employees						0,83	
Selective recruitment of new colleagues						0,85	
The opportunity to follow training, courses, and workshops	0,72						
The opportunity to develop new skills and knowledge for my current job or for possible jobs in the future	0,77						
Coaching which supports my development	0,77						
Support in planning my future development	0,79						
The opportunity to work for another department	0,60						
The opportunity to do another job within this organization	0,62						
Good career prospects	0,74						
An increase in job responsibilities if I perform well at my current tasks	0,66						
The possibility to occupy a higher position within the organization	0,69						
Certainty of keeping my job							0,88
An employment contract offering job security							0,86
The possibility to work in a team				0,78			
The possibility to work closely together with my colleagues				0,77			
The possibility to make decisions as a team				0,72			
The possibility for my team to take the responsibility for our results				0,70			
Periodic evaluation of my performance			0,55				
Fair appraisal of my performance			0,45				
Performance-related pay			0,71				
A bonus which depends on the organization's profit			0,65				
A competitive salary			0,73				
An above average salary for this function			0,68				
A fair compensation system			0,78				
An attractive benefits package			0,54				
Flexible working hours					0,60		
Policies that support working parents					0,62		
The opportunity to work part-time if I needed to					0,75		
The opportunity to arrange my work schedule so I can meet family obligations					0,77		

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. Rotation
Bold values indicate primary loading; only values >.40 are displayed
1: Training/development; 2: Participation/autonomy/job design; 3: Performance appraisal/rewards;
4: Team working/autonomy; 5: Work/life balance; 6: Recuitment/selection; 7: Employment security

Measurement of P-O and P-J fit. For measuring P-O and P-J fit, current research uses two main methods: perceived fit, and actual fit (Kristof, 1996). Commensurate measurement is often used to measure actual fit (e.g. Cable & Judge, 1997; O'Reilly,

Chatman & Caldwell, 1991; Vancouver & Schmitt, 1991). Commensurate measurement implies using the same content dimensions for the person and the organization and then tapping fit by correlating the organization profile with the person's profile. Perceived fit is often measured with several items specifically designed to address the extent to which an individual perceives they fit within an organization. Research shows that perceived fit is often more strongly associated with employee attitudes and behavior than actual fit (Cable & DeRue, 2002; Kristof-Brown et al., 2005). A reason may be that individual behavior is guided by what people perceive or (like to) think rather than whether they actually fit with the organization. "Perceived fit allows the greatest level of cognitive manipulation because the assessment is all done in the head of the respondents, allowing them to apply their own weighting scheme to various aspects of the environment" (Kristof-Brown et al., 2005: 291). Therefore, the importance of these different aspects is captured in these personalized weightings, and perceptions are often more powerful determinants of attitudes and behavior than the "actual" situation. In other words, employee perceptions of their fit with an organization or job will determine their reaction most, regardless of the actual or objective similarity of values and goals. In line with this, we focus on the relationship between perceived HR practices and perceived fit.

Perceived Person-Organization fit. For measuring P-O fit perceptions, we used a combination of direct P-O fit perceptions and indirect P-O fit perceptions. In a direct measure, respondents are directly asked whether they think they fit in the organization or culture, whereas an indirect measure focuses on different aspects on which a person could have a fit with the organization. Direct P-O fit perceptions were measured using the two item measure of Cable and Judge (1997), partly rephrased by Cooper-Thomas, Van Vianen, and Anderson (2004). An example of such an item is: "To what degree do you think you match or fit your organization and the current employees in your organization?". Responses were provided on a 5-point scale that ranged from "not at all" (1) to "a very great extent" (5). Indirect P-O fit perceptions were assessed using Cable and DeRue's (2002) three-item measure for P-O fit defined as value congruence, including "The things I value in life are very similar to the things that my organization values". A 5-point response scale that ranged from "strongly disagree" (1) to "strongly agree" (5) was used. Factor analysis indicated that all five P-O fit items loaded on one factor. Therefore, one combined

direct and indirect P-O fit scale was calculated by averaging the five items, Cronbach's Alpha was .85.

Perceived Person-Job fit. Person-Job fit perceptions were assessed using Cable and DeRue's (2002) three-item scale for needs-supplies fit (e.g. "The attributes that I look for in a job are fulfilled very well by my present job") and the three-item scale for demands-abilities fit (e.g. "My abilities and training are a good fit with the requirements of my job"). The 5-point response scale ranged from "strongly disagree" (1) to "strongly agree" (5). Factor analysis showed that these six items load on a single factor. Therefore, one P-J fit scale was calculated by averaging the six items, Cronbach's Alpha was .92.

Organizational commitment. Organizational commitment was assessed using four items of the scale developed by Ellemers, De Gilder, and Van den Heuvel (1998). Sample items include "This organization has a great deal of personal meaning for me" and "I feel 'part of the family' in this organization". Responses were given on a 5-point scale ranging from "strongly disagree" (1) to "strongly agree" (5). Cronbach's Alpha was .87.

Organizational Citizenship Behavior (OCB). OCB was measured using self-ratings of MacKenzie, Podsakoff, and Fetter's (1991) altruism, civic virtue, and courtesy scales. We added one item to the civic virtue scale, based on a later publication of MacKenzie, Podsakoff, and Paine (1999), resulting in a ten-item OCB scale. Sample items included "I help orient new employees even though it is not required" (altruism), "I attend functions that are not required, but that help the company image" (civic virtue), and "I consider the impact of my actions on others". Responses were given on a 5-point scale ranging from "strongly disagree" (1) to "strongly agree" (5). Factor analysis indicated that all items load on one factor. Cronbach's Alpha of this scale was .88.

Intention to leave. Intention to leave was assessed using the three-item measure developed by Colarelli (1984). A sample item is: "I frequently think of quitting my job". Responses given were on a 5-point scale that ranged from "strongly disagree" (1) to "strongly agree" (5). Cronbach's Alpha was .87.

Job satisfaction. Job satisfaction was measured using a single item: "Overall, how satisfied are you with your job?" (e.g. Cooper-Thomas et al., 2004). We chose a single item based on previous research which has proven the reliability of a one-item measure for job satisfaction (Scarpello & Campbell, 1983; Wanous, Reichers & Hudy, 1997).

Responses were given on a 5-point scale that ranged from "very dissatisfied" (1) to "very satisfied" (5).

Control variables. As tenure was expected to be associated with P-O fit (Schneider et al., 1995), tenure was controlled for. We also used "manager" (1 = managerial position, 0 = no managerial position), age, gender, and number of contract hours as controls, as these variables may influence the levels of commitment, P-O and P-J fit. Finally, the organization was controlled for, as only two organizations were included in the sample.

7.4   Results

Means, standard deviations, Cronbach Alpha coefficients, and correlations among all variables are presented in Table 7.2. All correlations between perceived HRM scales, P-O fit, P-J fit, and employee outcomes are significant. Correlations among the perceived HRM scales were generally modest and varied from .22 to .64. Highest was the correlation between training/development and performance appraisal/rewards, and lowest was the correlation between employment security and recruitment/selection. The correlations of the perceived HRM scales with P-O fit, and P-J fit varied between .21 (correlation between work/life balance and P-J fit) and .60 (correlation between participation/autonomy/job design and P-J fit). Correlations between the perceived HRM scales and organizational commitment, OCB, intention to leave, and job satisfaction varied between -.16 and .57.

Correlations higher than .70 may increase the probability of multicollinearity in regression analyses. All correlations between measures were lower than .70, which suggests that our measures were suitable for inclusion in the hierarchical regression analyses used to test our hypotheses. Tests for multicollinearity showed no multicollinearity problems in any of the regression analyses. As this study is cross-sectional, no causal relationships can be tested. Therefore, in the description of the results below, all results should be read as non-directional relationships. To test the hypotheses, each analysis below will first be run with the overall set of HR practices as independent variable. However, to explore the effects of the seven separate HR practices, additional tests on these HR practices, in which the separate HR practices are entered instead of the combined set of HR practices, will also be reported.

Hypothesis 1 stated that perceptions of HR practices would be positively related to P-O fit and P-J fit. Hierarchical regression analysis was used to test this hypothesis. Using P-O and P-J fit as dependent variables, the control variables were entered in the first step of the equation. In the second step, the set of perceived HR practices was entered. The results of the regression analyses for P-O fit and P-J fit are provided in table 7.3.

In the first analysis for P-O fit, the controls and the set of HR practices together explained 31% of the variance (R^2 = .325, adjusted R^2 = .313). The set of perceived HR practices has a significant effect on P-O fit (β = .559, p < .001) (see table 7.3). In the second analysis for P-J fit, the controls and the set of HR practices accounted for 52% of the variance in P-J fit (R^2 = .534, adjusted R^2 = .525). The set of HR practices is significantly related to P-J fit (β = .661, p < .001). The results support Hypothesis 1 as the set of perceived HR practices is significantly associated with both P-O and P-J fit. The additional analyses for the specific perceived HR practices (reported in Table 7.3 as step 2b) shows that participation/autonomy/job design explains variance both in P-O fit and P-J fit. In addition, employment security and work-life balance are positively related to P-O fit, whereas training/development and performance appraisal/rewards are positively associated with P-J fit.

Hypothesis 2 predicted that perceived HR practices would be positively related to organizational commitment, OCB, and job satisfaction, and negatively to intention to leave. A hierarchical regression analysis was performed for each of these dependent variables, entering the control variables in the first step and the set of perceived HR practices in the second. Adding the set of perceived HR practices in step 2 explained a significant amount of additional variance in all outcomes (see table 7.4).

Table 7.2 Means, standard deviations, correlations, and reliability coefficients

	M	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1 Organization	0,59	0,49																				
2 Manager	0,15	0,36	0,04																			
3 Number of contract hours	26,24	9,86	0,34**	0,29**																		
4 Tenure	7,54	7,15	0,20**	0,14**	0,23**																	
5 Age	39,29	11,85	0,35**	0,10*	0,20**	0,46**																
6 Gender	0,25	0,43	-0,26**	-0,02	0,09	-0,03	-0,13**															
7 Set of HR practices	3,22	0,66	-0,27**	0,28**	-0,01	0,02	-0,14**	0,02	(0,95)													
8 Employment security	3,92	1,00	-0,18**	0,15**	-0,01	0,20**	0,06	0,01	0,50**	(0,92)												
9 Team working/autonomy	3,79	0,85	-0,17**	0,25**	0,02	0,04	-0,08	-0,01	0,70**	0,32**	(0,88)											
10 Work-life balance	3,22	0,91	-0,14**	0,03	-0,20**	-0,01	-0,18**	-0,03	0,61**	0,30**	0,37**	(0,77)										
11 Participation/Autonomy/Job design	3,43	0,74	0,05	0,38**	0,21**	0,06	0,01	0,02	0,78**	0,34**	0,53**	0,36**	(0,90)									
12 Training/Development	3,08	0,96	-0,22**	0,26**	0,05	0,05	-0,15**	0,04	0,89**	0,37**	0,57**	0,44**	0,61**	(0,94)								
13 Performance appraisal/rewards	2,76	0,85	-0,48**	0,08	-0,16**	-0,12*	-0,20**	0,09	0,78**	0,35**	0,43**	0,44**	0,43**	0,64**	(0,87)							
14 Recruitment/selection	2,81	1,05	-0,12*	0,28**	0,05	0,00	-0,04	-0,04	0,52**	0,22**	0,31**	0,23**	0,41**	0,40**	0,32**	(0,90)						
15 Person-Organization fit	3,83	0,62	0,03	0,22**	0,02	0,06	0,05	-0,14**	0,52**	0,31**	0,33**	0,34**	0,52**	0,39**	0,34**	0,31**	(0,85)					
16 Person-Job fit	3,47	0,85	0,28**	0,20**	0,24**	0,15*	0,29**	-0,18**	0,52**	0,23**	0,38**	0,21**	0,60**	0,46**	0,28**	0,27**	0,55**	(0,92)				
17 Organizational commitment	3,32	0,89	-0,02	0,24**	0,13*	0,24**	0,24**	-0,06	0,47**	0,26**	0,27**	0,25**	0,48**	0,39**	0,33**	0,29**	0,62**	0,49**	(0,87)			
18 OCB	3,94	0,52	0,06	0,29**	0,07	0,10	0,11*	-0,09	0,40**	0,26**	0,30**	0,24**	0,47**	0,31**	0,21**	0,33**	0,49**	0,37**	0,54**	(0,88)		
19 Intention to leave	2,05	0,98	-0,06	-0,16**	-0,05	-0,06	-0,14**	0,10	-0,44**	-0,16**	-0,27**	-0,23**	-0,42**	-0,43**	-0,29**	-0,20**	-0,40**	-0,55**	-0,51**	-0,27**	(0,87)	
20 Job satisfaction	3,92	0,77	-0,08	0,15**	0,01	-0,03	-0,03	-0,03	0,62**	0,29**	0,44**	0,31**	0,57**	0,53**	0,49**	0,25**	0,50**	0,58**	0,48**	0,30**	-0,55**	

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Alphas are in parentheses

Table 7.3 Regression estimates for Person–Organization and Person–Job fit

	P-O fit			P-J fit		
	β	β	β	β	β	β
Step 1: Control variables						
Organization	-.001	.152 **	.096	.130 *	.310 ***	.271 ***
Manager	.223 ***	.062	.043	.139 *	-.052	-.080
Number of contract hours	-.042	-.047	-.056	.131 *	.124 **	.073
Tenure	.031	-.019	-.008	-.017	-.077	-.046
Age	.001	.069	.047	.191 **	.271 ***	.254 ***
Gender (male = 1)	-.127 *	-.094 *	-.110 *	-.133 *	-.094 *	-.115 **
Step 2a: Set of perceived HR practices		.559 ***			.661 ***	
Step 2b: Perceived HR practices						
Employment security			.105 *			-.002
Team working/autonomy			.001			.091
Work-life balance			.117 *			-.019
Participation/autonomy/job design			.347 ***			.351 ***
Training/development			.005			.209 **
Performance appraisal/rewards			.124			.164 **
Recruitment/selection			.079			.025
Δ R^2	.067 **	.259 ***	.283 ***	.172 ***	.362 ***	.381 ***
Δ F	3.793 **	143.903 ***	19.396 ***	11.010 ***	292.284 ***	38.029 ***
R^2	.067	.325	.350	.172	.534	.553
Adjusted R^2	.049	.313	.323	.156	.525	.534

Note P-O fit = Person-Organization fit, P-J fit = Person-Job fit
* $p < .05$ ** $p < .01$ *** $p < .001$ (2-tailed)

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Table 7.4 Regression estimates for employee outcomes

	Org.commitment β	β	OCB β	β	Intention to leave β	β	Job satisfaction β	β
Step 1: Control variables								
Organization	-.174 **	-.097	.135 *	.024	-.133 *	-.089	.083	.061
Manager	.183 **	.028	.168 **	.285 ***	-.005	-.002	-.036	-.050
Number of contract hours	.068	.044	-.043	-.039	.013	.046	.002	-.043
Tenure	.146 *	.131 *	-.003	.034	.062	.049	-.090 *	-.058
Age	.195 **	.244 ***	.105	.055	-.189 ***	-.204 **	.074	.047
Gender (male = 1)	-.081	-.071	-.040	-.064	.048	.065	-.015	-.041
Step 2a: Set of perceived HR practices	.484 ***		.408 ***		-.504 ***		.667 ***	
Step 2b: Perceived HR practices								
Employment security		-.003		.082		.052		.035
Team working/autonomy		-.071		.026		.024		.089
Work-life balance		.085		.073		-.037		-.020
Participation/autonomy/job design		.329 ***		.316 ***		-.209 **		.372 ***
Training/development		.081		-.014		-.334 ***		.151 *
Performance appraisal/rewards		.133		-.008		-.079		.238 ***
Recruitment/selection		.063		.163 **		.021		-.042
Δ R²	.144 ***	.194 ***	.138 ***	.196 ***	.210 ***	.213 ***	.368 ***	.395 ***
Δ F	8.974 ***	110.127 ***	67.407 ***	12.298 ***	106.674 ***	14.282 ***	231.781 ***	30.887 ***
R²	.144	.339	.233	.291	.258	.279	.403	.430
Adjusted R²	.128	.326	.219	.261	.244	.249	.391	.406

Note Org.commitment = Organizational commitment, OCB = Organizational Citizenship Behavior

* p < .05   ** p < .01   *** p < .001 (2-tailed)

Together, the controls and the set of perceived HR practices explained 33% of the variance in organizational commitment (R^2 = .339, adjusted R^2 = .326) and the set of HR practices was significantly associated with organizational commitment (β = .484, p < .001). For OCB, the controls and the set of HR practices explained 22% of the variance (R^2 = .233, adjusted R^2 = .219), and the set of HR practices was significantly related to OCB (β = .408, p < .001). The controls and the set of perceived HR practices explained 39% of the variance in job satisfaction. The set of HR practices was significantly related to job satisfaction (β = .667, p < .001). Finally, for intention to leave, the controls and the set of perceived HR practices explained 24% of the variance, and the set of perceived HR practices was significantly related to intention to leave (β = -.504, p < .001). The results support hypothesis 2 predicting that perceived HR is significantly related to these dependent variables. Additional analyses for the specific HR practices (reported as step 2b in table 7.4) show that participation/autonomy/job design is significantly positively related to organizational commitment, OCB, and job satisfaction, and negatively to intention to leave. Training/development is positively related with job satisfaction, and negatively with intention to leave. Recruitment/selection is positively related to OCB, and performance appraisal/rewards to job satisfaction.

Hypotheses 3a and 3b predicted that P-O fit mediates the effect of perceived HR practices on (a) organizational commitment and (b) OCB. In order for P-O fit to mediate the relationship between perceived HR practices and the employee outcomes organizational commitment and OCB, the following conditions must be satisfied: (a) Perceived HR practices are significantly associated with P-O fit; (b) Perceived HR practices are significantly associated with the employee outcome; (c) When entering P-O fit in the regression equation, the relationship between perceived HR practices and the employee outcome decreases significantly. Full mediation occurs when controlling for P-O fit, the effect of perceived HR practices on the employee outcome becomes non-significant; partial mediation occurs when the effect of HR practices on the employee outcome becomes smaller but remains significant (cf. Baron & Kenny, 1986).

Hierarchical regression analysis was used to test for mediation. Control variables were entered in the first step of the equation, (the set of) perceived HR practices in the second step, and P-O fit in the third step. To check for a possible influence of P-J fit on

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this relationship, P-J fit was added in a fourth step. First, this set of regressions was run with the combined set of perceived HR practices as the independent variable. The conditions for mediation were met here, as the set of HR practices is significantly associated with both P-O fit and commitment and OCB (see Tables 7.3 and 7.4). Mediation was also tested for those separate HR practices that met the criteria in order to gain a more detailed insight in the mediating mechanisms. Results are presented table 7.5 (mediator analyses conducted to test hypothesis 3a and 3b are reported, excluding the first step, shown in Table 7.4).

Results of the regression analysis with the set of perceived HR practices show that entering P-O fit in the third step increases R^2 significantly for both organizational commitment and OCB. In the analysis for commitment, the adjusted R^2 increased from .326 to .492 (ΔR^2 = .164, p < .001), and for OCB, the adjusted R^2 increased from .219 to .291 (ΔR^2 = .073, p < .001). The effect size of the set of perceived HR practices reduced, both for organizational commitment (from β = .484, p < .001 to β = .209, p < .001) and OCB (from β = .408, p < .001 to β = .224, p < .01), and Sobel tests showed that both mediating relationships were significant (p < .001). Adding P-J fit to the regression equation did not explain a significant amount of additional variance in commitment or OCB. For both commitment and OCB, the set of perceived HR practices still had a significant influence after entering P-O fit, which indicates partial mediation of P-O fit on the effect of perceived HR practices on organizational commitment as well as on OCB. The results support hypotheses 3a and 3b. Additional analyses show that the relationship of perceptions of the HR practice participation/autonomy/job design (the only separate practice meeting the criteria for mediation) with organizational commitment and with OCB is also partially mediated by P-O fit (see table 7.5).

Hypothesis 4a and 4b stated that P-J fit mediates the effect of perceived HR practices on intention to leave and job satisfaction. A similar approach was used to test this hypothesis. In the hierarchical regression analysis, first the control variables were entered, (the set of) perceived HR practices were entered in the second step, P-J fit in the third, and P-O fit in the fourth in order to check for possible effects of P-O fit. Table 7.6 reports the results.

Table 7.5 Hierarchical regression testing the mediating role of Person–Organization fit

	Org. commitment				OCB			
	β	β	β	β	β	β	β	β
Step 1: Control variables								
Organization	-.042	-.117 **	-.181 ***	-.177 ***	.085	.135 *	.018	.020
Manager	.044	.014	.022	.002	.147 **	.168 **	.134 **	.121 *
Number of contract hours	.064	.087 *	.017	.067	-.027	-.043	-.086	-.056
Tenure	.102 *	.111 **	.141 **	.128 **	.003	-.003	.029	.021
Age	.254 ***	.220 ***	.219 ***	.205 ***	.082	.105	.078	.069
Gender (male = 1)	-.052	-.006	-.086	-.020	-.009	-.040	-.069	-.028
Step 2a: Set of perceived HR practices	.484 ***	.209 ***			.224 ***	.408 ***		
Step 2b: Perceived HR practices								
Participation/autonomy/job design			.466 ***	.203 ***			.436 ***	.273 ***
Step 3: Person-Organization fit		.492 ***		.499 ***		.329 ***		.310 ***
Δ R²	.194 ***	.164 ***	.184 ***	.174 ***	.073 ***	.138 ***	.161 ***	.067 ***
Δ F	110.127 ***	122.845 ***	100.726 ***	128.195 ***	39.279 ***	67.407 ***	79.645 ***	36.275 ***
R²	.339	.502	.328	.502	.306	.233	.256	.323
Adjusted R²	.326	.492	.315	.491	.291	.219	.242	.308

Note Org.commitment = Organizational commitment, OCB = Organizational Citizenship Behavior

* p < .05   ** p < .01   *** p < .001 (2-tailed)

Table 7.6 Hierarchical regression testing the mediating role of Person-Job fit

	Intention to leave				Job satisfaction					
	β	β	β	β	β	β	β	β	β	β
Step 1: Control variables										
Organization	-.133 *	-.002	-.077	.005	.083	-.051	-.055	.048	-.058	-.056
Manager	-.005	-.027	.011	-.023	-.036	-.014	-.024	-.049	-.020	-.030
Number of contract hours	.013	.065	.057	.083	.002	-.052	-.040	-.044	-.074	-.060
Tenure	.062	.030	.061	.037	-.090 *	-.057	-.058	-.049	-.030	-.036
Age	-.189 ***	-.076	-.199 ***	-.090	.074	-.043	-.039	.051	-.055	-.046
Gender (male = 1)	.048	.008	.063	.012	-.015	.026	.033	-.043	.007	.016
Step 2a: Set of perceived HR practices	-.504 ***	-.227 ***			.667 ***	.380 ***	.343 ***			
Step 2b: Perceived HR practices										
Participation/autonomy/job design			-.210 **	-.039				.394 ***	.236 ***	.205 **
Training/development			-.359 ***	-.231 ***				.172 **	.074	.079
Performance appraisal/rewards								.238 ***	.170 **	.157 **
Step 3: Person-Job fit		-.419 ***		-.411 ***		.434 ***	.385 ***		.413 ***	.363 ***
Step 4: Person-Organization fit							.123 **			.123 *
Δ R²	.210 ***	.082 ***	.225 ***	.079 ***	.368 ***	.088 ***	.009 **	.388 ***	.077 ***	.009 *
Δ F	106.674 ***	46.447 ***	55.248 ***	43.112 ***	231.781 ***	64.429 ***	6.832 **	77.276 ***	53.171 ***	6.334 *
R²	.258	.340	.273	.351	.403	.490	.500	.422	.500	.509
Adjusted R²	.244	.326	.256	.335	.391	.479	.487	.407	.485	.493

Note   * p < .05   ** p < .01   *** p < .001 (2-tailed)

First, an analysis was conducted testing hypothesis 4a: the mediating role of P-J fit in the relationship between perceived HR practices and intention to leave. The conditions for mediation were met for the set of perceived HR practices which was significantly related to both P-J fit and intention to leave (see Tables 7.3 and 7.4). Entering P-J fit in the third step of the regression analysis led to a significant increase in R^2. The adjusted R^2 increased from .244 to .326 (ΔR^2 = .082, p < .001). Entering P-J fit decreased the effect size of the set of perceived HR practices, although it remains significant (from β = -.504, p < .001 to β = -.227, p < .001). The Sobel test showed that the mediating role of P-J fit is significant (p < .001).

Adding P-O fit to the regression equation did not add a significant amount of explained variance. The results support hypothesis 4a: P-J fit partly mediates the relationship between a set of perceived HR practices and intention to leave. As shown in table 7.6, additional analyses including the separate HR practices that met the criteria for mediation (i.e. participation/autonomy/job design and training/development) show that the relationship between participation/autonomy/job design and intention to leave becomes non-significant when including P-J fit, indicating full mediation. Also, P-J fit partially mediates the relationship between training/development and intention to leave.

Next, we tested hypothesis 4b: P-J fit as a mediator of the relationship between perceived HR practices and job satisfaction. As the set of perceived HR practices was significantly related to both P-J fit and job satisfaction (see tables 7.3 and 7.4), the conditions for mediation were met. Entering P-J fit in the third step increases R^2 significantly; the adjusted R^2 increased from .391 to .479 (ΔR^2 = .088, p < .001). The effect size of the set of perceived HR practices reduced (from β = .667, p < .001 to β = .380, p < .001). A Sobel test shows this is a significant mediation (p < .001). A significant amount of additional variance was explained by entering P-O fit in the next step of the regression, the adjusted R^2 increased from .479 to .487 (ΔR^2 = .009, p < .01). Entering P-O fit in the regression equation decreases the effect of P-J fit (from β = .434, p < .001 to β = .385, p < .001), while having less effect on the effect sizes of the set of perceived HR practices. The effect size of P-O fit is smaller than P-J fit, but significant (β = .123, p < .01).

The results support hypothesis 4b. P-J fit partly mediates the relationship between a set of perceived HR practices and job satisfaction. Both P-J and P-O fit have a mediating role in the relationship between perceived HR practices and job satisfaction, P-J fit having a stronger effect size than P-O fit. As shown in Table 7.6, additional results for the separate HR practices indicate full mediation of P-J fit in the relationship between training/development and job satisfaction. The effect of training/development becomes non-significant when P-J fit is entered. Partial mediation of P-J fit is found both in the relationship between participation/autonomy/job design and job satisfaction, and between performance appraisal/rewards and job satisfaction, as their effect size is significantly reduced by entering P-J fit although a significant effect remains.

Hypothesis 5 and 6 suggest a moderating role for P-O and P-J fit. We used hierarchical regression analysis to test these hypotheses and only test these for the set of perceived practices, not for the separate practices. Control variables were entered in the first step. Then, after centering both the set of perceived HR practices and the moderators, the set of HR practices was entered in the second step and the hypothesized moderator (P-O or P-J fit respectively) in the third step. In the fourth step, the interaction term was entered. We also controlled for possible effects of the other type of fit by entering the other type of fit as well as a second interaction term in subsequent steps. Significant interactions are plotted at high (one standard deviation above the mean) and low (one standard deviation below the mean) levels of the moderator following Aiken and West (1991). Simple slope analysis was used to test whether the slopes were significantly different from zero (Aiken & West, 1991).

Table 7.7 reports the test of hypothesis 5a and 5b predicting that P-O fit moderates the relationship between perceptions of HR practices and organizational commitment and OCB. This hypothesis was rejected. Adding the interaction term of P-O fit and the set of perceived HR practices did not explain a significant amount of additional variance in either outcome. The interaction term was not significantly related to organizational commitment or OCB.

Table 7.7 Hierarchical regression testing the moderating role of

Person-Organization fit

	Organizational commitment		OCB	
	β	*β*	*β*	*β*
Step 1: Control variables				
Organization	-.117 **	-.114 *	.085	.082
Manager	.014	.015	.147 **	.146 **
Number of contract hours	.087 *	.090 *	-.027	-.031
Tenure	.111 **	.111 **	.003	.004
Age	.220 ***	.224 ***	.082	.077
Gender (male = 1)	-.006	-.005	-.009	-.010
Step 2: Set of perceived HR practices	.209 ***	.213 ***	.224 ***	.218 ***
Step 3: Person-Organization fit	.492 ***	.485 ***	.329 ***	.339 ***
Step 4: Set of perceived HR practices x P-O fit		-.034		.043
ΔR^2	.164 ***	.001	.073 ***	.002
ΔF	122.845 ***	.785	39.279 ***	.933
R^2	.502	.503	.306	.308
Adjusted R^2	.492	.491	.291	.291

Note   * $p < .05$ ** $p < .01$ *** $p < .001$ (2-tailed)

The tests of hypotheses 6a and 6b are reported in table 7.8. Analyses testing hypothesis 6a, which predicted that P-J fit moderates the relationship between perceptions of HR practices and intention to leave, showed significant results. Entering the interaction term of P-J fit and the set of perceived HR practices increased the adjusted R^2 from .326 to .344 ($\Delta R^2 = .020$, $p < .01$). The interaction term was significant and positive ($β = .146$, $p < .01$), indicating a stronger negative relationship between perceptions of HR practices and intention to leave for low P-J fit than for a high level of P-J fit. Figure 7.1 presents the plot of this relationship. For employees with low P-J fit, the set of perceived HR practices was negatively related to intention to leave ($β = -.476$, $t = -5.639$, $p < .001$), whereas no significant relationship was found for employees with high P-J fit ($β = -.144$, $t = -1.601$, $p < .11$). These results support hypothesis 6a.

Table 7.8 Hierarchical regression testing the moderating role of Person-Job and Person-Organization fit

	Intention to leave		Job satisfaction			
	β	β	β	β	β	β
Step 1: Control variables						
Organization	-.002	-.016	-.051	-.055	-.046	-.053
Manager	-.027	-.032	-.014	-.024	-.021	-.021
Number of contract hours	.065	.040	-.052	-.040	-.022	-.020
Tenure	.030	.034	-.057	-.058	-.061	-.061
Age	-.076	-.098	-.043	-.039	-.023	-.027
Gender (male = 1)	.008	.011	.026	.033	.031	.025
Step 2: Set of perceived HR practices	-.227 ***	-.235 ***	.380 ***	.343 ***	.347 ***	.325 ***
Step 3: Person-Job fit	-.419 ***	-.386 ***	.434 ***	.385 ***	.360 ***	.353 ***
Step 4: Person-Organization fit				.123 **	.129 **	.161 **
Step 5: Set of perceived HR practices x P-J fit		.146 **			-.100 **	-.197 ***
Step 6: Set of perceived HR practices x P-O fit						.137 *
Δ R²	.082 ***	.020 **	.088 ***	.009 **	.009 **	.009 *
Δ F	46.571 ***	11.410 **	64.429 ***	6.832 **	6.927 **	6.552 *
R²	.340	.360	.490	.500	.509	.517
Adjusted R²	.326	.344	.479	.487	.496	.503

Note * p < .05 ** p < .01 *** p < .001 (2-tailed)

Figure 7.1 *Relationship between a set of perceived HR practices and intention to leave at high and low levels of P-J fit*
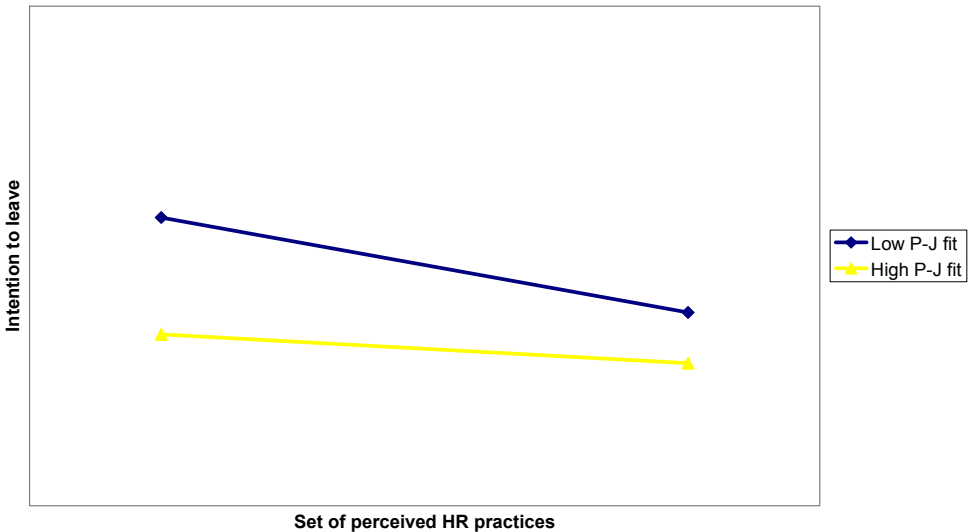
Hypothesis 6b stated that P-J fit moderates the relationship between perceptions of HR practices and job satisfaction, such that the relationship between perceptions of HR practices and job satisfaction will be stronger when P-J fit is low compared to when it is high. Table 7.8 shows that both the interaction term of the set of perceived HR practices and P-J fit, and the interaction term of the set of perceived HR practices and P-O fit are significantly related to job satisfaction. Entering both interaction terms provides a significant increase in explained variance in job satisfaction. The interaction term with P-J fit was significant and negative ($\beta = -.197$, $p < .001$), indicating a stronger relationship between perceptions of HR practices and job satisfaction for low P-J fit than for high P-J fit. In contrast, the interaction term with P-O fit was significant and positive ($\beta = .137$, $p < .05$), indicating a stronger relationship between perceptions of HR practices and job satisfaction for high P-O fit than for a low level of P-O fit. Both relationships are plotted in figure 7.2. For employees with low P-J fit, the set of perceived HR practices was more strongly related to job satisfaction ($\beta = .623$, t = 10.454, $p < .001$) than for employees with high P-J fit, who show a weaker positive relationship ($\beta = .397$, t = 6.257, $p < .001$). These results support hypothesis 6b. In addition to the moderating role of P-J fit, we also found a

significant (non-hypothesized) moderating role of P-O fit in this relationship. For employees with high P-O fit, the set of perceived HR practices was more strongly related to job satisfaction (β = .583, t = 4.108, *p* < .001) than for employees with low P-O fit (β = .619, t = 3.753, *p* < .001).

Figure 7.2 *Relationship between a set of perceived HR practices and job satisfaction at high and low levels of (A) P-J fit and (B) P-O fit*
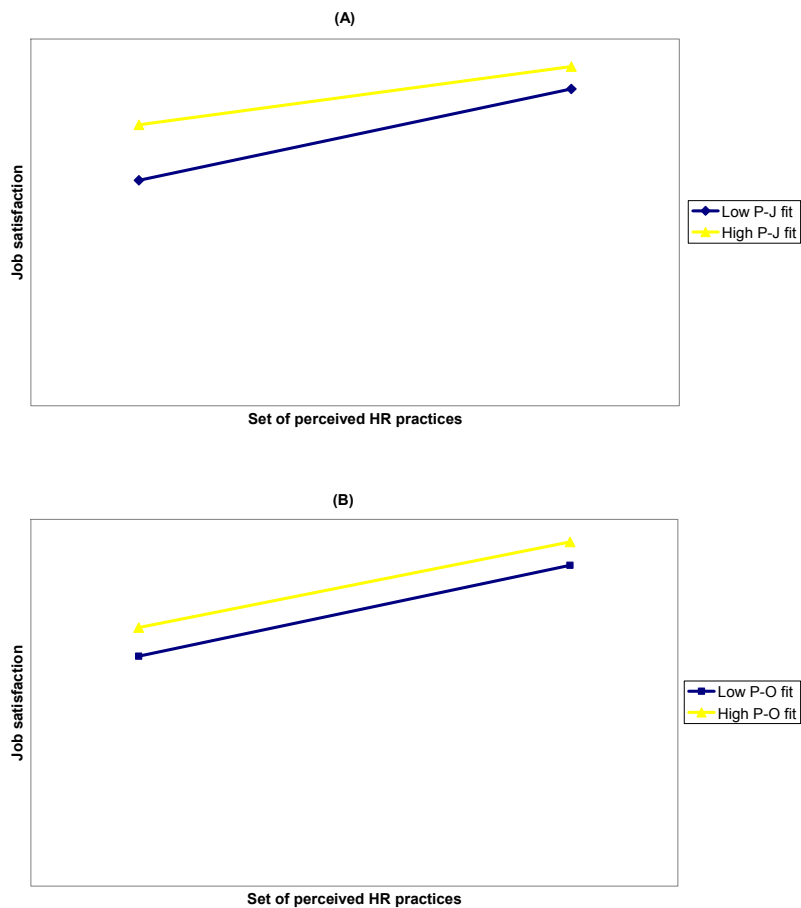
7.5   Discussion

The goal of this study was to bridge the P-E fit and strategic HRM literature through enhancing insight in the relationship between perceptions of multiple 'high performance' HR practices, P-O and P-J fit, and employee attitudes and behaviors. Besides direct relationships between perceived HR practices, P-O and P-J fit, and employee outcomes, we examined potential mediating as well as moderating roles of P-O and P-J fit. To our knowledge, no previous studies have tested these relationships. Strong relationships were found of perceptions of HR practices with P-O and P-J fit as well as with employee outcomes. Moreover, evidence was found for a mediating and a moderating role of P-O and P-J fit in the relationship between perceived HR practices and employee outcomes.

The first objective of this study was to make a contribution to the P-E fit literature by studying the relationship between multiple HR practices instead of a single HR practice and P-O and P-J fit, and by using both P-O and P-J fit in one study. We tested both the how the set of HR practices and seven separate HR practices related to fit. We found significant relationships for the set of practices, suggesting HR practices indeed help to match employees both to their jobs and organizations. Of the separate practices, the perceptions of 'participation/autonomy/job design' were associated most strongly with both P-O and P-J fit, suggesting that the employees' perceived opportunity to be involved in making decisions about their work is important for their perceived match with the job and organization. Recruitment/selection and team working/autonomy were not significantly related to P-O or P-J fit. Employment security and work-life balance were related to P-O fit and training/development and performance appraisal/rewards to P-J fit.

The perceived HR practices associated with P-O fit – employment security and work-life balance – seem to be related to the 'work context', whereas the perceived HR practices associated with P-J fit – training/development and performance appraisal/rewards – appear to be more focused on the job itself. These findings suggest that previous research which indicated that P-O fit is more strongly related to organization-related outcomes, and P-J fit is more strongly related to job-related outcomes (Kristof-Brown et al., 2005) might be extended such that P-O fit is more strongly associated with organization-related HR practices and P-J fit with job-related HR practices.

HRM and Fit

Few P-E fit researchers have examined P-O and P-J fit together in one study. Our study incorporated both constructs and shows that employee perceptions of P-O and P-J fit have distinct relationships with perceived HR practices as well as with employee outcomes. These results support and extend previous research (e.g. Lauver & Kristof-Brown, 2001) and show that the role of P-O or P-J fit depends on which HR practices and which outcomes are examined. Using both P-O and P-J fit recognizes the possibility of additive, or even holistic effects (i.e. Ostroff & Schulte, 2007). Here, we indeed find such effects as our results showed that using both P-O and P-J fit simultaneously explains more variance in job satisfaction than using only one of the two constructs.

Our second objective was to contribute to the strategic HRM literature by focusing on employee perceptions of HR practices and by using P-O and P-J fit as individual level constructs that may help to gain more insight in how HRM affects employees. Both the full set of practices and the separate practice of participation/autonomy/job design were strongly related to all employee outcomes we examined. As also found for P-O and P-J fit, the specific practice of participation/autonomy/job design has an especially strong influence. The extent to which employees feel that they have autonomy and opportunities to participate in decision making about job content as well as job design has a strong influence on their attitudes, behaviors, as well as their feeling of fit with the organization and their job.

Another notable but unexpected result is the significant association between recruitment/selection and OCB. This might result from the design of the study, in which current employees are asked about selectivity in recruitment and selection procedures. A possible explanation might be that people who perceive that selective recruitment and selection procedures are used to hire new employees have a stronger feeling that they are part of a selective community that values the people belonging to it, and in turn they may be more likely to show citizenship behaviors.

To measure perceptions of HR practices in this study, respondents were asked to indicate "to what extent the organization offers *me*…". Thus, the referent of the items is specifically directed to the employees themselves instead of their colleagues or the organization as a whole, in order to capture the individual perceptions. Our findings

suggest that employee perceptions of HR practices have strong associations with employee attitudes and behaviors.

The results of testing the mediating role of P-O and P-J fit reveal that P-O fit partially but significantly mediates the relationship between perceived HR practices and the organization-related outcomes organizational commitment and OCB, and P-J fit partially but significantly mediates the relationship between perceived HR practices and the job-related outcomes intention to leave and job satisfaction. These results are in line with our expectation based on previous research about the association between P-O and P-J fit and employee outcomes (Kristof-Brown et al., 2005). Two relationships are fully mediated, both by P-J fit: the relationship between participation/autonomy/job design and intention to leave, and the relationship between training/development and job satisfaction. Thus, employee perceptions of their (lack of) opportunity to participate and to be involved in decision making do not directly cause people to think about leaving the organization. Rather, such perceptions affect employees' sense of fit with their job, which in turn is related to their intention to leave. The same holds for the relationship between training/development and job satisfaction, which seems to occur via P-J fit. These results suggest that training and development practices help employees to feel better able to meet the requirements of their job and to feel that their needs are fulfilled by the job, which in turn enhances job satisfaction.

Results of testing the moderating role of P-O and P-J fit show that for low P-J fit individuals, perceptions of HRM were more strongly related with intention to leave than for high P-J fit individuals, which was in line with our expectations. A compensation effect seems to occur for low P-J fit employees as for these individuals, positive perceptions of HRM seem to help to lower their intention to leave. In the relationship between perceptions of a set of HR practices and job satisfaction, the moderating roles of P-O and P-J fit occur in opposite directions. Again, in line with our expectations a compensation effect of HRM seems to occur for employees with low P-J fit. The results suggest that for low P-J fit individuals, who are likely to be less successful in their job as their abilities and needs match the demands of the job to a lesser extent, perceiving higher levels of HR practices implies they see that the organization provides opportunities increase skills, abilities, and autonomy which makes them feel more satisfied. The (unexpected)

moderating results for P-O fit and satisfaction suggest an opposite relationship. High P-O fit employees, who are likely to have a better understanding of what the organization wants and needs, may better understand the signals that the HR practices send, such that the HR practices have more effect on these employees, resulting in higher job satisfaction. Contrary to our expectations, no moderating role of P-O fit was found in the relationship between perceived HR practices and commitment and OCB. Whether an employee has a high or low P-O fit does not seem to affect the extent to which HR practices influence their commitment and OCB.

We examined both the mediating and moderating role of P-O and P-J fit. The results reveal that in explaining the relationship between perceived HRM and intention to leave and job satisfaction, both processes may be relevant. In other words, perceptions of HR practices partly affect employee outcomes through their impact on P-O or P-J fit, and partly, the relationship between perceptions of HR practices and employee outcomes depends on whether employee have low or high P-O and especially P-J fit. More generally, in all regression analyses we found that the explained variance for the attitudinal outcomes – organizational commitment and job satisfaction - were much higher than those of the behavioral outcome and the 'behavioral intention', respectively OCB and intention to leave. Perceived HR practices, P-O and P-J fit thus seem to more strongly affect employee attitudes than behaviors (even self-reported ones).

7.5.1 Limitations, future research directions and implications

This study has several limitations. The first is the cross-sectional design of this study. No causal relationships could be tested; therefore, the direction of the results remains untested. Strategic HRM literature assumes that HR practices affect performance through employee attitudes and behaviors. However, reversed causality is also a plausible option, for example, higher performance of the firm may lead to satisfaction or higher levels of perceived HRM (e.g. Wright, Gardner, Moynihan & Allen, 2005). The same holds for the relationship between perceptions of HR practices and P-O and P-J fit. HR practices might influence the level of P-O and P-J fit, but this relationship might also be the other way around. The level of P-O and P-J fit might also influence employees' perceptions of HR practices, as people who achieve a match with their job and

organization may have a more positive view of HR practices. This study presents a first step in examining the role of HR practices in P-O and P-J fit by showing that there are significant relationships. Future research could further explore these relationships by testing the causal order, for example using a longitudinal design following how employees' perceptions of fit and HR develop from the start of a selection process.

A second potential limitation is the possibility of same source bias as perceptions of HR practices, P-O and P-J fit, and employee outcomes were measures from the same source. Kristof-Brown et al. (2005) demonstrated that studies using common raters had higher effect sizes than those with no common source reporting. Therefore, the reported effect sizes might be higher than if some of the variables had been measured through other-ratings. However, as most of the variables we were interested in are perceptual in nature, this would only be possible for a few variables (notably the behavioral ones).

The limitations of this study are accompanied by some strengths. First, following suggested research directions in existing P-E fit studies (i.e. Kristof-Brown et al., 2005; Lauver & Kristof-Brown, 2001), this study included both P-O and P-J fit, which provided the opportunity to look at similarities and differences between P-O and P-J fit in their relationship with HR practices and employee outcomes. Our results revealed that P-O and P-J fit show some important differences in this respect.

In summary, our study demonstrates that perceptions of 'high performance' HR practices are strongly related to P-O and P-J fit and employee outcomes. Moreover, P-O and P-J fit can add value to current research about the 'black box' between HRM and organizational performance. Our findings show that some relationships between perceived HR practices and employee outcomes appear to be indirect, occurring via P-O and P-J fit, and that this relationship differs for different levels of P-J fit and to a lesser extent P-O fit. Future research is needed to gain more insight in this relationship between perceived HR practices, P-O and P-J fit and employee outcomes.

As research in P-E fit has largely focused on the selection and organizational entry phase, few studies have examined P-E fit perceptions for existing employees (Lauver & Kristof-Brown, 2001). Our study shows that for existing employees, perceptions of P-O and P-J fit also significantly relate to employee outcomes. Our study implies that with the use of HR practices, organizations may be able to manage levels of P-O and P-J fit of

employees, and, in turn, this may affect employee attitudes and behaviors. This study also provides insight in how attitudes and behaviors of employees with high or low P-O and P-J fit can be affected by the use of 'high performance' HR practices.

We found that large variation occurs between individuals in their perceptions of the organization's HR practices. Managing these perceptions could be beneficial for an organization as employee attitudes and behaviors are supposed to lead to higher firm performance. While Wright and Nishii (2007) suggest that variation in employee perceptions stem from implementation failures and variation in communication, this need not necessarily be the case. Rousseau (2005) introduced with the concept of 'i-deals' another possible explanation of variation in HR practices between employees. Employees might have a different 'deal' than their colleagues regarding primary and secondary benefits of their job, in other words, they might actually receive different amounts of the HR practices (such as development, autonomy and rewards) which leads to differences in perceptions. Other possible determinants of variation in individual perceptions include for example leadership style and personality. More research is needed to examine the causes of variation in employee perceptions of HR practices in order to give organizations more insight in how to manage these important employee perceptions.

CHAPTER 8   DISCUSSION: SURVIVAL OF THE FITTEST?

8.1   Introduction

The preceding chapters presented empirical studies on five types of fit in strategic HRM, aimed at contributing to further developments to the concept of fit in strategic HRM. Chapter 4, 5, and 6 focused on the first research question, reporting case study research aimed at conceptualizing, operationalizing, and assessing strategic, internal, organizational, and institutional fit. Subsequently, chapter 7 focused on the second research question, aimed at bridging 'macro' and 'micro' level HRM. Chapter 7 reported a quantitative study on examining the role of Person-Environment fit in the relationship between employee perceptions of HRM and employee attitudes and behaviors. Finally, the current chapter will have two main aims. First, to reflect on the concept of fit leading to an overall conclusion, and second, to cover the third research question: "What are the potential contributions of fit to the functioning of organizations?".

Although the five types of fit were reported on separately, the results suggest some common themes and interrelationships. This discussion chapter first provides an overview of the main conclusions of the empirical chapters of this thesis and discussion of some common themes. Then, theoretical and empirical findings on all five types of fit will be brought together in order to reflect on possible interrelationships between the fits, followed by the exploration of potential contributions of fit to organizational functioning (i.e. the third research question of this thesis), which will result in propositions to guide future research. Finally, some limitations as well as possible research directions and practical implications are given.

8.2   Results on the five types of fit

In this section, an overview of the main conclusions of the empirical studies on strategic, internal, organizational, institutional, and P-E fit will be given. First, in chapter 4, alternative operationalizations of strategic and internal fit were presented, and evaluated using data from two organizations in the Dutch retail sector. For both strategic and internal fit, we proposed an operationalization containing three elements. The operationalization of

strategic fit contains links between elements of strategy and HRM, the role of HRM in strategy formulation, and implementation of HR strategy. Internal fit is operationalized as the strength of interaction between HR practices, the alignment between dominant goals with the HR system, and the degree of consistency of HR systems for different employee groups. Moreover, we have added adaptation, defined as the degree of adaptation to changes as a dynamic concept to strategic and internal fit. Qualitative data from two organizations in the retail sector were used in order to score the different elements of strategic and internal fit, and adaptation.

We found that the different elements of the operationalizations of both strategic and internal fit were interrelated. Moreover, our findings suggest that the concept of adaptation, which we added as a dynamic component of fit, can contribute to the integration of strategic fit and internal fit. Our evidence suggests that adaptation – provided it takes place in a proactive way – stimulates the interaction between both strategic and internal fit, and in this way generates stronger fits. The concept of adaptation thus gives a first insight in synergies that may occur when strategic and internal fit are aligned.

Chapter 5 presented an exploratory study as a step towards a conceptualization of organizational fit. Previous research on organizational fit has mainly focused on the manufacturing sector, and on the fit between HRM and one other organizational system. This chapter aimed to extend the concept of organizational fit by studying the fit between HRM and different systems and characteristics of organizations outside of manufacturing. As little is known about organizational fit outside manufacturing contexts, three perspectives - production, control, and organizational culture - were identified from existing strategic HRM literature, which were used in order to identify major themes and issues involved in organizational fit. Case study data from three organizations showed that to be successful in a certain branch of industry, organizations need certain core capabilities, such as flexibility or high service quality. These core capabilities affect organizations' characteristics and systems and organizational fit. Results show that recognizing these core capabilities, as well as how an organization uses systems and characteristics to support these capabilities are necessary in order to study organizational fit. Moreover, we found the pervasiveness of HR practices to be a major theme in organizational fit. Pervasiveness implies that one HR practice aims to support the

production system, control system, as well as organizational culture at the same time; in other words, in case of a high degree of pervasiveness, each HR practice manages employee skills and knowledge required by the production system as well as employee results and behaviors (managed by control systems and culture). Results suggest that a high degree of pervasiveness of HR practices is associated with successful organizations with less (HR) implementation problems.

In chapter 6, we used the concepts of leeway, human agency and strategic choice in order to explain differences in the nature of institutional fit, and explored our theory in case studies of three Dutch organizations. Institutional fit can make a contribution to strategic HRM by providing insight in this more nuanced and balanced goal setting of organizations, focusing on legitimacy goals besides the commonly examined efficiency goals. This chapter has provided more insight in the factors affecting institutional fit. We found that institutional embeddedness of an organization in combination with non-institutional factors like financial leeway and market situation affect the leeway the organization has in making choices with respect to HRM. Human agency in turn affects the degree to which an organization uses the leeway to their own advantage, such that room for strategic choice can be created. Three types of institutional fit were developed, which represent different responses to institutional pressures: a deviant, conformist, or innovative nature of institutional fit. We found that the three organizations represent three different types of institutional fit as they chose different strategic responses to institutional pressures; Organization B as innovator, Organization A as conformist, and Organization C as deviant. Moreover, we found that for an organization's response to institutional pressures, active agency seems to make a difference. Results show that institutional fit is a construct with an inherent balance; achieving institutional fit reflects achieving an optimal level of conforming to institutional pressures on the one hand, and differentiation from competitors on the other hand.

Whereas chapter 4, 5, and 6 adopted a macro orientation, chapter 7 has focused on micro level relationships. Chapter 7 presented a quantitative study on the relationship between perceptions of multiple 'high performance' HR practices, P-O and P-J fit, and employee attitudes and behaviors. The aim of this study was to examine the potential roles of P-O and P-J fit in the relationship between perceptions of HR practices and employee

attitudes and behaviors. Both employee perceptions of a combined set of HR practices, as well as perceptions of separate HR practices were examined using data from two large organizations, one operating in the retail sector and one in health care. We found strong relationships of perceptions of HR practices with P-O and P-J fit as well as with the employee outcomes organizational commitment, OCB, intention to leave, and job satisfaction. Moreover, evidence was found for a mediating and a moderating role of P-O and P-J fit in the relationship between perceived HR practices and intention to leave and job satisfaction. Perceptions of HR practices partly affect intention to leave and job satisfaction through their impact on P-O or P-J fit, and partly, the relationship between perceptions of HR practices and employee outcomes depends on whether employee have low or high P-O and especially P-J fit. Examining perceptions of separate HR practices revealed particularly strong relationships between employee participation and autonomy and both P-O and P-J fit, as well as all employee outcomes.

Different fit approaches described in chapter 2 (summarized in table 2.2) have been used for conceptualizing fit in this thesis. For strategic fit, a strategic contingency or interaction approach was applied, which focuses on the interaction between strategy and HRM. Strategy is then seen as a contingency variable, implying that for each type of strategy or strategic goals, different HR practices would be needed in order to accomplish these goals. For institutional fit, the selection approach (i.e. Drazin & Van de Ven, 1985) played a role, which combines elements of natural selection, being the result of aiming for organizational survival in a certain institutional context, and managerial selection, reflecting the role of human agency making choices within differing degrees of freedom. The selection approach is a criterion-free approach, which focuses on natural and managerial selection processes without linking this to a certain outcome. This criterion-free approach was applied in our study on institutional fit, which was focused on the process of achieving a certain nature of institutional fit without assessing certain outcomes of these types of fit.

Internal and organizational fit were both driven by a configurational or systems approach. Both types of fit involve a range of elements (HR practices and organizational systems and characteristics), and for both types of fit, a high level of fit implies that different elements should be aligned such that the whole is more than the sum of the parts.

Our results suggest that both internal and organizational fit are affected by dominant goals, such as dominant themes or core capabilities. This relates to Gresov and Drazin (1997), who argue that in the systems approach, different internally consistent systems are possible depending on the goals of the organization. Finally, P-E fit relates to fit as matching, as it refers to a match between the person and the environment. In chapter 7 however, we used a direct approach in measuring P-E fit, implying that employee's perception of the match between the person and the environment was measured directly, and not by commensurate measurement of the person and the environment. In studying P-E fit, we also applied fit as mediation and fit as moderation (i.e. Venkatraman, 1989), P-E fit being the criterion variable (i.e. the mediating or moderating variable) in the relationship between perceptions of HR practices and employee attitudes and behaviors.

Overall, throughout this thesis, some common themes emerged. First, the role of organizational culture, and second the dynamics of fit. These two themes will be explored further below.

8.2.1 *Organizational culture*

Different chapters of this thesis highlight the role of organizational culture in managing desired employee behaviors. Organizational culture refers to a pattern of shared basic assumptions (i.e. Schein, 1985). Organizational culture is used by the case study organizations for behavioral control, which shows similarities with 'beliefs systems' as defined by Simons (1995: 34) as an explicit set of organization definitions that "espouse the values and direction that senior managers want subordinates to adopt". These core values are linked to organizational strategy (Simons, 1995). In this thesis, we have not aimed to assess organizational culture as a whole; instead we have looked at how organizations use organizational culture specifically for coordinating (desired) employee behaviors. Results show that organizational culture as a behavioral control mechanism plays a role in all five types of fit. For example, besides forming a dominant goal (i.e. an element of internal fit), organizational culture and vision also plays a role in the link between strategy and HRM. As culture plays a role in both strategic and internal fit, a close link between strategic and internal fit is expected. Moreover, following theory, organizational culture was chosen as one of the lenses through which organizational fit was

studied, but we also found organizational culture to be related to elements of production and control. For example, flexibility, being a driver of the production and control system was also reflected in the culture of Organization B, and Organization C's value-driven approach influenced its production system, such that culture and production were closely related. On the individual level, P-O fit deals with the extent to which employees perceive their own fit with culture, which was found to be strongly related to employee perceptions of HR practices. Finally, in studying institutional fit, elements of human agency and an organization's strategic choice seem to be driven by culture; the organizations that put most emphasis on flexibility and change also showed active agency.

Kostova and Roth (2002) make a distinction in implementation and internalization in defining HR practice adoption in their study on HR practice adoption in multinational companies. Implementation is expressed in the external and objective behaviors and the actions required by the practices. Internalization implies that the practice is viewed as valuable for the organization and leads to commitment to the practice (Kostova & Roth, 2002). Together they represent the overall level and depth of adoption of the practice. This distinction between implementation and internalization also relates to organizational culture. Similarly, Schein (1985) makes a distinction between three layers of organizational culture: artifacts, which are clearly observable structures and processes such as work surroundings, language and clothing style, espoused values, which are the strategies, goals and philosophies of organizations, and basic underlying assumptions, which are subconscious embedded values and norms. Basic underlying assumptions reflect the internalized values and norms of the organization.

All three organizations in this study pay much attention to reinforcing culture. This might be explained as particularly in service organizations like the retail and health care organizations in our study, organizational culture is one of few available means for managing and coordinating employees. However, Organization B was the only organization which went a step further than implementation by focusing on internalizing culture. As the culture of Organization B has a strong focus on flexibility and change, the organization has a proactive attitude towards these changes. Therefore, we observed a proactive approach to adaptation in Organization B. Moreover, this proactive attitude was reflected in the role of human agency in Organization B, which was characterized by active

development and actively creating leeway for HRM. In sum, our results suggest that Organization B's overall focus on internalization might be related to the high level of overall fit that is achieved.

Organizational culture as a way to manage employee behaviors is thus to a greater or lesser extent related to all five types of fit. Our results suggest that a strong or 'internalized' organizational culture could connect different types of fit in an organization. Further exploring the relationships between organizational culture as a way to coordinate employee behaviors and fit is of interest for future research.

8.2.2   *Fit and dynamics*

Research into fit mainly takes a static approach, assuming that fit is a static concept. Our results however show the importance of dynamics in fit. Whereas in other research fields such as strategy research, much attention has been paid to dynamics as part of the research area, dynamics in fit is fairly new. The importance of dynamic fit or adaptation has been reflected in different types of fit. Besides achieving the different types of fit, an organization's approach in coping with changes seems to make a difference. For example in chapter 4, adaptation - defined as the ability to adapt to changes - was added as a dynamic element to strategic and internal fit. Results indicated that adaptation can contribute to the integration of strategic fit and internal fit. A proactive approach to adaptation requires a close integration between the different elements of strategic and internal fit: between strategy and HRM processes and content, between separate HR practices, and between dominant goals and HRM. In other words, a proactive approach to adaptation strengthens fit. A similar mechanism was observed in assessing institutional fit (chapter 6). (Active) human agency seems to be crucial for being able to gain a competitive advantage, to 'make a difference' as an organization, and to be able to adapt and cope with change or to create change, within a 'restrictive' institutional context.

Adaptation can also make a contribution to other types of fit. In chapter 5 on organizational fit, the need for flexibility in employee staffing was found to be a core capability of the two retail organizations, which also stresses the importance of adaptation and flexibility. In case of a changing environment, a proactive approach to adaptation would lead to adaptation of organizational strategy and goals, which leads to a changing

need for job requirements and required behaviors to add value for the organization, which can be managed by control systems and organizational culture. A proactive approach to adaptation could strengthen organizational fit by closely integrating core capabilities, job requirements, control, organizational culture, and HR practices. For P-E fit, a proactive approach to adaptation might lead to communication of a clear set of goals and practices to employees during change such that they are better able to assess their degree of fit with the organization and to show desired skills and behaviors.

In sum, the results in this thesis show that high flexibility and proactiveness can strengthen fit. This corresponds with a criterion-free perspective on fit as described in chapter 2, implying that the degree of fit can be viewed as an evolutionary process of adaptation, where the firms who continually renew their fit with their external context are the best-performing firms (Sivasubramaniam & Kroeck, 1995). Moreover, Datta, Guthrie, and Wright (2005) discuss how contingency theory and the resource-based view deal with dynamic environments. In contingency theory, which focuses on the interplay between external organizational environments and management structures and styles, it is argued that an organization operating in a dynamic environment is best served by an organic, employee-centered, management style. Following the resource-based view, many elements of 'high performance' HR systems promote organizational flexibility, which gives rise to a 'dynamic fit' (Datta et al., 2005). Colbert (2004) and Helfat and Peteraf (2003) show how adaptive or dynamic capabilities as well as capability lifecycles, which involve patterns of development and evolution of organizational capabilities, can make a contribution to strategic HRM.

Adding a dynamic component to fit therefore seems relevant in order to explain differences between organizations in the level of fit achieved. More research is needed to further develop and test this dynamic component and to determine which factors affect an organization's ability to cope with changes. Future research could focus for example on the antecedents of an organization's adaptive capability, and their effect on fit in organizations.

8.3   Relationships between the five types of fit

The previous section has focused on the role of organizational culture and dynamics in fit, and has given attention to their effects on integration of different types of fit. The results on the different types of fit in this thesis suggest relationships between strategic, internal, organizational, institutional, and P-E fit. The five types of fit cannot be regarded separately; instead, to a certain degree they are interrelated. But how are they interrelated? Is it simply an additive relationship, implying that the more types of fit are achieved, the better? Results suggest that the relationships between the five fits seem to be more complex.

In theory, different types of relationships between concepts or variables can be distinguished. For example, a relationship might be additive, synergistic, conditional, or hierarchical. As mentioned in chapter 2, Delery (1998) uses different ways to characterize relationships between HR practices; HR practices can be additively or interactively related. In an interactive relationship, HR practices can either be substitutes, for which the whole is less than the sum of the parts, or synergistically related, for which the whole is more than the sum of the parts. On a higher level, these types of relationships can also be used to describe relationships between different types of fit. Moreover, Simon (1979) makes a useful distinction between optimizing and satisficing, arguing that the ultimate goal of decision making is not always optimization. Achieving a satisfactory solution rather than optimization might be sufficient, depending on one's goal.

Below, based on the above-mentioned types of relationships, some interrelationships between types of fit will be proposed, resulting in the development of a hierarchy of fits.

8.3.1   *Interactive relationship or satisficing: strategic and institutional fit*

Strategic balance theory (i.e. Deephouse, 1999) argues that organizations face a trade-off between institutional and competitive pressures. Institutional pressures lead to conformity; "The basic argument is that a firm, which is similar to other firms, avoids legitimacy challenges that hinder resource acquisition" (Deephouse, 1999: 152). Because of institutional forces, organizations are 'pressured' to become more similar, and conformity increases legitimacy. However, competitive pressures lead to differentiation of

organizations. This is because a firm with a different strategy benefits because it faces less competition for resources (Deephouse, 1999). In this situation, differentiation would lead to higher performance. Both legitimacy and financial performance are needed for long term survival, and organizations face the challenge of balancing legitimacy and efficiency goals.

Strategic balance theory thus reflects the relationship between strategic and institutional fit, and suggests that strategic and institutional fit are interactively related as they might be contradictory. In order to achieve high performance, organizations have to achieve a certain degree of differentiation as well as conforming (Deephouse, 1999), which suggests satisficing instead of optimizing the level of both strategic and institutional fit.

Our results indicate that human agency might play a role in the relationship between strategic and institutional fit. The findings on institutional fit suggest that the ability of an organization to achieve both strategic and institutional fit at the same time depends on (active or passive) human agency. In case of active human agency, an organization seems to be better able to balance strategic and institutional fit, as it increases the room for strategic choice in HRM while maintaining or achieving a fit with the institutional context at the same time. In contrast, in case of passive human agency, institutional pressures are the dominant determinants of the organization's leeway for HRM. As passive human agency does not increase the room for strategic choice, which leaves less room for being able to balance strategic and institutional fit. Therefore, we expect:

Proposition 1: In case of active human agency, organizations are better able to balance the level of strategic and institutional fit than with passive human agency.

8.3.2 *Hierarchical relationship: strategic and organizational fit*

The relationship between strategy and organizational systems and their effect on HRM have been mentioned in strategic HRM research (e.g. Becker & Gerhart, 1996; MacDuffie, 1995). MacDuffie (1995) for example, argues that bundles and practices from core business functions are derived from an organization's overall business strategy. Similarly, Becker and Gerhart (1996: 794) argue that "HR systems only have a systematic impact on the bottom line when they are embedded in a firm's management infrastructure

and help it solve real business problems such as product development cycle times, customer service, and so forth". Similarly, Becker and Huselid (2006: 899) emphasize that the basis of the effectiveness of HR practices is the alignment of the 'HR architecture' with strategic capabilities and 'business processes that implement strategy', which ties together strategic and organizational fit. In these studies, a hierarchical relationship between strategy and organizational systems is suggested; organizational systems and characteristics are used in order to solve business problems and to implement strategy, which corresponds with the idea that decisions on the strategic direction and on operating procedures correspond with different levels of strategic decision making (i.e. Purcell & Ahlstrand, 1994).

Our results in the retail and health care sector show a similar relationship between strategic and organizational fit. In chapter 5, we found that an organization's core competence drives an organization's systems and characteristics as well as organizational fit. An organization's choice of how to develop its core competence is reflected in its strategy, and this strategy is in turn supported by the production, and control system, and organizational culture. However, in other branches of industry, the relationship between strategic and organizational fit might be the other way around; organizational systems and characteristics then form the foundation for an organizational strategy, corresponding with the inside-out orientation of the resource-based view (cf. Barney, 1991), which argues that unique organizational resources form an organization's competitive advantage. For example, strong distribution systems or production systems in manufacturing industries can be a source of competitive advantage, such that organizational fit precedes strategic fit. The dominant focus or capability of an organization which can be related to the branch of industry thus seems to affect the hierarchical relationship between strategic and organizational fit. In line with this, we expect:

> *Proposition 2:* Strategic and organizational fit are hierarchically related, depending
> on the dominant focus or capability of the type of industry an organization operates
> in. In some branches of industry, strategy leads to the shaping of organizational
> systems and characteristics, whereas in others, organizational systems and
> characteristics determine how strategy is shaped.

8.3.3 *Synergistic relationship: organizational and internal fit*

Results in chapter 5 show that the degree of pervasiveness of HR practices - reflecting the degree to which HR practices aim at supporting different organizational systems and characteristics at the same time - is a dominant characteristic of organizational fit. Besides this broad application of HR practices, combining HR practices in an internally fitted HR system might also support organizational systems and characteristics. Results suggest that a high level of fit between HR practices, resulting in a coherent and consistent HR system (i.e. internal fit: Delery, 1998; Huselid, 1995), supports alignment between the three organizational systems. In other words, organizational fit can be regarded as an extension of internal fit, operating on a higher level; internal fit reflects the alignment between HR practices in an HR system, whereas organizational fit includes broad alignment of each HR practice within the coherent HR system with organizational systems and characteristics. Organizational and internal fit might therefore together form a configuration of organizational systems and characteristics and HR practices. These results support previous studies. For example Appelbaum et al. (2000: 32-33) use a systems model of internal fit, in which "there may be synergies among the work organization and human resource practices that lead to positive interaction effects on performance when they are adopted together", emphasizing a systems or configurational approach to work organization and HR practices. Therefore, we propose:

> *Proposition 3:* Organizational and internal fit are synergistically related, such that together they form a configuration of organizational systems and characteristics with HR practices.

8.3.4 *Conditional relationship: strategic, organizational, internal, and P-E fit*

Our results show that strategy determines desired employee behaviors, and organizational systems and characteristics determine which employee skills and behaviors are required for effective use of these systems. Strategy, organizational systems, and the HR system provide "the context within which P-E fit can operate", as they are the major elements that define the 'E' in P-E fit (Ostroff & Schulte, 2007: 10). When organizational

elements are not internally consistent or aligned, the environment with which the individual must fit is "too ambiguous to allow for individuals to achieve meaningful P-E fit" (Ostroff & Schulte, 2007: 10). Inconsistencies in the signals and messages sent to employees about what is expected and valued in the organization are likely when the elements of the system are not in alignment (Bowen & Ostroff, 2004). Therefore, in case of misfit, conflicting goals and expectations are communicated to employees, which might lead to low levels of P-E fit.

Our study on organizational fit also suggested a relationship between organizational fit and P-E fit. For organizational fit, we examined HR practices from the perspective of production, control, and organizational culture. From the perspective of production, we found that an organization uses HR practices in order to employ people with the skills and knowledge needed to perform the job, which corresponds with achieving a P-J fit (see also: Kulik, Oldham & Hackman, 1987). From a control perspective, HR practices were used in order to motivate employees to show desired results, and from an organizational culture perspective, HR practices were used in order to motivate employees to show desired behaviors, which both relate with achieving a P-O fit. This way, achieving P-J and P-O fit is one of the aims of organizational fit, and not achieving this fit would hinder P-O and P-J fit. The same holds for strategic and internal fit, as consistent messages to employees about desired goals and behaviors seem to be used to enable P-E fit, for example by using selection and training practices aimed at achieving a fit between employees and the organization. In sum, we propose:

> *Proposition 4:* There is a conditional relationship between strategic, organizational, and internal fit on the one hand and P-E fit on the other hand; achieving strategic, organizational, and internal fit is needed in order to achieve high levels of P-E fit.

8.3.5 *A hierarchy of fits*

Following the different types of relationships between the five fits that were proposed in the previous paragraphs, a hierarchy of types of fit can be defined. Purcell and Ahlstrand (1994) distinguish three different levels of strategic decision making which can be applied to the five types of fit. They distinguish first-order, second-order, and third-

order decisions. First-order decisions involve long term decisions on the strategic direction of the organization, second-order decisions focus on internal operating procedures and relationships between parts of the firm, and third-order decisions involve strategic choices in HR management or enacted policies (Purcell & Ahlstrand, 1994). Applying this theory to the concept of fit, a distinction can be made between first-order fit, second-order fit, and third-order fit. First-order fit corresponds with balancing competitive and institutional pressures leading to a certain level of strategic and institutional fit, as it involves long term decisions. Second-order fit, focused on relationships between parts of the organization (i.e. Purcell & Ahlstrand, 1994) involves shaping organizational systems and characteristics, leading to a certain level of organizational fit. Third order fit focuses on HRM and enacted policies, which corresponds with shaping an internally consistent HR system (i.e. internal fit), and achieving P-E fit.

Depending on the dominant focus of the organization, different 'starting points' for the hierarchy of fits are possible; first-order fit or second-order fit can both be the starting point of the hierarchy. Either the first-order fits might be leading, followed by organizational fit as second-order fit or, as argued in proposition 2, in case of a dominance of organizational systems, for example a strong manufacturing or distribution system, second-order fit might be leading, followed by the first-order fits. Subsequently, regardless of whether the starting point of the hierarchy is first-order or second-order fit, the third-order types of fit – internal and P-E fit – follow the first- and second-order types of fit, as achieving a high level of the first-order and second-order fits seems to be a necessary condition for achieving P-E fit, as argued in proposition 4. Both P-O fit and P-J fit are enabled by consistent communication of the organization's values and goals as well as job requirements.

With proposing this hierarchy of fits, the question remains how achieving (a number of) fits can contribute to organizational effectiveness. Below, the potential contribution of fit to the functioning of organizations will be explored by reflecting on the theoretical and empirical findings on the different types of fit.

8.4   The potential contribution of fit to organizational functioning

In this section, the third research question of this thesis will be covered. This thesis has aimed at further developing the concept of fit in the field of HRM. For the first research question concerning strategic, internal, organizational, and institutional fit, we have taken a step back to conceptual development of fit in strategic HRM, such that in a later step, performance effects of fit can be tested. Further development of the operationalization and measurement of different forms of fit is needed before concluding whether such a link exists. Only for the second research question concerning P-E fit was the relationship with employee attitudes and behaviors assessed; we found that P-O and P-J fit both had a strong positive relationship with employee attitudes and behaviors.

Although we could not test performance effects of strategic, internal, organizational, and institutional fit, we did find evidence in the case studies that organizations aim for achieving a fit in order to perform more efficiently as well as more effectively. Therefore, we will explore the potential contributions of fit to organizational effectiveness below, leading to exploratory propositions about the performance effects of the different types of fit.

Results show that particularly in the selection process, all three organizations deliberately focus on the candidate's fit with the organization:

> *"Besides competencies, a candidate's fit with the culture and the department is very important during the selection procedure."* (HR manager, Organization A)
>
> *"A fit with Organization A's culture, as well as a fit with the team and flexibility are the most important selection criteria."* (HR department member, Organization A)
>
> "*There is a dominant culture in Organization B, particularly because we strongly focus on values in recruitment. Also, people who do not fit the culture do not stay long, which means that the co-workers who do stay with Organization B tend to have a strong fit with the culture."* (HR manager, Organization B)
>
> *"All managers receive a recruitment training, which focuses on the fit between new employees and Organization B's concept and culture."* (HR manager, Organization B)
>
> *"During the selection procedure, there is a strong focus on the vision. Candidates are asked whether they are prepared to provide care based on Organization C's values."* (Manager, Organization C)

HRM and Fit

Moreover, our findings indicate that each of the organizations in our study pursues alignment between strategy and HR practices, as well as between organizational culture and HR practices:

> *"The 'culture keys' have a very important influence on the design of the HR system; the culture keys are reflected in training, development, and appraisal."* (HR manager, Organization A)
>
> *"The competencies of all co-workers are directly linked to the business plan, so everyone makes a unique contribution to the achievement of our strategic goals."* (HR manager, Organization B)
>
> *"Organization C's vision drives the complete HR system, from selection to performance interviews."* (HR manager, Organization C)

It seems that organizations see achieving a fit as relevant for the organization. But, what is the goal of achieving a fit? The HR manager of Organization B quoted above for example, refers to 'achievement of our strategic goals'. Inherent in the concept of fit is the assumption that achieving a high level of fit is associated with high effectiveness (Drazin & Van de Ven, 1985; Nadler & Tushman, 1980; Wright & Snell, 1998). But, what type of performance do we look at? The effectiveness of the HR system; organizational performance; or employee performance? Performance has a different meaning, depending on which perspective is used. HRM could be beneficial for the one, while at the same time being negative for the other (i.e. Francis, Keegan & Wilson, 2005).

In the strategic HRM literature, researchers have mainly used financial performance measures in order to examine the effectiveness of HRM (Boselie et al., 2005; Francis et al., 2005). However, little attention has been paid to the meaning of performance from the perspective of other stakeholders. 'Performance' is often referred to as a general concept, without concrete information about which type of performance. Therefore, in chapter 2, we argued for using a multidimensional concept of performance (e.g. Paauwe, 2004), looking at performance from the perspective of different stakeholders of the organization. As mentioned in chapter 2, Boselie et al. (2005) make a distinction between types of performance based on Dyer and Reeves (1995), between financial outcomes (e.g. accounting-based and market-based measures), organizational outcomes, (e.g. output-based measures such as productivity, product- and service quality), and HR related outcomes (e.g. attitudinal and behavioral impacts among employees, such as satisfaction,

commitment, intention to quit, and employee turnover). For each type of fit, different performance measures might be most relevant. P-E fit for example, was linked to employee attitudes and behaviors in this thesis, being HR related outcomes. Based on combining and exploring our findings, we will suggest possible relationships between fit and performance below.

Strategic fit has been associated with achieving strategic goals and to achieve a competitive advantage in order to outperform competitors in the sector. This might be associated with market-based outcomes and financial performance, corresponding with the above-mentioned financial outcomes. Possible indicators are profit margin, market value, or sales growth. Therefore, we expect:

Proposition 5: Strategic fit is expected to be most strongly related to financial and market performance measures, like profit margin, market value, or sales growth.

Contrary to strategic fit, internal fit has a more inward focus on HR practices and employees. Research suggests that a coherent and consistent HR system is used in order to send messages to employees regarding desired behaviors (i.e. Bowen & Ostroff, 2004). As the HR system is used to manage employee abilities and behaviors in the organization, HR related outcomes such as satisfaction, commitment, intention to quit, and employee turnover (i.e. Boselie et al., 2005) might be relevant for internal fit. In line with this, we expect internal fit to be related to HR related outcomes:

Proposition 6: Internal fit is expected to be most strongly related to HR related outcomes, such as satisfaction, commitment, intention to quit, and employee turnover.

Exploring the concept of organizational fit highlighted the importance of an organization's core competence that is supported by an organization's systems and characteristics. Some goals of the systems were identified, including flexibility and service quality, which correspond with organizational outcomes as distinguished by Boselie et al. (2005). Therefore, we propose:

Proposition 7: Organizational fit is expected to be most strongly related to organizational outcomes, covering output-based measures such as productivity, product- and service quality, and flexibility.

Finally, for institutional fit, three types were defined: innovative, conformist, or deviant. Contrary to the other types of fit, the three types of institutional fit do not reflect levels of fit, with one type of institutional fit being 'stronger' than the other. However, the three types of institutional fit might have different effects on performance.

As institutional fit deals with balancing the degree of conformity and the degree of differentiation in order to achieve long term survival or viability, both institutionally oriented and competitively oriented performance measures seem to be relevant. Following strategic balance theory and propositions, a high degree of conforming to institutional pressures reduce legitimacy risks (Deephouse, 1999), whereas organizations that do not conform to institutional pressures face higher legitimacy risks. As one type of institutional fit focuses on conforming, whether the other types do not, we expect:

Proposition 8: The conformist nature of institutional fit is associated with higher legitimacy than the innovative and deviant nature of institutional fit.

Looking at the degree of differentiation (i.e. Deephouse, 1999), higher differentiation is associated with higher financial or market performance, while at the same time risking legitimacy. Both the innovative and deviant nature of institutional fit focus on differentiation, therefore, we expect:

Proposition 9: The innovative and deviant nature of institutional fit are associated with higher financial or market performance than the conformist nature of institutional fit.

Overall, our results suggest that in order to outperform other organizations, achieving 'higher order' fit or in other words, a 'fit between the fits', might be beneficial.

For example, we not only found that a proactive approach to adaptation could strengthen strategic and internal fit, but results also suggested that the concept of adaptation gives a first insight in synergies that may occur when strategic and internal fit are aligned. Moreover, high pervasiveness of HR practices in organizational fit also seems to be related to better (overall) performance. In line with this, it is suggested that in order to achieve superior performance, an organization needs adaptive or dynamic capabilities (i.e. Colbert, 2004; Datta et al., 2005; Helfat & Peteraf, 2003) in order to be able to achieve dynamic fits. Therefore, we propose:

> *Proposition 10:* In order to achieve superior performance, organizations need adaptive or dynamic capabilities to enable to achieve stronger fits, or 'higher order' fit.

A problem that could be faced in testing performance effects of fit is that many performance measures cannot be exclusively related to HRM. Other organizational or environmental factors might also affect performance. Therefore, an organization could be successful without achieving any fit or with only one or a few fits, for example, in a situation of market growth, or as a result of an increase in labor supply. This problem needs to be encountered in future research, for example by choosing a research design that enables to control for other influences on performance. Moreover, besides the possibility of 'performance without fit', we need to know more about the effects of misfit or a lack of fit on organizational performance. In the study on organizational fit for example, more implementation challenges were observed in the two organizations that did not fully align HR practices with control, which suggest a possible negative effect of a lack of fit. In case of a lack of fit, it is expected that no clear messages are sent to employees, and in case of misfit, the messages to employees might even be conflicting. More research is needed in order to examine how a lack of fit and misfit affect organizational performance.

8.5   Survival of the fittest?

This thesis has aimed to contribute to further developments in the 'fit' area in strategic HRM, by studying five types of fit. The next step we will take is to evaluate our

research, and the choice for studying these five types of fit. Do we need all five types of fit?

As HR practices can potentially fit with a large number of aspects, fit is a difficult topic to study. For each aspect or variable that is incorporated, at the same time a large number of other aspects are left out. In this thesis, we have chosen to concur with previous research on fit in the field of strategic HRM by using the four types of fit defined by Wood (1999) as a starting point, and by adding P-E fit in order to establish a link with the individual level. By taking current research on fit as a starting point, we have tried to make a contribution to the knowledge about fit.

Figure 8.1 shows the overview of this research with the five types of fit as was presented in chapter 1. We found that all five types of fit have a distinctive focus, and seem to have interactive, hierarchical, or conditional relationships with each other. Our results show that focusing on only one fit leads to a loss of information; part of the picture is missing. For example, looking at either institutional or strategic fit would risk a loss of information about the strategic balance between competitive and institutional pressures. Strategic, organizational and internal fit seem to be most closely related, as they together form a configuration of organizational systems and characteristics, and HR practices, aimed at achieving strategic goals and core capabilities. On the other hand, the three constructs seem to have different foci, as their main goals or performance effects are expected to be different.

Figure 8.1 Overview of types of fit
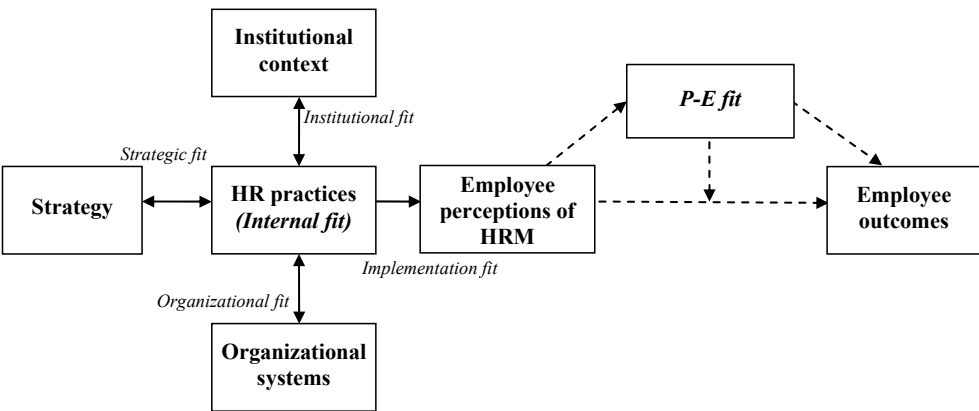
This leads to the question whether it would be meaningful – given the close interrelationships between the different types of fit – to distinguish different types of fit at all. Or would it make more sense to focus on one overall fit which ties different organizational elements together, corresponding with systems thinking of several decades ago (i.e. Nadler & Tushman, 1980)? Our results suggest that a dominant focus or capability affects this overall fit. The difference between successful and less successful organizations might be explained by the presence or absence of such a dominant focus.

Besides the five types of fit that were studied, two contributions could be made following the results presented in this thesis. First, in chapter 4, results have shown that adding a dynamic component to fit can make a valuable contribution. Therefore, a focus on adaptive or dynamic capabilities of organizations seems relevant for emphasizing the dynamic element of fit instead of seeing fit as a static construct. More research is needed to further examine the contribution of adaptive capabilities to fit research.

Second, as the first research question focused on strategic, internal, organizational, and institutional fit (the left part of figure 8.1), and the second research question covered the relationship between employee perceptions of HRM, P-E fit, and employee outcomes (being the middle part of figure 8.1), there is a 'missing link' between HR practices and employee perceptions of HRM which was not studied. As mentioned in chapter 1, Wright and Nishii (2007) make a distinction between intended HR practices, actual HR practices, and perceived HR practices in their process model of strategic HRM. Because of variation in implementation and communication, and individual differences in perceptions of HR practices, a difference can occur between HR practices as intended, implemented ('actual') HR practices and perceived HR practices (Wright & Nishii, 2007). As results in chapter 7 have shown that employee perceptions of HR practices as well as perceptions of P-E fit are strongly associated with employee outcomes, it would be important to know which factors affect employee perceptions of HR practices. Examining whether the (internally fitted) HR system as designed is also experienced as such among employees seems to be relevant here. In chapter 4 of this thesis, HR strategy implementation has been covered as an element of strategic fit, and results suggest that implementation is seen as a challenge because of differences in quality of line managers, which relates to implementation challenges mentioned by Wright and Nishii (2007). In line with this, we propose to add a

fit between HR practices and employee perceptions of HRM (see figure 8.1), which could be labeled 'implementation fit', involving implementation and communication of HR practices. More research is needed in order to examine 'implementation fit', and its effect on employee attitudes and behaviors, and performance.

In sum, besides strategic, internal, organizational, institutional, and P-E fit, two additional constructs are proposed: adaptive capabilities as a dynamic component of fit, and implementation fit, covering alignment between the intended HR system and employee perceptions of the HR system.

8.6   Conclusions, limitations, and research implications

This thesis has aimed to contribute to the development of the concept of fit in strategic HRM. The qualitative research methods that have been used in order to assess the alternative conceptualizations and operationalizations of strategic, internal, organizational, and institutional fit have enabled us to assess the types of fit in a thorough and detailed manner. In chapter 4, on the two most widely researched types of fit, we have attached scores to the observed differences in strategic and internal fit in a manner which can be used in future studies. Future research could further develop and test these operationalizations of strategic and internal fit and their potential impact on firm performance, both in qualitative and quantitative research.

Chapter 5 and 6 covered organizational and institutional fit, which are less widely used constructs with fewer theory and research available. Therefore, we have focused even more on exploration, such that a scoring system could not be used. More research on organizational and institutional fit is needed in order to further conceptualize and operationalize these two types of fit. As organizational and institutional fit are characterized by a configurational and selection approach respectively, a range of interrelated variables and processes are involved such that qualitative research is advised in order to map these processes and interrelations.

In sum, the use of qualitative research methods has enabled us to find subtle differences between the case study organizations, which would probably not have been found with other research methods. Therefore, particularly for strategic, internal,

organizational, and institutional fit, qualitative research methods seem highly relevant, also in a later stage of research.

The case study research has a number of limitations. First, the nature of the sample could affect the evidence that was found. We attempted to select respondents from a broad range of functions such that different perspectives on HRM and fit were covered. However, because of the limited number of respondents per organization, the risk of bias in the results is present, and could be more towards a management view. We have used Miles and Huberman's (1994) recommendation to stop collecting data not before 'saturation' occurs, or in other words, when multiple respondents together provide a consistent view of the organization.

Second, as the purpose of the qualitative study is theory building, we have chosen to report on the results that were most connected to our aim of conceptualizing and operationalizing fit. As a result, some selectivity occurs in the data representation. For example, in reporting about different HR practices, we have chosen to focus on the HR practices which were important from the organization's perspective for getting insight in fit, instead of covering all previously defined HR practices per se. Therefore, some HR practices receive more attention than others in particular chapters of this thesis.

Third, the assessment of fit processes and dynamics requires data collection over a longer period of time. In this thesis, we have used data collection on one point in time and have asked about changes that happened in the past that have affected HR practices and fit in order to get insight in the dynamic nature of fit. Future research could go deeper into dynamics and change by assessing organizations during a longer time period.

Another potential limitation of the case study research concerns the generalizability of data on fit from our three case studies. A distinction can be made between statistical generalizability (to enumerate frequencies) and analytical generalizability (to expand and generalize theories) (Eisenhardt, 1989; Paauwe, 1989). Analytical generalizability is most relevant here, as our aim was to search for ways of conceptualizing and operationalizing the theoretical concepts of strategic, internal, organizational, and institutional fit. Using multiple case studies we were able to explore and assess the value and applicability of our conceptualizations of the different types of fit. Using a number of theoretically based indicators, elements, or perspectives and a qualitative research design with multiple

respondents has enabled us to describe the differences between the case study organizations, and to identify important issues associated with the different types of fit. However, we limited our selection of case study organizations to two sectors and focused on high performing organizations for the aim of conceptual development. Moreover, we found that all three organizations had a strong culture, which was found to affect many aspects of HRM. Research is needed in other sectors and organizations in order to determine whether our conceptualizations are generalizable across contexts.

The quantitative study, reported in chapter 7, has enabled us to get some insight in the role of P-E fit in strategic HRM research. We found that P-E fit can make a valuable contribution to strategic HRM research, as strong relationships were found of perceptions of HR practices with P-O and P-J fit as well as with employee outcomes. Moreover, evidence was found for mediating and moderating roles of P-O and P-J fit in the relationship between perceived HR practices and employee outcomes. As mentioned in chapter 7, this study had several limitations, including the cross-sectional design and the possibility of same source bias. First, the cross-sectional design of this study implies that no causal relationships could be examined; therefore, the direction of the results remains untested. Future research could further explore these relationships by testing the causal order, as P-O and P-J fit also potentially affects perceptions of HR practices. Second, as perceptions of HR practices, P-O and P-J fit, and employee outcomes were rated by the same source, there is a possibility of same source bias. The reported effect sizes might be higher than if some of the variables had been measured through other-ratings. However, as most of the variables we were interested in are perceptual in nature, this would only be possible for a few variables.

The limitations of this quantitative study are accompanied by some strengths. This study has contributed to both P-E fit and strategic HRM literature. Following suggested research directions in existing P-E fit studies (i.e. Kristof-Brown et al., 2005; Lauver & Kristof-Brown, 2001), both P-O and P-J fit were included in one study, which revealed that P-O and P-J fit show some important differences. Moreover, while P-E fit research has mainly focused on the selection and organizational entry phase, in our study, we focused on a broad set of HR practices for existing employees, and found that for existing employees, perceptions of P-O and P-J fit also significantly relate to employee outcomes.

Our study also contributes to strategic HRM research by adding value to current research about the 'black box' between HRM and organizational performance. Our findings show that some relationships between perceived HR practices and employee outcomes appear to be indirect, occurring via P-O and P-J fit, and that this relationship differs for different levels of P-J fit and to a lesser extent P-O fit. Future research is needed to gain more insight in this relationship between perceived HR practices, P-O and P-J fit and employee outcomes.

Although the evidence for a link between different types of fit and performance has been limited so far, further development of the operationalization and measurement of different types of fit is needed before concluding whether such a link exists. Here, we aimed to contribute to this development. Moreover, exploring the potential contributions of fit to organizational functioning showed that achieving fit can be favorable for organizations, and resulted in propositions about possible performance effects of the different types of fit.

In sum, the conceptualizations and operationalizations we developed, as well as our assessment of the contribution of P-E fit to strategic HRM research may create opportunities for further research on fit in multiple contexts, such as different sectors and different countries. Suggestions for future research include further conceptualizing and operationalizing fit, the relationship between different types of fit, and the effect of dominant themes or capabilities on this relationship, the relationship between intended HR practices and individual perceptions of HR practices, the role of adaptive or dynamic capabilities in fit, and performance effects of fit.

8.7   Implications for practice

The research conducted in this thesis has a number of practical implications. This thesis has shown the importance of aligning HRM with strategy (strategic fit), systems and characteristics of the organization (organizational fit), and the socio-political context (institutional fit). It also seems important to align HR practices with each other in a consistent HR system (internal fit), to align employees with their jobs (Person-Job fit) and with (the culture of) the organization (Person-Organization fit). Achieving the different types of fit can optimize HR policy, and better performance is expected. In this thesis, we

have started to develop measurement instruments for each type of fit. We have found several 'clues' for each type of fit which can be used in practice to assess the level or strength of fit.

To achieve alignment between HR practices and strategy (strategic fit), we suggest paying attention to three elements. The first element is matching business strategy with HR practices, such that HR practices aim at achieving business objectives. Our second suggestion is to integrate the process of strategy formulation with the process of HR strategy formulation; for example by involving the HR department in designing business strategy. The third element is implementation of the HR strategy: involving employees in the objective setting process and clear communication to employees what organizational goals are and what is expected from employees can strengthen strategic fit.

For achieving internal fit - or the alignment between separate HR practices in an HR system - we have also suggested three elements to pay attention to. The first is the strength of interaction between HR practices. A strong internal fit implies the presence of 'powerful connections' with HR practices that strengthen each other, such as a performance appraisal system which is connected to a rewards system linked to employee performance. At the same time, 'deadly combinations' should be avoided as they are counterproductive, such as stimulating teamwork while rewarding employees based on individual performance at the same time. The second element of internal fit is that HR practices should work towards one overall organizational goal in order to achieve fit. A good fit would imply that one or more overall goals of the organization, for example flexibility, are aimed for by HR practices like job rotation, training, and teamwork. Third, in many organizations, different groups of employees are distinguished, for example the 'potentials', researchers, or supporting staff. We suggest that HR practices for each of these groups should support each other in managing the specific group, such that employees in the same situation are treated similarly.

For achieving alignment between organizational systems and characteristics and HR practices (i.e. organizational fit), we emphasize the importance of recognizing what the organization needs to achieve in order be successful in its branch of industry. For example, in retail, flexibility and employee staffing are key success factors, whereas in health care, high service quality needs to be achieved in order to be successful. We suggest designing

and implementing HR practices in such a way that they are linked to the development of these key success factors through their alignment or fit with production system, control systems and culture of the organization. Organizational culture and core values for example, can be used to communicate how employees are expected to behave in an organization. Therefore, organizational culture can be a powerful tool for managing employees.

In order to achieve a strong organizational fit, we recommend using HR practices for contributing to multiple aims at the same time. By using HR practices for managing employee skills and knowledge, employee results, and employee behaviors at the same time, stronger organizational fit can be achieved. For example, Organization B in this thesis has closely aligned desired employee results (or better behavior) with organizational interests by using performance appraisal and reward practices which link store- and department goals with individual performance goals. At the same time, performance appraisal and rewards are used to evaluate managers on whether their demonstrated behavior reflects basic values.

For aligning HRM with the socio-political context (i.e. to achieve institutional fit), it is important to recognize that optimizing efficiency and effectiveness is not the only organizational goal. Legitimacy is also important to aim for in order to survive in the long run. Pressures from legislation, norms and all kind of regulations settled for by employers' federations, trade unions, and works councils affect the choice for certain HR practices in an organization. As a result of these pressures, an organization can experience less 'room for maneuver' for HR practices, as for example rewards and labor conditions have been determined by legislation and trade unions. However, an active, preferably proactive attitude of HR decision makers, for example by maintaining good and creative relations with trade unions and works councils, can help to enlarge the room for maneuver in order to develop and innovate HR practices in such a way that they improve organizational effectiveness and/or efficiency, yet still being considered as legitimate.

In order to achieve high levels of Person-Organization and Person-Job fit among employees, we suggest using HR practices to manage employees' experiences of their fit with the job as well as with the organization. Particularly a high degree of participation in decision making and job autonomy can be used in order to manage the level of P-O and P-J

fit of employees. In turn, this may affect employee attitudes and behaviors. Furthermore, we suggest that 'high performance' HR practices like selection, training, and employee participation can be used in order to manage job satisfaction and intention to leave for employees who experience a lack of fit with their job. For employees who experience a high fit with their job, we suggest using a set of 'high performance' HR practices including selection, training, development and employee participation and autonomy, as this may lower their intention to leave the organization.

We found that large variation occurs between individuals in their perceptions of the organization's HR practices. Managing these perceptions could be beneficial for an organization as employee attitudes and behaviors are supposed to lead to higher firm performance. These different employee experiences can stem from implementation failures, but can also be the result of employees having a personalized 'deal' regarding primary and secondary benefits of their job, in other words, they might actually receive different amounts of the HR practices (such as development, autonomy and rewards) which leads to different experiences. Clear implementation and communication of HR practices to employees, as well as fair and clear communication about the possibility of differences in HR practices for different employees or groups is suggested in order to manage perceptions of employees.

For each type of fit, a number of indicators have been given that play a role in achieving such fit. But, what are the benefits of achieving fit? For all five types of fit, we have suggested possible performance effects in this thesis. As the types of fit differ in nature, we expect each type of fit to be related to separate types of performance. Fit does not only affect financial performance indicators, but also other types of performance like turnover, commitment, and quality. We expect strategic fit to affect the profit margin, market value, and sales growth, whereas internal fit is likely to be most strongly related to satisfaction, commitment, intention to quit, and employee turnover. Organization fit is likely to affect productivity, product- and service quality, and flexibility, and institutional fit affects both financial performance and legitimacy. Person-Environment fit is related to organizational commitment, extra role behaviors, intention to leave, and job satisfaction. Table 8.1 gives an overview of the clues for each type of fit as well as possible performance indicators.

Table 8.1 Clues and performance indicators for each type of fit

Fit	Clues	Possible performance indicators
Strategic fit	Links between elements of strategy and HRM The role of HRM in strategy formulation Implementation of HR strategy	Profit margin Market value Sales growth
Internal fit	The strength of interaction between HR practices The alignment of dominant goals with the HR system The degree of consistency of HR systems for different employee groups	Satisfaction Commitment Intention to quit, employee turnover
Organizational fit	Alignment of HRM with the production system Alignment of HRM with the control system Alignment of HRM with organizational culture (used to manage employee behaviors) The degree of pervasiveness of HR practices	Productivity Product- and service quality Flexibility
Institutional fit	Balancing competitive and institutional pressures Degree of leeway for HRM The role of human agency in making strategic choices	Balance between legitimacy and financial/ market performance
Person-Environment fit	Alignment between employees and their jobs Alignment between employees and the organization	Organizational commitment OCB Intention to leave Job satisfaction

The challenge for an organization is to find an optimal balance in achieving fit. Organizations can choose to aim for either 'satisficing' the level of fit, such that a sufficient level of fit is achieved, or to aim for optimizing fit. For some types of fit, such as institutional fit, a satisfactory level might be enough in order to achieve a sufficient level of legitimacy, whereas for other types of fit, such as internal fit, optimal alignment of all HR practices might be needed in order to achieve good results. We suggest 'satisficing' the different aspiration levels of the stakeholders involved (being related to institutional fit), whereas at the same time optimizing the other four types of fit.

Our study also suggests that the different types of fit are interrelated, which means that when one piece is missing, other fits might not be achieved as well. Furthermore, it seems that organizations that have a clear idea of how to achieve a successful position in the market are better able to achieve fit than organizations that do not have such a 'success factor' or dominant or overriding theme. Such a success factor helps to better align HR practices with the organization, its context, and employees. Following the interrelatedness of the different types of fit, we recommend a ranking order when trying to achieve the different fits. Achieving the different types of fit involves decisions ranging from strategic

decisions to tactical and operational decisions. Institutional and strategic fit involve long-term decisions on the strategic direction of the organization, organizational fit involves decisions on internal operating procedures, and internal and P-E fit involve strategic choices in HR management or enacted policies.

The temporal order of these decisions depends on an organization's success factor or focus; different 'starting points' for achieving fit are possible. When an organization's strategic response to the market determines how the organization operates, we advise to first aim for achieving strategic and institutional fit involving an organization's strategic choice in responding both to the market and to the institutional context. Subsequently, organizational fit can be achieved by aligning HR practices with the resulting job requirements, employee results and behaviors, followed by internal and P-E fit. In contrast, when organizational systems such as a manufacturing or distribution system largely affect the organization, we suggest to first aim for alignment with these systems (i.e. achieving organizational fit), followed by strategic and institutional fit, and then internal and P-E fit. Moreover, achieving strategic, institutional, organizational, and internal fit seems to be necessary in order to achieve P-E fit, as clear communication of the organization's values, goals, and job requirements is needed for employees in order to feel that they match with the organization.

SAMENVATTING (SUMMARY IN DUTCH)

Steeds meer organisaties erkennen dat werknemers een belangrijke bijdrage kunnen leveren aan het succes van een organisatie. Hierdoor wordt human resource management (HRM) een steeds belangrijkere managementtaak. Binnen het HRM veld wordt er veel aandacht besteed aan de strategische waarde van HRM voor het behalen van bedrijfsdoelen. Dit onderzoeksgebied wordt ook wel strategisch HRM genoemd. Strategisch HRM gaat ervan uit dat de benodigde HR praktijken afhangen van de strategische doelen van de organisatie (Delery, 1998). Deze afstemming van HRM met organisatiestrategie wordt *strategische fit* genoemd. Tegelijkertijd benadrukken onderzoekers ook dat de HR praktijken onderling afgestemd moeten worden, zodat er een coherent en consistent HR systeem ontstaat met HR praktijken die elkaar ondersteunen (Baird & Meshoulam, 1988), wat *interne fit* wordt genoemd.

Het onderzoek naar afstemming of fit in HRM gaat ervan uit dat de effectiviteit van HRM afhangt van contextuele factoren zoals sector, land, strategie, systemen of werknemersgroepen (bijv. Boxall & Purcell, 2008; Paauwe, 2004), zodat een betere 'fit' leidt tot betere prestaties. Onderzoek naar fit heeft zich hoofdzakelijk gericht op strategische en interne fit. Er zijn echter verscheidene andere factoren die invloed hebben op HRM (zoals organisatiestructuur of institutionele context) waaraan tot dusver niet veel aandacht is besteed in het onderzoek naar fit. De invloed van deze contextfactoren vragen om de introductie van meer typen fit, omdat de 'klassieke' typen fit - strategische en interne fit – niet de complexiteit van de relatie tussen HRM en prestaties kunnen omvatten. Wood (1999) herkent vier typen fit in strategisch HRM onderzoek die een bredere set van contextfactoren omvatten: *strategische fit, interne fit*, *organisatiefit* (de afstemming tussen HRM en andere relevante systemen in de organisatie) en *omgevingsfit* (de afstemming van HRM met de institutionele context) (bijv. Paauwe & Boselie, 2007).

Hoewel fit theoretisch gezien een overtuigend concept is, is er tot nu toe weinig empirisch bewijs voor gevonden. Er is veel kritiek geuit op de bestaande operationaliseringen van fit (Boxall & Purcell, 2008; Gerhart, 2004), bijvoorbeeld het gebruik van te simpele constructen, te weinig aandacht voor dynamiek en verandering en te weinig aandacht voor werknemers. Daarnaast hebben verschillende wetenschappers

aandacht gevraagd voor het belang van individuele percepties en gedrag voor strategisch HRM onderzoek (bijv. Den Hartog et al., 2004; Guest, 1999; Wright & Nishii, 2007), omdat juist de percepties van het HR beleid een sterke positieve invloed hebben op medewerkerattitudes en gedrag.

In lijn met deze kritiek is het doel van dit proefschrift een bijdrage te leveren aan het 'fit' concept in HRM, door enerzijds het ontwikkelen en evalueren van nieuwe conceptualiseringen en operationaliseringen van de verschillende typen fit, en anderzijds door het overbruggen van 'macro' en 'micro' georiënteerd HRM onderzoek door het toevoegen van type fit gericht op individuele percepties: *persoon-omgeving (P-E) fit*. Een derde doel is het verkennen van de bijdrage die fit kan leveren aan het functioneren van organisaties. De onderzoeksvragen van dit proefschrift luiden als volgt:

− Hoe kunnen strategische, interne, organisatie- en institutionele fit worden geconceptualiseerd en geoperationaliseerd?

− Wat is de rol van persoon-omgeving fit in de relatie tussen medewerkerpercepties van HRM en de attitudes en gedrag van medewerkers?

− Wat zijn de potentiële bijdragen van fit voor het functioneren van organisaties?

Om deze onderzoeksvragen te beantwoorden, wordt in hoofdstuk 2 van dit proefschrift gestart met een theoretisch overzicht van het 'fit' concept, waarna in hoofdstuk 3 de onderzoeksopzet wordt beschreven. Voor het beantwoorden van de onderzoeksvragen worden zowel kwalitatieve als kwantitatieve onderzoeksmethoden gebruikt. Hoofdstuk 4, 5 en 6 behandelen de kwalitatieve empirische onderzoeken naar respectievelijk strategische en interne fit, organisatiefit en institutionele fit. De kwantitatieve studie naar de rol van P-E fit wordt beschreven in hoofdstuk 7. Dit proefschrift sluit af met hoofdstuk 8, met een discussie van de bevindingen, een exploratie van de derde onderzoeksvraag gebruik makend van de empirische resultaten, om vervolgens af te sluiten met conclusies en implicaties verbonden aan dit onderzoek.

Hoofdstuk 2 geeft een theoretisch overzicht van het fit concept. Vanuit verscheidene disciplines, zoals strategisch management, structurele 'contingency' theorie, psychologie en strategisch HRM worden verschillende categoriseringen van fit gepresenteerd en gekoppeld aan drie dominante stromingen in strategisch HRM onderzoek: de universalistische benadering, de contingentiebenadering en de

configuratiebenadering. De laatste twee zijn beide een 'fit' benadering. De universalistische benadering gaat uit van de universele effectiviteit van bepaalde HR praktijken, ongeacht in welke organisatie deze worden geïmplementeerd. De contingentiebenadering daarentegen, houdt in dat het succes van HR praktijken juist afhangt van organisatiespecifieke factoren, zoals strategie of structuur. De configuratiebenadering gaat nog een stap verder door zich niet te richten op losse HR praktijken, maar op de invloed van bepaalde combinaties van HR praktijken op organisatieprestaties.

De vijf typen fit die centraal staan in dit proefschrift worden gekoppeld aan de verschillende benaderingen van het 'fit' concept; strategische, institutionele, en persoon-omgeving fit zijn voorbeelden van 'contingency' benaderingen, en interne en organisatiefit zijn voorbeelden van configuratiebenaderingen. Ook wordt er aandacht besteed aan de effecten van een dynamische organisatieomgeving op 'fit' en aan de mogelijke effectiviteit van fit.

Hoofdstuk 3 beschrijft de gekozen onderzoeksopzet. Voor het conceptualiseren en operationaliseren van strategische, interne, organisatie- en institutionele fit wordt gekozen voor het gebruik van kwalitatief case study onderzoek, zodat een grote verscheidenheid aan contextvariabelen mee kunnen worden genomen in het onderzoek. Hiermee gaan we terug naar de basis met een focus op exploratief onderzoek gericht op conceptontwikkeling in plaats van het testen van een bestaande theorie of model. De dataverzameling, bestaande uit documentenanalyse en interviews in drie grote Nederlandse organisaties – twee in de retailbranche en een in de zorgsector - wordt beschreven. Voor het beantwoorden van de tweede onderzoeksvraag wordt een medewerkervragenlijst gebruikt, omdat er gevalideerde instrumenten aanwezig zijn voor het meten van P-E fit.

In *hoofdstuk 4* wordt een studie naar strategische en interne fit beschreven. Eerst worden alternatieve operationaliseringen voor strategische en interne fit voorgesteld vanuit de theorie, elk bestaand uit drie elementen. De operationalisering van strategische fit bestaat uit de link tussen elementen van strategie en elementen van HRM, de rol van HRM in strategieformulering en de implementatie van de HR strategie. Interne fit omvat de sterkte van de interactie tussen HR praktijken, de afstemming van het HR systeem met dominante doelen van de organisatie en de mate van consistentie in HR systemen voor

verschillende werknemersgroepen. Naast strategische en interne fit wordt er ook een dynamisch element toegevoegd: *adaptatie*. Adaptatie geeft de mate waarin de organisatie zich aanpast aan veranderende omstandigheden weer. Deze operationaliseringen worden vervolgens geëvalueerd door middel van een vergelijkend case study onderzoek binnen twee organisaties in de retailbranche, waarbij de organisaties scores krijgen toegekend voor de verschillende elementen van strategisch en interne fit en adaptatie.

De resultaten laten zien dat de verschillende elementen van strategische en interne fit onderling met elkaar verbonden zijn en dat adaptatie bovendien bijdraagt aan de onderlinge verbondenheid van strategische en interne fit. De bevindingen suggereren dat als een organisatie proactief handelt en dus een hoge mate van adaptatie vertoont, de interactie tussen interne en strategische fit wordt gestimuleerd, waardoor deze fits sterker worden. Op deze manier geeft het concept 'adaptatie' een eerste inzicht in de synergieën die mogelijkerwijs ontstaan als strategische en interne fit op elkaar afgestemd zijn.

Hoofdstuk 5 behandelt een exploratieve studie gericht op het conceptualiseren van organisatiefit. Eerder onderzoek naar organisatiefit is voornamelijk uitgevoerd binnen productiebedrijven en heeft zich vooral gericht op de afstemming tussen HRM en één ander organisatiesysteem. Het doel van dit hoofdstuk is om het concept organisatiefit uit te breiden door meerdere organisatiesystemen en karakteristieken erbij te betrekken en door organisatiefit te onderzoeken in andere sectoren. Omdat er weinig bekend is over organisatiefit buiten de productieomgeving, worden er drie perspectieven vanuit de bestaande strategisch HRM literatuur gekozen: productie, management control en organisatiecultuur. Vanuit deze drie perspectieven wordt organisatiefit bestudeerd, met als doel belangrijke thema's in organisatiefit te identificeren.

Case study onderzoek binnen drie organisaties laat zien dat organisaties bepaalde kerncompetenties, zoals flexibiliteit of service kwaliteit, nodig hebben om succesvol te zijn in hun branche. Deze kerncompetenties hebben invloed op organisatiesystemen en karakteristieken en organisatiefit. De bevindingen duiden op het belang van het herkennen van deze kerncompetenties voor het onderzoeken van organisatiefit. Verder laten de resultaten zien dat de mate van doordringendheid ('pervasiveness') – ofwel de mate, waarin een HR praktijk doorwerkt op zowel productie, control, als de cultuur - centraal staat bij organisatiefit. In andere woorden, bij een hoge mate van doordringendheid

beïnvloedt een HR praktijk zowel de kennis en vaardigheden van medewerkers die nodig zijn voor goede productie, als de gewenste resultaten (control) en gewenst gedrag (cultuur) van medewerkers. De bevindingen in dit hoofdstuk suggereren bovendien dat een hoge mate van doordringendheid voorkomt in succesvolle organisaties die minder problemen hebben met de implementatie van HRM.

In *hoofdstuk 6* worden de concepten speelruimte, 'human agency' en strategische keuze gebruikt voor het verklaren van verschillen in de aard van institutionele fit. Institutionele fit kan een bijdrage leveren aan strategisch HRM door het bieden van inzicht in een gebalanceerde manier van het stellen van organisatiedoelen; institutionele fit legt de nadruk op legitimiteit en reputatie als doel, naast de veelvuldig onderzochte efficiency doelen. Dit hoofdstuk laat zien dat institutionele fit een concept is met een inherente balans; organisaties zoeken een optimale balans tussen conformeren aan en differentiëren van concurrenten; conformeren aan regels en normen leidt tot een hogere legitimiteit maar kan het concurrentievoordeel schaden, terwijl differentiëren van concurrenten nodig is voor het bereiken van een duurzaam concurrentievoordeel, terwijl differentiatie het risico van het verlies van legitimiteit en reputatie met zich meebrengt.

Dit hoofdstuk geeft inzicht in de factoren die institutionele fit beïnvloeden en laat zien dat zowel de mate waarin een organisatie afhankelijk is van wetgeving, sociale partners en geldende normen (institutionele factoren), als niet-institutionele factoren zoals de financiële ruimte en positie in de markt invloed hebben op de speelruimte die een organisatie heeft in het kiezen van een HR beleid. Een actieve rol van beslissers binnen de organisatie ('human agency') heeft vervolgens invloed op de mate waarin de bestaande speelruimte wordt gebruikt in het voordeel van de organisatie zodat ruimte kan worden gecreëerd voor het maken van strategische keuzes wat betreft het omgaan met institutionele druk. Zo kunnen zelfs organisaties in een hoog geïnstitutionaliseerde context speelruimte voor HRM creëren.

Drie typen institutionele fit worden ontwikkeld, die elk een type reactie op institutionele druk weergeeft: een afwijkende, conformerende of innovatieve aard van institutionele fit. De bevindingen laten zien dat elk van de organisaties een type institutionele fit weergeeft, omdat ze elk een verschillende manier hebben om met institutionele druk om te gaan; Organisatie A conformeert zich aan regels en

verwachtingen betreffende HRM, Organisatie B heeft juist een innoverende houding en creëert ruimte om het HR beleid aan te passen aan de eigen wensen, onder andere door het instellen van een ondernemingsvakbond. Organisatie C ten slotte, creëert ruimte om zich af te zetten tegen de heersende regels en normen in de zorgsector (afwijkende houding), door bijvoorbeeld een eigen opleiding voor verpleger/verzorger aan te bieden die geheel is toegepast op wat deze organisatie belangrijk vindt. De resultaten suggereren ook dat niet zozeer de mate van institutionalisering invloed heeft op de reactie op institutionele druk, maar dat de actieve rol van managers het verschil maakt.

Waar hoofdstuk 4, 5 en 6 een 'macro' oriëntatie hebben, richt hoofdstuk 7 zich op relaties op 'micro' niveau. ***Hoofdstuk 7*** beschrijft een kwantitatieve studie naar de relatie tussen een set van 'high performance' HR praktijken, P-E fit en medewerkerattitudes en gedrag. Twee typen P-E fit worden geselecteerd die naar verwachting relevant zijn in het verklaren van deze relatie: persoon-organisatie (P-O) fit, gericht op de afstemming tussen de persoon en de organisatie, en persoon-job (P-J) fit, de afstemming tussen de persoon en zijn of haar baan (Kristof-Brown et al., 2005). Het doel van deze studie is om de potentiële rol van P-O en P-J fit in de relatie tussen percepties van HR praktijken en medewerkerattitudes en –gedrag te onderzoeken. Zowel medewerkerpercepties van separate HR praktijken als van een set HR praktijken worden onderzocht in een dataset van twee grote organisaties in de retail en zorgsector.

Uit de resultaten blijkt dat er sterke relaties bestaan tussen percepties van HR praktijken en P-O en P-J fit, en met de medewerkeruitkomsten organisatiebetrokkenheid, extra rolgedrag, vertrekintentie en tevredenheid. Ook wordt er bewijs gevonden voor zowel een mediërende als een modererende rol van P-O en P-J fit in de relatie tussen percepties van HR praktijken en de uitkomsten vertrekintentie en tevredenheid. Dit betekent dat percepties van HRM deels medewerkerattitudes en –gedrag beïnvloeden via een effect op P-O en P-J fit, en deels hangt de relatie tussen percepties van HRM en medewerkerattitudes en –gedrag af van of medewerkers een hoge of juist lage P-O of P-J fit hebben. Verder laat dit hoofdstuk zien dat vooral percepties van de HR praktijk medewerkerparticipatie en -autonomie een sterke samenhang vertonen met P-O en P-J fit, alsmede met medewerkerattitudes en –gedrag.

Hoofdstuk 8 is het afsluitende hoofdstuk van dit proefschrift. In dit hoofdstuk worden algemene conclusies getrokken uit de empirische studies in dit proefschrift. Daarnaast wordt de derde onderzoeksvraag "Wat zijn de potentiële bijdragen van fit voor het functioneren van organisaties?" behandeld. Twee hoofdthema's komen naar voren in de empirische studies in dit proefschrift: de rol van organisatiecultuur in het aansturen van gewenst gedrag van medewerkers en het dynamische aspect van fit, dat terugkomt in elementen als adaptatie en 'dynamic capabilities'.

Dit hoofdstuk exploreert mogelijke relaties (interactief, hiërarchisch, synergetisch en conditioneel) tussen de verschillende typen fit, uitmondend in hypothesen. Er wordt bijvoorbeeld een conditionele relatie voorgesteld tussen enerzijds strategische, organisatie- en interne fit, en anderzijds P-E fit; verwacht wordt dat het bereiken van strategische, interne en organisatiefit nodig is om het bereiken van een hoog niveau van P-E fit mogelijk te maken. Vervolgens wordt er een hiërarchie van fits voorgesteld op basis van eerste, tweede en derde orde beslissingen van Purcell en Ahlstrand (1994), met als eerste orde fit – strategische en institutionele fit –, als tweede orde fit – organisatiefit – en als derde orde fit – interne en P-E fit. Afhankelijk van de specifieke focus van de organisatie zijn er verschillende startpunten van deze hiërarchie mogelijk. Als de competitieve strategie bepaalt hoe een organisatie opereert, is de eerste stap het bereiken van strategische en institutionele fit. Hierna kunnen HR praktijken op de organisatieprocessen worden afgestemd (organisatiefit) om de gewenste kennis, vaardigheden en gedrag van medewerkers te stimuleren, gevolgd door het bereiken van interne fit en P-E fit. In het geval dat een organisatie sterk wordt beïnvloed door het productieproces, zoals bij een productie- of distributiebedrijf, start de hiërarchie met het afstemmen van HR praktijken met deze organisatiesystemen (organisatiefit). De tweede stap is dan het bereiken van strategische en institutionele fit, gevolgd door interne en P-E fit. In alle gevallen lijkt het bereiken van eerste orde fits (strategische en institutionele fit) en tweede orde fit (organisatiefit) nodig te zijn om derde orde fit (interne en P-E fit) mogelijk te maken.

Voor de verkenning van de potentiële bijdragen van fit voor het functioneren van organisaties wordt gebruik gemaakt van de theoretische en empirische bevindingen in dit proefschrift. De bevindingen laten dat de onderzochte organisaties bewust bezig zijn met het bereiken van fit. Bovendien suggereren de bevindingen dat organisaties het bereiken

van fit zien als nuttig en relevant voor de organisatie. Maar wat is precies het doel van fit? In de strategisch HRM literatuur hebben onderzoekers zich voornamelijk geconcentreerd op financiële prestaties om de effecten van HRM te meten. Vanuit een stakeholderperspectief zijn er echter veel meer prestatie-indicatoren relevant, zoals organisatiegerelateerde uitkomsten (bijvoorbeeld productiviteit, productkwaliteit, servicekwaliteit) en HR gerelateerde uitkomsten (bijvoorbeeld tevredenheid, betrokkenheid, vertrekintentie, verloop, verzuim) (Dyer & Reeves, 1995). Dit hoofdstuk stelt relaties voor tussen verschillende typen fit en verschillende typen prestatiemaatstaven. Er wordt bijvoorbeeld verwacht dat interne fit effect zal hebben op HR gerelateerde maatstaven, terwijl organisatiefit mogelijk samenhangt met organisatiegerelateerde uitkomsten.

Dit proefschrift besluit met een evaluatie van de bestudeerde fits en aanbevelingen voor de praktijk. Naast de vijf typen fit die in dit proefschrift zijn bestudeerd zijn er twee concepten die kunnen worden toegevoegd naar aanleiding van dit onderzoek: *implementatiefit* (de afstemming tussen daadwerkelijke HR praktijken en gepercipieerde HR praktijken) en *'adaptive capabilities'* als een dynamische component van fit, die toegevoegd kunnen worden. Ook roepen we de vraag op of het onderscheiden van verschillende typen fit nuttig is. Of is het misschien meer zinvol om ons te richten op een overkoepelende fit zoals in klassieke systeemtheorieën al werd bepleit (bijv. Nadler & Tushman, 1980), waarin alle belangrijke interne en externe context elementen zijn opgenomen en die wordt gestuurd door de dominante focus van de organisatie?

Samenvattend heeft dit proefschrift een start gemaakt met het ontwikkelen van 'fit' in HRM en geeft veel aanknopingspunten voor verder onderzoek naar fit. Zowel de ontwikkelde conceptualiseringen en operationaliseringen als het verkennen van de toegevoegde waarde van persoon-omgeving fit voor strategisch HRM onderzoek brengen mogelijkheden voor toekomstig onderzoek in verschillende contexten met zich mee.

De resultaten van dit onderzoek hebben een aantal implicaties voor de praktijk. Allereerst heeft het onderzoek in dit proefschrift aangetoond dat het belangrijk is om het HR beleid van een organisatie af te stemmen op de strategie (strategische fit), systemen, processen en kenmerken van de organisatie (organisatiefit), de politiek-maatschappelijke omgeving (institutionele fit). Bovendien is het belangrijk om de HR praktijken onderling

op elkaar af te stemmen (interne fit), om medewerkers af te stemmen met hun baan (persoon-job fit) en met (de cultuur van) de organisatie (persoon-organisatie fit). Het bereiken van deze typen fit draagt bij aan het optimaliseren van het HR beleid en aan het behalen van betere organisatieprestaties. Dit proefschrift heeft een start gemaakt met het ontwikkelen van meetinstrumenten voor deze typen fit. We hebben verschillende aanwijzingen gevonden voor elk type fit, die in de praktijk kunnen worden gebruikt om de fit in organisaties te beoordelen, die zijn weergegeven in tabel 8.1 op pagina 186.

Voor strategische fit bijvoorbeeld, adviseren wij om afstemming te bereiken op drie elementen: het eerste element is het afstemmen van de organisatiestrategie met HR praktijken zodat HR praktijken ingezet worden om organisatiedoelen te bereiken. Het tweede element is het integreren van het proces van strategieformulering met het proces van HR strategieformulering en het derde element is de implementatie van de HR strategie; het betrekken van medewerkers bij HR strategie implementatie en het communiceren van duidelijke doelen naar medewerkers draagt bij aan het bereiken van een sterke strategische fit. Zo geeft tabel 8.1 voor elk type fit een aantal aandachtspunten weer. Ook wordt elk type fit gekoppeld aan prestatiemaatstaven waar zij mogelijk een invloed op hebben.

De uitdaging voor organisaties ligt in het vinden van een optimale balans in het bereiken van fit. Organisaties kunnen ervoor kiezen om een bepaalde fit te optimaliseren, maar soms is het bereiken van een toereikend niveau van fit genoeg. We adviseren om een niveau van institutionele fit te bereiken dat toereikend is om de verschillende stakeholders tevreden te stellen, terwijl de andere typen fit worden geoptimaliseerd. De resultaten van dit onderzoek suggereren bovendien dat de verschillende typen fit onderling samenhangen, zodat als een fit ontbreekt, sommige andere typen fit ook niet bereikt zullen worden. Dit heeft geleid tot het vaststellen van de eerder genoemde hiërarchie van fit. Deze hiërarchie kan organisaties richting geven in het bereiken van fit.

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APPENDIX 1A CASE DESCRIPTION: ORGANIZATION A

Introduction

Organization A is a Dutch retail organization selling products for daily use, with almost 300 stores in the Netherlands, and 50 stores in Belgium and Germany. It was founded in 1926 and has more than 9600 employees in the Netherlands, of which 85% work in the stores. There are four types of stores, varying in size from very small stores in villages to large stores in the center of major cities.

The primary target group is women aged between 25 and 50. The broad assortment contains household products, clothing, and food. Popular products include smoked sausages, cakes, and underwear. Most products are developed by the organization itself, and represent the organization's vision of simplicity, surprising solutions, high quality, and low prices. Stores have four departments: fashion, hardware, food, and catering (fresh food), and each store has four hierarchical levels: store manager, sales managers, sales supervisors, and sales employees. The sales supervisors - employees who are responsible for daily planning and monitoring - are seen as crucial for the organization's long-term success.

Organization A won several awards in 2004 and 2005, including prizes for logistics and marketing. In 2005, Organization A was ranked in the top 5 of the list of Dutch retail store chains. Organization A's vision is "Easy and pleasant daily life should be within reach of each population segment". The mission is "To make daily life easier and more pleasant for many people by providing basic products".

Organizational culture

Organization A has a strong culture, which is characterized by openness, security, and clarity. Employees have many possibilities within Organization A, and experience much freedom. The majority of the employees is proud of Organization A. Employees are loyal and committed to the organization and most are reluctant to leave the organization even if they have job opportunities elsewhere, resulting in low turnover levels. Illustrative

is the statement "If you don't fit in Organization A, you'll leave soon after entering the organization".

Reasons for employees for wanting to work for Organization A include the popularity of the brand, transparence of the organization, and contacts with colleagues. Other reasons include that Organization A is well-organized, provides relatively high autonomy for employees, flexible working hours, and the tasks themselves are interesting to employees.

The organization formulated seven 'culture keys' that guide Organization A as a whole: *client orientation, respect and trust, pro-activeness, results orientation, energy, working systematically, and loving the job*, which represent desired employee behavior. These 'culture keys' form the basis for many HR practices, such as training and development.

Organization A is known as a 'social' organization, which is reflected in the above-average employment conditions. Employees in Organization A have a great sense of security, based on the employment security that Organization A always has provided to employees. In case of downsizing or organizational restructuring in the past, Organization A has always chosen for employment maintenance, with hardly any layoffs. As a consequence, employees experience working in Organization A as 'luxury', which makes it somewhat more difficult to implement changes. The comfortable position of employees is also reflected in the freedom of choice they have within Organization A. For example, using the 'Talent Guide', an employee development tool is voluntary, as well as a large part of the development and training programs.

Important changes/ Rainbow

Two changes have occurred that have affected Organization A to a large extent: the take-over of Organization A by a consortium of private equity companies, and the increasing market pressure.

In 2004, Organization A was taken over by a consortium of American private equity companies. As a result, management was driven by the Anglo-Saxon model, focusing mainly on shareholder returns. Management of Organization A has become more centralized, and an increasing focus on profit and returns has been introduced. Managers

experience decreasing leeway in making decisions, and the HR department is increasingly directed by the private equity companies.

Because of increasing market pressure which is characteristic of the retail sector, Organization A needs to operate more efficiently. As a result, Organization A has been pressured to lower prices while increasing profits at the same time. Managers in Organization A find that there is not much to win by letting employees work harder. Instead, the MT of Organization A has chosen for a focus on 'working smarter'. Following this decision of the MT to work more effectively, Organization A implemented 'Rainbow' in 2004, a change program aimed at improving efficiency by motivating employees to work smarter and more proactively. Employees are for example encouraged to think about improvements in their store. Before 'Rainbow', availability of employees determined the amount of work that could be done. 'Rainbow' changed the organization to a task-driven organization, where the amount of available work determines the need for employees for a particular day or week.

As a result, more flexibility is asked from employees. Employees experience less freedom with respect to the content of their work, as well as their work schedule. Employees are now more often asked to work in another department when needed, and work schedules are made based on store needs instead of employee preferences. For example, employees who work 16 hours a week might have to work less hours each day instead of two days of eight hours, which is usually preferred by employees. As a result of the 'luxury' position of Organization A's employees, achieving employee flexibility in the stores has been challenging.

To provide insight in the deployability of employees, Organization A has implemented an employee planning system, which maps current versus desired skills and experience levels of employees. This planning system provides insight in the skills and knowledge of employees. It is used for selecting new employees who match the desired skills and knowledge, and for training, in order to train employees to meet desired skills and knowledge levels.

HR in Organization A

HR in the stores is organized in different regions, consisting of 15 to 17 stores. Each region is managed by a regional manager and an HR department member, who work closely together. The HR department members report to the HR manager of sales. Every two weeks, the HR department members have a meeting with the HR manager, in which decisions of the management team (MT) as well as problems, if any, are discussed. The HR manager communicates HR policy issues which HR department members are to implement in their region, taking into account specific problems they face in their region. Respondents argue that the successes of the stores are highly contingent on the competencies of management and supervising staff.

The HR director works closely together with supporting functions at Head Quarters level in developing and implementing the HR system. The HR director is not a member of the MT of Organization A. The MT determines the strategic direction of Organization A, and HR policy is developed by the HR director based on the strategic goals decided upon by the MT.

The HR mission aims at making the life of employees more pleasant by motivating employee involvement and cooperation. HR strategy is based on the 'culture keys' of Organization A, with which training, development, and appraisal are linked. As a result of the increasing market pressure, HR policy has changed. Now, HR strategy is focused on efficiency, organization development, and flexibility, and is driven by market pressures. The reputation of HR policy of Organization A has changed after the take-over, having an increasing focus on productivity and efficiency. Respondents argue that Organization A now has an HR policy 'without a heart', having a short term, financial focus.

Employee representation

Besides a works council for every business unit, Organization A also has a central works council for the organization as a whole. The central works council is involved in strategic issues, whereas the works councils of the business units are involved in operational issues. While the relationship between management and the works councils is not always ideal, Organization A's management stresses the importance of having such bodies. Managers strive after a strategic alliance between management, works councils,

and trade unions. Works councils and trade unions are involved in major change processes in Organization A. There is not much interest among employees to join the works council, and their activities are not always transparent for employees.

Collective Bargaining Agreement (CBA)

The degree of unionization in Organization A is between ten and twenty percent. Since the year 2000, Organization A negotiates its organization-specific Collective Bargaining Agreement (CBA) with the sectoral labor unions in the service sector, who are also affiliated to the national trade union federations.

Organization A has always had a favorable Collective Bargaining Agreement (CBA), which matched with the 'social' orientation of the organization. The CBA of Organization A is above-average in the retail sector. However, as a result of increasing market pressures and the take-over, Organization A was pressured to adjust the CBA to the new situation by lowering labor costs, resulting in problematic negotiations for a new CBA lasting several months. As a result, the CBA is now more in accordance with the market, with new (lower) salary scales for new employees. But still, the CBA of Organization A is relatively advantageous for employees.

Organization A makes a distinction between higher level jobs which are mainly management functions, and lower level jobs on shop floor level. These two groups have different working conditions as a result of different Collective Bargaining Agreements, and separate training and development opportunities, adjusted to the nature and level of the job. Within the higher level jobs, four function levels are distinguished, and nine levels of lower level jobs are distinguished. 75 percent of Organization A's employees have jobs in the lowest three levels of the shop floor level jobs.

HR practices

Employee selection and induction. Store managers are responsible for selecting new employees. Selection focuses on the candidate's fit with Organization A's culture, as well as with other employees of the store. Moreover, employees are now selected on their level of flexibility. For full timers, selection is more future-oriented; the selection process is then focused on the candidate's potential, and whether this matches with the store's

future needs. The introduction program for new employees centers around Organization A's culture, customs, and habits.

Training and education. For store managers, sales managers, and sales supervisors, job related training is provided. A substantial part of this training has been developed in cooperation with a regional educational institute, based on existing training modules of Organization A. Completing these training programs is needed for being promoted to a higher level function.

Many training programs in Organization A are voluntary. Employees are responsible for the possible consequences of not receiving training, but training is not compulsory, it is only advised. An example of a voluntary tool in Organization A is the 'Talent Guide'. This instrument was designed for all employees who want to develop themselves. It provides an overview of the competencies and opportunities for each job, linked to culture elements. Competencies for a function are explained and suggestions are given for developing these competencies by attending training or by training on the job. For example, a sales manager can develop 'pro-activeness' by evaluating the store from the perspective of a customer and noting positive and negative elements, leading to suggestions for improvement. Another way to develop this competence the 'Talent Guide' proposes, is attending internal 'pro-activeness' training. As the tool is voluntary, both HR managers and the works council signal that only few employees make use of it.

Employee development. Organization A prefers 'promotion from within', as Organization A is a complex organization combining a broad range of products in one organization. Therefore, having experience as a supermarket manager for example will not be sufficient for being successful as a manager in Organization A, as they are specialists in 'food', but not in fashion and hardware. Therefore, it is difficult to recruit higher level employees from outside the organization. Organization A has chosen to select sales supervisors and sales managers with potential to grow in the stores. These employees get to know Organization A while being trained to become a sales manager or store manager.

All development programs are based on employee needs. Employees who want to develop themselves, communicate their needs to their supervisor, and together they develop a development plan.

Appraisal and evaluation. The employee planning system is being used for performance appraisal; current employee performance is compared with desired performance, such that employee performance can be evaluated. Appointments are made about desired performance levels for the next period, and which training or development tools are needed to accomplish the desired performance levels. Store managers are responsible for performance appraisals. Only in case of problems, for example with long term underperformance is the HR department member responsible for the region involved.

Rewards. Employees are rewarded according to the CBA. Individual and group bonuses are given in case of extraordinary performance of an employee or department in order to stimulate taking initiatives to work effectively and proactively.

APPENDIX 1B CASE DESCRIPTION: ORGANIZATION B

Introduction

Organization B is the Dutch division of a Swedish furniture company, founded in 1943, which owns more than 240 stores in 34 countries. There are 12 stores in the Netherlands with approximately 5000 employees. Organization B performs above average in the retail sector. Because of the success of the assortment, the stores being up-to-date, and low prices, Organization B keeps on growing: while in 2005, the market declined with 13%, Organization B grew 14%. Moreover, in 2005, 2006, and 2007 Organization B was ranked number 1 on the list of Dutch retail store chains. Organization B's mission is "to create a better everyday life for the many people". To accomplish this mission, the organization offers a broad assortment of high quality products with much attention for design, for a low price. Organization B focuses on functionality by offering complete home furnishings in different styles, such that a broad group of customers can be served. Organization B is constantly trying to find ways to save costs and materials, which is reflected in the product designs, in production, in the stores, and among employees in Organization B. For example, designers are challenged to design original, but efficient products in order to minimize costs and waste. Moreover, cost-efficiency in the stores is reflected in the fact that customers are expected to take their products from the storage area in the stores, and transfer the products home themselves. Cost consciousness implies that no manager travels business class, stores are simple and built at low costs, and all stores can be reached using public transport.

Organization B has implemented the strategic plan '10 jobs in 10 years', which contains a yearly increase of 10% of sales volume and a price decrease of 20%, while keeping the corporate culture alive. In the mid-1990s the first signs of slowing growth appeared. In 2002, Organization B implemented a "new ways of working" program, as costs were rising. This initiative was designed to explore the benefits of being an international company and to give more power back to the stores, enabling them to reduce bureaucracy and act locally in their own market. The implications for HR were that the local HR function now has more freedom to choose which HR practices to implement in

their stores, based on their local situation. Stores currently 'buy in' these practices from the national head office, internally called 'service office'.

Organizational culture

The founder, who developed a strong marketing concept and a unique corporate culture, still has a strong influence on the organization, which is characterized by 'typically Swedish' influences. Maintaining a strong culture is regarded as crucial for the continuing success of the concept. Respondents indicate the importance of employees feeling at home in Organization B. Employees who do not feel at home in Organization B tend to leave soon after entering the organization. The organizational culture takes on elements of a 'religion', with operational terminology such as testament and missionary frequently used. The founder has written down the core values in a booklet called "the furniture dealer's testament", which is regarded as a directive for all employees worldwide. Managers have an exemplary role in communicating and living the culture. The basic values focus on *simplicity, anti-bureaucracy, humbleness, togetherness,* and *cost consciousness*, and are reflected in the fact that all employees wear company clothing and none have their own office. All employees are called co-workers in order to emphasize the lack of hierarchy and flat organizational structure. Each year, several employees from each store attend a culture course at the Swedish head office to reinforce company culture. These employees are then a purveyor of culture in their own store. When the stores are very busy, the management team (MT) helps out on the shop floor. Moreover, employees working in the service office work in the stores one week a year, called 'Anti-bureaucratic week' in order to maintain the lack of hierarchy.

Respondents in Organization B deny the existence of core employees, which relates to the culture in which everyone is considered equal. Because everyone wears the same company clothing, no differences are perceived between employees. All employees are considered as crucial for the organization. Even the tray-cleaner in the restaurant has a task that is linked to the business plan. If he or she doesn't do the job well, things will go wrong.

Change

The concept of Organization B is simple and emphasizes flexibility and change. Organization B is characterized by continuous change, in order to remain ahead of competition. Despite the success of Organization B, stores are still constantly being stimulated to stay alert and focused. Major changes in organizational structure are regularly initiated to keep the organization as non-hierarchical as possible, aiming to keep the workforce dynamic and flexible. Moreover, every year, prices have to go down by 10% (in accordance with the philosophy "We design the price tag first"), and 20% of the products are to be replaced every year. Organization B motivates the stores by setting high turnover targets, which is being rewarded by a store bonus if accomplished.

The '10 jobs in 10 years' plan covered a turnover growth to one billion in five years. HR has decided to initiate a 'growth accelerator', which implied that the turnover goal of one billion was to be achieved in three instead of five years. The HR director has developed this plan together with the director.

Business Plan

Organization B uses a structured goal-setting process. First, the head office in Sweden develops next year's strategy, containing assortment choices as well as strategic goals. The Dutch management team (MT) of Organization B adapts these strategic goals to the Dutch situation, using results of employee satisfaction and client satisfaction surveys, resulting in a Dutch business plan. Then, stores start developing store plans within the framework as offered in the business plan. In each store, department plans are developed based on the strategic goals of the store. Stores involve employees in strategic planning. Employees have input in goal setting for the store and their department. Their suggestions are collected during departmental meetings, and their manager presents these ideas to the store MT.

Strategy and HR strategy formulation are fully integrated. In strategic business planning, these functions are considered interrelated: "success is to be achieved through people" (stated in: 'A furniture dealer's testament'). This is also reflected in the business plan, in which strategy and HR goals are mentioned simultaneously.

The stores

Each store has a structure with seven different departments (also called: business areas) - for example, kitchens, bedroom furniture, etc. - and only three hierarchical layers: the MT, department managers, and shop floor employees. The urge to be flexible is relevant in all stores. The 'rule of thumb' Organization B uses implies that with 10% increase in turnover, 5% more employees can be employed, and 2,5% more costs can be made.

As some stores are open more than 70 hours a week, Organization B faces a challenge in organizing work and managing employees. Department managers who work full time, are not present for almost half of the opening hours. As many employees work part time, chances are high that a manager does not see some of his employees for several weeks. This increases difficulties in communication within departments. Therefore, Organization B has changed the leadership focus in the stores by implementing 'coaching leadership', with training provided to managers. However, not all department managers are yet a coaching leader.

As turnover fluctuates per day and even per hour, flexibility is needed in the stores. As a result, more flexibility is asked from employees, which has become an important selection criterion. Organization B uses a planning system that estimates for each day how many employees will be needed in the stores. Organization B uses this planning system in order to efficiently schedule part-time employees on busy days. Temporary employees are often hired only for a busy period, for six months in total. Also, the contract of all part-time employees allows Organization B to schedule employees for twenty per cent more or less hours than their contract states.

Moreover, the stores of Organization B all use 'flex pools', with employees which are employed in various departments throughout the store. Depending on the specific store, employees in the 'flex pool' are employable in a cluster of departments, always including the cash register, or in the whole store. Flex pool employees are requested by department managers when needed on a particular day. During the holiday season, when the stores are very busy, three flex pool employees are on call in the store during the whole day. Flex pool employees have broad knowledge of the assortment, whereas other employees have narrower, but deeper knowledge of one department. Investments in flex pool employees

are relatively high, as they have to receive introduction training of all departments. Flex pool employees have less responsibilities than other employees, as they have only basic knowledge of all departments, and they are not engaged in placing orders, for example.

Organization B also uses another way to adapt the work process and structure to flexibility needs. As the busiest hours in the store are from 6 pm to 9 pm, Organization B has trained employees of the different departments to be employable at other departments in the store, where assistance is needed during that period. The employees move through the store parallel to the customers such that around closing time, many employees from different departments work at the cash register, where most of the customers are at that time.

HR in Organization B

Each store has an HR manager and an HR assistant, and the Dutch service office (Head Quarters) has an HR team (HR director, deputy HR director and supporting HR staff). All HR managers are members of the MT of their store, and at firm level the HR director is also a member of the country MT.

The HR vision aims at "giving people the opportunity to grow together and being strongly committed to creating a better everyday life for themselves and their customers". The core of HR policy in Organization B is the 'appraisal cycle', which links employees appraisal with business goals as formulated in the business plan. The appraisal cycle consists of three meetings for each employee. During the first meeting of the 'appraisal cycle', concrete appointments are made about the employee's contribution to the store and department goals. The second meeting checks progress towards goals, and a final meeting later in the year serves to evaluate performance, based on accomplished tasks and behaviors.

Organization B also uses a tool called 'knowledge championships', an employee test of their knowledge about the organization, culture, products, and customer-base. Based on their score, individual or team training is provided. These training programs are 'customized'. Moreover, individual results of the 'knowledge championship' tests are used as input for appraisals and rewards.

Employee representation

Each store has a works council consisting of five to nine employees. Of each of these works councils, one member takes place in the central works council. The store works councils are involved in operational issues in the stores, whereas the central works council is involved in longer term strategic issues. For example, the central works council is asked to provide input for the (country level) business plan each year. The relationship between the works councils and management is characterized as positive both management and works council members. The relationship is based on trust, and the works council is taken seriously and involved in MT decisions.

As a result of changing regulations with respect to CBA's, Organization B established its own company union in 1992 which negotiates Organization B's CBA. This company union is unique in the Dutch system of labor relations and is not affiliated to the recognized unions at sectoral and national level. About fifty percent of the employees is a member of this company union, and less than five percent is a member of a 'regular' trade union.

In the CBA of Organization B, a distinction is made between ten functional categories which are linked to salary scales. Moreover, the complete procedure of the appraisal cycle is listed in the CBA, with accompanying appraisal and rewards criteria.

HR practices

Employee selection and induction. In Organization B, employees are selected based on their fit with Organization B's values. Stories are used in order to determine whether the candidate fits in the culture of Organization B. Managers receive selection training, focused on selection based on a match with Organization B's concept and culture.

A general induction program is also aimed at getting familiar with Organization B, the concept and the culture. The induction program contains an introduction of all departments, customer friendliness training, and safety training. Besides this general introduction, new employees are asked to accompany employees of different departments in order to get acquainted with other departments.

Training and education. A number of training programs are developed by the service office, which are mostly general training programs as well as culture training.

Besides culture training in the stores, each year, several employees from each store attend a culture course at the Swedish head office to reinforce company culture. Moreover, as mentioned before, 'knowledge championships' are used in order to identify training needs of specific employees or departments. Then, training is developed according to the needs, and is therefore customized. Department managers are to follow some compulsory training programs, focused on employee selection and the appraisal cycle, mostly organized by the store MT, and coaching leadership, organized by the service office.

Employee development. As the structure in the stores is relatively flat, it is seen as a big step for employees to become a manager. A development tool is used in order to map employee strengths, weaknesses, and ambitions. Organization B mainly looks at an employee's potential for determining promotion opportunities in the organization. If an employee has the potential to grow into a management position, the employee enters a development program for 'potentials'. All new employees with contracts of 32 hours a week or more should be identified as a potential, and management experience is not compulsory for entering this program. There are specific HR practices for this group and tasks are adjusted in order to prepare the potentials for a management function. The potentials are evaluated on specific goals and are rewarded differently.

Managers are expected to switch departments every three years in order to prevent 'organizational myopia'. Moreover, in order to obtain a MT position, experience in different stores is required.

Appraisal and rewards. As mentioned before, the 'appraisal cycle' is used in the stores to monitor employee performance. For each of the functions, competencies, evaluation criteria, and rewards criteria are listed. These criteria are included in an appraisal form used in the appraisal cycle, with which competencies and culture elements are evaluated.

APPENDIX 1C CASE DESCRIPTION: ORGANIZATION C

Introduction

Organization C is a Dutch non-profit health care organization, which focuses on elderly care in the west region of the Netherlands. It was founded in 1959 and has over 1800 employees working in 27 homes, divided in 7 facilities which each have a separate MT. The 27 homes vary in size from one employee to almost 400 employees, and homes vary from service homes in which little care is provided to nursing homes which provide full care. Although Organization C is non-profit, the organization performs very well financially, and makes profits every year. The financial performance of Organization C is above-average in the Dutch health care sector.

Organization C has a strong vision that puts client well-being first, developed and implemented more than ten years ago by the current director. The vision drives all decisions made in Organization C. Therefore, Organization C is driven by values instead of rules and regulations. The organizational structure is relatively flat, with three hierarchical layers in most homes: manager of the home, supervisors, and employees, which prevents the need for using rules, regulations, and hierarchy as the communication lines are short. Because of the use of little rules and the prominence of the vision, Organization C is characterized as chaotic by several respondents.

Organizational culture

Organization C's vision focuses on client well-being. The core values focus on 'taking responsibility for your own life', 'use it or lose it', implying that clients do as much as possible themselves, the 'yes-culture', representing a positive attitude, and the 'extended family approach', representing the important role of clients, family, and employees in achieving a high level of client well-being. To support this vision of 'living, care, and well-being', which does not match with traditional elderly homes, Organization C introduced homes 'for life', with large apartments in which all types of care are possible, from no care at all to intensive nursing. Each inhabitant has his or her own front door, pays rent, and all inhabitants enjoy extra facilities such as a restaurant (which is also open to others than the

inhabitants). This way, Organization C provides care in the client's home instead of in facilities of Organization C. Organization C is also adjusted to the vision in other ways. For example, employees wear their own clothes instead of white nurse's uniforms, and they are expected to drink coffee with clients during their break instead of in a separate room for personnel.

As the focus of Organization C is on well-being and less on traditional elderly care, Organization C's approach is seen as unconventional. For example, while in traditional nursing homes work can be characterized as routinely and task-driven, Organization C's employees let the clients do as much tasks themselves, and clients determine their own day scheme to give the clients the feeling that they are 'at home'. Organization C uses few rules and routines; instead the organization is driven by its vision.

Organization C's approach has led to a high sense of commitment of people with the organization; both employees and clients tend to choose specifically for Organization C. Respondents indicate that employees who do not fit in the culture of Organization C mostly leave soon after they enter the organization. Employees who do fit in Organization C tend to stay and work for the organization for a long time. The director often gives speeches about the vision in the different homes in order to keep the vision alive. Moreover, as supervisors are to implement the vision, they receive training in value based management and implementing the vision. During staff meetings, attention is paid to the vision by discussing the role of the vision in concrete situations. However, some respondents indicate that many employees do not experience the vision. Employees are mainly focused on efficiency, which makes the culture more of a 'no' culture than a 'yes' culture. Several employees experience a tension between the vision and daily practice. For example, when a client who is capable of walking does not want to walk, according to the core value 'clients do as much as they can themselves', he should walk, whereas according to 'taking responsibility for your own life', he should be able to decide what to do himself. Similarly, in case of application of medicines, some clients do not want to take medicines, whereas they should take it as they would risk their health otherwise. These dilemmas are difficult for employees to solve. Therefore, employees usually need some time to get used to the way of working in Organization C, as education and other health care organizations

focus on routines and procedures. Particularly the 'yes' culture is seen as difficult to get used to, as it asks for a large amount of employee flexibility.

In Organization C, clients' needs are focused on, which implies that employee needs come second. To increase client well-being, employees work in teams with every employee being responsible for a small number of clients. As a result of this approach, care becomes more differentiated. Instead of specialists, employees in Organization C are generalists and have larger responsibility. Moreover, work schedules are different, as clients can determine their own day scheme. While in many traditional elderly homes every one has to get up, eat, and drink coffee at set times, in Organization C, clients can determine themselves when they want to get up or drink coffee.

As a result of the gap between Organization C's vision and common practice in the Dutch health care sector, traditional educational programs for nurses do not fit with Organization C's needs. Nurses who received traditional education have to unlearn many habits when starting to work in Organization C. Therefore, together with a regional education institute, Organization C has developed an education program for nurses, which is adjusted to Organization C's vision. Besides technical aspects, this program is focused on for example listening to clients and being creative.

Government rules and regulations

The Dutch health care sector is highly institutionalized; government rules and regulations as well as norms about 'good practice' determine to a large extent how work is done in the sector, and organizations in the sector are largely dependent on government subsidies for survival. For Organization C, this often implies that the vision contradicts with rules and regulations, as the vision differs from common practice in the sector. The director of Organization C strives to change existing norms in the sector by proving that its culture-driven approach is successful. For each decision to be taken, the director weighs the benefits of the vision and the subsidy or rules in terms of well-being of the clients, as the vision implies increasing well-being of the clients. For example, in case of an increasing risk of stumbling of the client, the protocol prescribes to 'fix' the client to his or her bed or chair. To increase well-being of the client - in accordance with Organization C's vision - the choice is made not to 'fix' the client, but to make the client's direct

surrounding safer instead. These situations regularly lead to conflicts with government bodies involved in quality checks. While they usually approve of the overall quality level, they do not approve of the procedures used to achieve the quality level.

Nonetheless, Organization C's vision and concept now has a good reputation in the health care sector. Other organizations have copied (parts of) Organization C's approach and many nurse trainees choose specifically for Organization C's education program.

The last few years, many changes have taken place with respect to government regulations in health care. While first organizations received a fixed subsidy per client regardless of the amount of care that was needed, now the specific amount and type of care needed is determined by a government body, and exact registration of the provided care for each care type is needed in order to receive the subsidy. This care registration system has resulted in increasing administrative load on employees, as they have to record their actions per minute. Training is provided in order to support employees with administrative tasks.

Managers experience this new system as conflicting with Organization C's vision. Out of necessity, Organization C has an increased focus on regulations, and respondents feel more efficiency pressures, and they feel they have less time to focus on well-being. This care registration system has provided insight in employee productivity and has shown that some employees do not perform well. Organization C however, has chosen to not use this information as input for performance appraisals.

HR in Organization C

The HR department of Organization C consists of an HR director and four HR managers. Each HR manager is responsible for one or more facilities, and the HR director is also responsible for one facility besides being responsible for managing the HR department. The HR managers work closely together with managers of the facilities, and are a member of the MT of the facilities. On organizational level, the HR director is also a member of the MT.

Similar to the whole organization, the organization of HR is also characterized by absence of rules and regulations. No systematic procedures are used to develop HR strategy and HR practices. HR is mainly seen as an administrative function by the director

and other strategic decision makers, with little decision making power. The main task of the HR department is day to day operational problem solving, and making sure employment rules and procedures are followed correctly. Direct supervisors are responsible for implementing most HR practices, like selection, training, and performance interviews. HR managers support these supervisors in implementing HR practices in the homes.

Employee representation

The central works council of Organization C has 18 members, and is divided in three regional works councils, each representing two to three facilities. The central works councils as well as the works councils for the different facilities are occupied with the correct execution of the CBA within Organization C. The relationship between the works council and management is characterized as good most of the time by both parties. The works council is often being involved in decision making by management.

Organization C's degree of unionization is about thirty percent, and the organization pursues the sector-wide CBA for nursing homes.

HR practices

Employee selection and induction. Direct supervisors are responsible for selecting new employees in Organization C. The selection process is focused on the candidate's match with Organization C's vision, as well as the match with the specific home. Particularly for management and supervisor positions, the match with the vision is regarded as important, as these employees are to implement and communicate the vision within their team or department. Competencies mentioned as being important for new employees include a focus on well-being, taking initiatives, and creativity. During the selection interview, competencies are assessed by using problem scenarios for which the candidates are to find a solution.

Once every three months, introduction training is organized for all new employees, which is strongly focused on the vision; an explanation of the vision and how to apply the vision in the job is given. Moreover, all new employees follow introduction training in their own department.

Training and education. As mentioned before, in collaboration with a regional educational institute, Organization C has adapted an education program for nurses to the specific needs of the organization. This education program contains a focus on the vision besides technical aspects. Most of the students are nurse trainees, who study and work at the same time. Therefore, Organization C actively recruits trainees such that they receive specific education as well as training in Organization C. Because of the large gap between traditional education and Organization C's vision, new employees who have completed other education programs receive extra training as soon as they enter Organization C for getting acquainted with the vision and way of working in Organization C.

Organization C also offers internal training focused on aspects of the vision or on other aspects of work. For example, training programs include 'Organization C's vision in practice', 'Implementing a client-focus in your job', as well as compulsory training for supervisors and managers, including 'Conducting absence interviews', and 'Conducting performance interviews'. Most of the times, training needs are identified ad hoc. When supervisors and managers identify a skills or knowledge gap, training is developed in order to fill that gap.

Employee development. Organization C prefers promotion from within the organization. Because of the uniqueness of the vision and culture of Organization C, managers stress the importance of new supervisors being familiar with the vision. Requirements of supervisor and manager functions include completed health care education, as well as management training.

Appraisal and rewards. As performance appraisal is being associated with a bureaucratic system, Organization C does not use performance appraisals. Instead, performance interviews are used, omitting the appraisal component. These performance interviews are somewhat more extensive than regular performance interviews due to the absence of performance appraisal. All homes use a protocol for performance interviews, in which focus points for the interview are recorded, like points of improvement, team collaboration, absence, and training needs. Moreover, an 'employee profile' is made based on eight competencies which an ideal Organization C employee should possess: being independent, taking initiatives, showing courage and a sense of responsibility, being proud of one's results, being committed to health care renewals, being inquisitive, being

collegiate, and being flexible. These competencies are mentioned in the protocol, but not elaborated on further. The performance interview is used to compare the employee with this profile, and to identify areas of improvement for the employee. Performance interviews are however not implemented consistently. In many cases, performance interviews are not being conducted regularly.

No formal appraisal system is used in Organization C, and employee rewards are not contingent on the employee performance or on the outcome of this performance interview. Employees are rewarded according to the sector-wide CBA 'Nursing homes and care homes'. Each year, employee salaries increase with a fixed percentage according to the CBA, regardless of employee performance.

APPENDIX 2 CASE STUDY PROTOCOL

This case study protocol gives an overview of the main subjects that are covered in the interviews. The interview approach is semi-structured. Open-ended questions provided in this protocol will guide the structure of the interview, and follow-up questions will be asked to go deeper into the subjects. Moreover, respondents are asked to illustrate their answers with examples. The exact content of the interviews will depend on the function of the respondent and on what has been discussed in earlier interviews in the specific organization.

Introduction
– Introduction of ourselves and the research project
– Description of the content of the interview

Introduction of the interviewee
– Introduction of the background and current function of the interviewee
– Can you describe the communication and consultation structure in your department, including your role in your department?
– How many employees do you supervise or manage?

Important changes
– Could you describe important changes that have taken place during the last five or six years in your organization, or affecting your organization?
– How would you describe the effects of this change on strategy?
– How would you describe the effects of this change on employees and on HRM?

Organizational strategy
– How would you describe the core competence or success factor of your organization?
– What is the organization's position in the market? / How does your organization perform relative to competition?

HRM and Fit

– What are the strategic goals of your organization on both short and long term (including opportunities and threats)?

– Do these strategic goals differ for each business unit?

– Who is involved in strategy formulation?

Institutional context

– Can you describe laws, rules, regulations that affect your organization? How?

– Can you describe the composition and influence of trade unions and works councils on your organization? How would you describe the relationship between these bodies and the organization?

– Which important changes have occurred with respect to laws, regulations, and trade unions that affect your organization?

– Can you describe how these developments have affected the organization and HR practices?

– Can you describe the influence of these pressures on the success of HR strategy and practices?

– Can you describe the organization's reaction to these pressures?

Organizational systems and characteristics

– Which systems, processes or characteristics does the organization have in order to achieve a competitive advantage/ to gain market share?

– How would you characterize the relationship between these systems and processes and the way people are managed in the organization?

– How would you describe the control systems that are used in the organization, and to what extent are HR practices aligned with these systems and processes?

– How would you describe organizational culture, and to what extent are HR practices aligned with organizational culture?

Employees

– Which employees are crucial for the success of the organization/ Which employees would you label as core employees?

– Does your organization make a distinction between different employee groups?

– Does the organization use different HR practices for different groups of employees?

HR strategy and HR policy

– How would you describe HR strategy?

– How would you describe the strengths, weaknesses, and challenges of HR strategy and practices?

– Who is involved in developing HR strategy and HR practices?

– How much freedom do HR managers have to adjust HR strategy to their unit?

Implementation of HR practices

– Could you describe how HR practices are implemented?

– Who is involved in HR practices implementation?

– How are HR strategy and HR practices communicated throughout the organization?

– Are there differences in HR practices implementation between business units or department? Could you describe these differences?

HR practices

– Which HR practices used in your organization would you describe as successful? Could you describe these HR practices?

– Could you describe how the following practices are shaped in your organization?
  – Recruitment and selection
  – Education and training
  – Employee development and internal promotion opportunities
  – Performance appraisal and evaluation
  – Rewards
  – Employee security
  – Team working and team autonomy
  – Employee autonomy and participation
  – Other relevant HR practices that the organization uses

– Could you describe links between these practices?

APPENDIX 3A EMPLOYEE QUESTIONNAIRE (IN DUTCH)

Vragenlijst voor werknemers **Organisatie X**

Instructie voor het invullen van de vragenlijst

Deze vragenlijst gaat over het personeelsbeleid van Organisatie X en over Organisatie X in het algemeen. Er wordt gevraagd naar uw mening over de relatie tussen u en Organisatie X, vanuit het perspectief van uw huidige functie.

Bij elke blok vragen staat een korte instructie voor het invullen hiervan, en de specificatie van de antwoordcategorieën. Het is belangrijk dat u bij elke vraag het antwoord kiest dat het dichtste bij uw eigen mening ligt. Probeer a.u.b. bij elke vraag een antwoord in te vullen.

Uw gegevens zullen uiteraard anoniem en vertrouwelijk behandeld worden, ze zullen niet gebruikt worden voor andere doeleinden dan de verwerking van deze vragenlijst.

Het invullen van deze vragenlijst zal ongeveer 10 à 15 minuten in beslag nemen.

De vragenlijst

In het eerste gedeelte van deze vragenlijst staan een aantal beweringen over wat de organisatie u biedt. Er wordt u gevraagd om aan te geven in hoeverre Organisatie X deze zaken aan u biedt. Omcirkel dan het antwoord dat u het beste vindt passen. Let wel dat het om uw eigen mening gaat en om uw specifieke situatie!

Er zijn 5 antwoordmogelijkheden, omcirkel het antwoord dat het meeste van toepassing is.

1:   **totaal niet**
2:   **enigszins**
3:   **in redelijke mate**
4:   **voor een groot deel**
5:   **volkomen**

	Organisatie X biedt (mij)…	totaal niet	enigs- zins	in redelijk e mate	voor een groot deel	volko- men
1	…Divers en afwisselend werk	1	2	3	4	5
2	…Uitdagend werk	1	2	3	4	5
3	…Werk dat me de mogelijkheid geeft om mezelf te onderscheiden	1	2	3	4	5
4	…De mogelijkheid om betrokken te zijn bij besluitvorming	1	2	3	4	5
5	…Inspraak in het opstellen van beleidsplannen voor Organisatie X	1	2	3	4	5
6	…De mogelijkheid om zelf te bepalen hoe ik mijn taken uitvoer	1	2	3	4	5
7	…De mogelijkheid om zelf beslissingen te nemen over mijn werk	1	2	3	4	5
8	…De mogelijkheid om zelf de verantwoordelijkheid te dragen over mijn taken	1	2	3	4	5
9	…De mogelijkheid om mijn mening te geven over werkgerelateerde zaken	1	2	3	4	5
10	…Strenge selectie van nieuwe werknemers	1	2	3	4	5
11	…Selectiviteit in het aannemen van nieuwe collega's	1	2	3	4	5
12	…De mogelijkheid om trainingen, cursussen en workshops te volgen	1	2	3	4	5
13	…De mogelijkheid om nieuwe kennis en vaardigheden te ontwikkelen voor mijn huidige of toekomstige baan	1	2	3	4	5
14	…Coaching, gericht op mijn ontwikkeling	1	2	3	4	5
15	…Ondersteuning bij het plannen van mijn toekomstige ontwikkeling	1	2	3	4	5
16	…De mogelijkheid om voor een andere afdeling te werken als ik dat wil	1	2	3	4	5
17	…De mogelijkheid om een andere functie te vervullen binnen Organisatie X	1	2	3	4	5
18	…Goede carrièremogelijkheden binnen Organisatie X	1	2	3	4	5
19	…Uitbreiding van mijn verantwoordelijkheden als ik goed presteer	1	2	3	4	5

Organisatie X biedt (mij)…	totaal niet	enigs-zins	in redelijke mate	voor een groot deel	volko-men
1 …De mogelijkheid om door te groeien naar een hogere functie binnen Organisatie X	1	2	3	4	5
2 …De zekerheid dat ik mijn baan kan behouden	1	2	3	4	5
3 …Een contract dat mij werkzekerheid biedt	1	2	3	4	5
4 …De mogelijkheid om in een team te werken	1	2	3	4	5
5 …De mogelijkheid om nauw samen te werken met mijn collega's	1	2	3	4	5
6 …De mogelijkheid om als team zelf beslissingen te nemen	1	2	3	4	5
7 …De mogelijkheid om met mijn team verantwoordelijk te zijn voor onze resultaten	1	2	3	4	5
8 …Periodieke evaluatie van mijn prestaties	1	2	3	4	5
9 …Faire beoordeling van mijn prestaties	1	2	3	4	5
10 …Een beloning die afhankelijk is van mijn prestaties	1	2	3	4	5
11 …Een bonus die afhankelijk is van de winstgevendheid van Organisatie X	1	2	3	4	5
12 …Een goed salaris ten opzichte van soortgelijke organisaties	1	2	3	4	5
13 …Een bovengemiddeld salaris voor deze functie	1	2	3	4	5
14 …Een eerlijk beloningssysteem	1	2	3	4	5
15 …Aantrekkelijke secundaire arbeidsvoorwaarden	1	2	3	4	5
16 …Flexibele werktijden	1	2	3	4	5
17 …Ondersteuning van werkende ouders	1	2	3	4	5
18 …De mogelijkheid om parttime te werken als dat nodig zou zijn	1	2	3	4	5
19 …De mogelijkheid om mijn werkschema aan te passen aan mijn thuissituatie	1	2	3	4	5

Hieronder vindt u twee vragen die betrekking hebben op in hoeverre u bij Organisatie X past.

Omcirkel het antwoord dat het beste bij u past. Bij elke vraag zijn er weer dezelfde 5 antwoorden mogelijk.

	totaal niet	enigszins	in redelijke mate	voor een groot deel	volkomen
1 In hoeverre denkt u dat u past bij de cultuur van Organisatie X?	1	2	3	4	5
2 In hoeverre denkt u dat u past bij Organisatie X en bij uw collega's?	1	2	3	4	5

In het onderstaande gedeelte zijn er 5 antwoordmogelijkheden, van volstrekt mee oneens tot volledig mee eens:

1:   volstrekt mee <u>on</u>eens
2:   mee <u>on</u>eens
3:   niet mee oneens en niet mee eens
4:   mee eens
5:   volkomen mee eens

		volstrekt mee oneens	mee oneens	niet mee oneens en niet mee eens	mee eens	volkomen mee eens
1	Wat ik belangrijk vind in het leven wordt ook binnen Organisatie X belangrijk gevonden	1	2	3	4	5
2	Mijn waarden en normen passen bij de waarden, normen en cultuur van Organisatie X	1	2	3	4	5
3	De waarden en cultuur van Organisatie X sluiten aan bij de dingen die ik belangrijk vind in het leven.	1	2	3	4	5
4	Wat mijn baan me biedt komt overeen met wat ik in een baan zoek	1	2	3	4	5
5	De dingen die ik zoek in een baan worden in mijn huidige baan vervuld	1	2	3	4	5
6	Mijn huidige baan biedt mij alles wat ik verwacht van een baan	1	2	3	4	5
7	Er is een goede 'match' tussen de eisen van mijn baan en mijn persoonlijke vaardigheden	1	2	3	4	5
8	Mijn vaardigheden en opleiding passen goed bij de eisen voor mijn huidige baan	1	2	3	4	5
9	Mijn persoonlijke vaardigheden en opleiding passen goed bij wat er van mij verwacht wordt in mijn huidige baan	1	2	3	4	5

In het volgende gedeelte zal er gevraagd worden naar uw mening over Organisatie X. Er zijn weer 5 antwoordcategorieën, variërend van volstrekt mee oneens tot volledig mee eens.

		volstrekt mee oneens	mee oneens	niet mee oneens en niet mee eens	mee eens	volkomen mee eens
1	Organisatie X betekent veel voor mij persoonlijk	1	2	3	4	5
2	Ik voel me (emotioneel) verbonden met Organisatie X	1	2	3	4	5
3	Ik zou graag de rest van mijn loopbaan bij Organisatie X blijven	1	2	3	4	5
4	Ik voel me deel van de "Organisatie X familie"	1	2	3	4	5

In het volgende gedeelte zal er gevraagd worden naar uw mening over collega's en over Organisatie X. Er zijn weer 5 antwoordcategorieën, variërend van volstrekt mee oneens tot volledig mee eens.

		volstrekt mee oneens	mee oneens	niet mee oneens en niet mee eens	mee eens	volledig mee eens
1	Ik help met het begeleiden van nieuwe werknemers, ook als ik het op dat moment erg druk heb	1	2	3	4	5
2	Ik sta altijd klaar voor mijn collega's	1	2	3	4	5
3	Ik steek tijd in het helpen van anderen op het werk	1	2	3	4	5
4	Ik vind het belangrijk om ontwikkelingen binnen Organisatie X bij te houden	1	2	3	4	5
5	Ik lees altijd aankondigingen, memo's en andere berichten van Organisatie X	1	2	3	4	5
6	Ik doe dingen die het imago van Organisatie X hoog houden, terwijl dit niet verplicht is	1	2	3	4	5
7	Ik neem vrijwillig deel aan trainingen en/of informatiebijeenkomsten, die niet verplicht zijn gesteld door Organisatie X	1	2	3	4	5
8	Ik houd rekening met de gevolgen van mijn acties voor anderen	1	2	3	4	5
9	Ik overleg met anderen als ik iets ga doen dat mogelijk gevolgen heeft voor hen	1	2	3	4	5
10	Ik probeer te voorkomen dat ik problemen veroorzaak voor collega's	1	2	3	4	5

De onderstaande beweringen hebben betrekking op uw intenties.

		volstrekt mee oneens	mee oneens	niet mee oneens en niet mee eens	mee eens	volledig mee eens
1	Ik denk er vaak over om te stoppen met mijn baan	1	2	3	4	5
2	Ik ben van plan om een andere baan te gaan zoeken binnen nu en een jaar	1	2	3	4	5
3	Als het aan mij ligt, werk ik over een jaar nog steeds bij Organisatie X	1	2	3	4	5

HRM and Fit

*Hieronder volgt een vraag over uw **werktevredenheid**. Kies hier het antwoord dat het beste bij u past. Er zijn 5 antwoordmogelijkheden, variërend van zeer ontevreden tot zeer tevreden:*

1:   **zeer <u>on</u>tevreden**
2:   **<u>on</u>tevreden**
3:   **niet ontevreden en niet tevreden**
4:   **tevreden**
5:   **zeer tevreden**

		zeer ontevreden	ontevreden	niet ontevreden en niet tevreden	tevreden	zeer tevreden
1	Over het algemeen genomen, hoe tevreden bent u met uw baan?	1	2	3	4	5

Tot slot volgen er nog een paar algemene vragen. Deze gegevens worden uitsluitend gebruikt voor het verwerken van de vragenlijsten. Ik wil u vragen om deze vragen zo volledig mogelijk in te vullen.

<u>Achtergrondinformatie</u>

1	In welke vestiging werkt u?	
2	Wat is de officiële titel van uw functie?	
3	Is dit een leidinggevende functie?	Ja / Nee
4	Zo ja, aan hoeveel mensen geeft u leiding?	_____ mensen
5	Hoeveel uren werkt u per week (contract)?	_____ uur per week
6	Heeft u een vast contract bij Organisatie X?	Ja / Nee
7	Hoe lang werkt u al voor Organisatie X?	_____ jaar
8	Hoe lang werkt u al in uw huidige functie?	_____ jaar
9	Wat is uw leeftijd?	_____ jaar
10	Wat is uw geslacht?	M / V
11	Wat is uw hoogst afgeronde opleiding?	☐ MAVO/ VMBO ☐ HAVO ☐ VWO ☐ LBO/ LTS ☐ MBO/ MTS ☐ HBO/ HTS ☐ Universitair ☐ Anders, nl. _____

Dit is het einde van de vragenlijst. Ik dank u hartelijk voor uw medewerking. In de bijgevoegde **antwoordenvelop** *kunt u de vragenlijst opsturen, frankeren is niet nodig. Als er nog vragen of opmerkingen zijn over de vragenlijst of over het onderzoek, kunt u deze hieronder noteren. Voor verdere vragen ben ik per email beschikbaar:* cboon@few.eur.nl

Nogmaals bedankt!

APPENDIX 3B EMPLOYEE QUESTIONNAIRE (IN ENGLISH)

Employee questionnaire
Organization X

Instruction for filling in this questionnaire

This questionnaire concerns people management in Organization X, and Organization X in general. We would like to ask your opinion about your relationship with Organization X from the perspective of your current job.

With each set of questions, a short instruction is given as well as a specification of response categories. It is important to choose the answer which best approaches your own opinion. Please try to answer each of the questions.

Your responses will be treated anonymously and confidentially. They will not be used for other purposes than for analysis for our research.

It will take approximately 10 to 15 minutes to complete this questionnaire.

The questionnaire

In the first part of the questionnaire, a number of statements are given about what the organization offers you. Please indicate to what extent Organization X offers you these matters. Please choose the answer which is the closest to your own opinion!

5 response categories are given. Please choose the answer which best fits your situation.

1:	**not at all**
2:	**to a small extent**
3:	**to a moderate extent**
4:	**to a great extent**
5:	**to a very great extent**

	Organization X offers (me)…	not at all	to a small extent	to a mode-rate extent	to a great extent	to a very great extent
1	...Comprehensive and diverse work	1	2	3	4	5
2	...Challenging work	1	2	3	4	5
3	...Work that gives me the opportunity to express myself	1	2	3	4	5
4	...The opportunity to participate in decision making processes	1	2	3	4	5
5	...Participation in developing (strategic) plans	1	2	3	4	5
6	...The opportunity to do my work in my own way	1	2	3	4	5
7	...The opportunity to make my own decisions	1	2	3	4	5
8	...The opportunity to take the responsibility for my own tasks	1	2	3	4	5
9	...Possibilities to present my opinion on matters	1	2	3	4	5
10	...Critical selection of new employees	1	2	3	4	5
11	...Selective recruitment of new colleagues	1	2	3	4	5
12	...The opportunity to follow training, courses, and workshops	1	2	3	4	5
13	...The opportunity to develop new skills and knowledge for my current job or for possible jobs in the future	1	2	3	4	5
14	...Coaching which supports my development	1	2	3	4	5
15	...Support in planning my future development	1	2	3	4	5
16	...The opportunity to work for another department	1	2	3	4	5
17	...The opportunity to do another job within this organization	1	2	3	4	5
18	...Good career prospects	1	2	3	4	5
19	...An increase in job responsibilities if I perform well at my current tasks	1	2	3	4	5

Organization X offers (me)…	not at all	to a small extent	to a mode-rate extent	to a great extent	to a very great extent
1 ...The possibility to occupy a higher position within the organization	1	2	3	4	5
2 ...Certainty of keeping my job	1	2	3	4	5
3 ...An employment contract offering job security	1	2	3	4	5
4 ...The possibility to work in a team	1	2	3	4	5
5 ...The possibility to work closely together with my colleagues	1	2	3	4	5
6 ...The possibility to make decisions as a team	1	2	3	4	5
7 ...The possibility for my team to take the responsibility for our results	1	2	3	4	5
8 ...Periodic evaluation of my performance	1	2	3	4	5
9 ...Fair appraisal of my performance	1	2	3	4	5
10 ...Performance-related pay	1	2	3	4	5
11 ...A bonus which depends on the organization's profit	1	2	3	4	5
12 ...A competitive salary	1	2	3	4	5
13 ...An above average salary for this function	1	2	3	4	5
14 ...A fair compensation system	1	2	3	4	5
15 ...An attractive benefits package	1	2	3	4	5
16 ...Flexible working hours	1	2	3	4	5
17 ...Policies that support working parents	1	2	3	4	5
18 ...The opportunity to work part-time if I needed to	1	2	3	4	5
19 ...The opportunity to arrange my work schedule so I can meet family obligations	1	2	3	4	5

Below, two questions are presented related to the extent to which you match with Organization X. Please choose the answer which best reflects your opinion. The same 5 response categories are provided.

	not at all	to a small extent	to a mode-rate extent	to a great extent	to a very great extent
1 To what degree do you think you fit into the culture at Organization X?	1	2	3	4	5
2 To what degree do you think you match or fit your organization and the current employees in your organization?	1	2	3	4	5

HRM and Fit

Below, 5 response categories are provided, ranging from strongly disagree to strongly agree:

1:   **strongly <u>dis</u>agree**
2:   **<u>dis</u>agree**
3:   **neither agree nor disagree**
4:   **agree**
5:   **strongly agree**

		strongly disagree	disagree	neither disagree nor agree	agree	strongly agree
1	The things that I value in life are very similar to the things that my organization values	1	2	3	4	5
2	My personal values match my organization's values and culture	1	2	3	4	5
3	My organization's values and culture provide a good fit with the things that I value in life	1	2	3	4	5
4	There is a good fit between what my job offers me and what I am looking for in a job	1	2	3	4	5
5	The attributes that I look for in a job are fulfilled very well by my present job	1	2	3	4	5
6	The job that I currently hold gives me just about everything that I want from a job	1	2	3	4	5
7	The match is very good between the demands of my job and my personal skills	1	2	3	4	5
8	My abilities and training are a good fit with the requirements of my job	1	2	3	4	5
9	My personal abilities and education provide a good match with the demands that my job places on me	1	2	3	4	5

Below, statements are presented about Organization X. Again, 5 response categories are provided, ranging from strongly disagree to strongly agree.

		strongly disagree	disagree	neither disagree nor agree	agree	strongly agree
1	This organization has a great deal of personal meaning for me	1	2	3	4	5
2	I feel emotionally attached to this organization	1	2	3	4	5
3	I would be very happy to spend the rest of my career with this organization	1	2	3	4	5
4	I feel 'part of the family' in this organization	1	2	3	4	5

Below, questions will be asked about your colleagues and about Organization X. Again, 5 response categories are provided, ranging from strongly disagree to strongly agree.

		strongly disagree	disagree	neither disagree nor agree	agree	strongly agree
1	I help orient new employees even though it is not required/ I am willing to take time out of my busy schedule to help with recruiting or training new agents	1	2	3	4	5
2	I am always ready to help or to lend a helping hand to those around me	1	2	3	4	5
3	I willingly give of my time to help others	1	2	3	4	5
4	I 'keep up' with developments in the company	1	2	3	4	5
5	I read and keep up with the company announcements, messages, memos, etc.	1	2	3	4	5
6	I attend functions that are not required, but that help the company image	1	2	3	4	5
7	I attend training/information sessions that agents are encouraged but not required to attend	1	2	3	4	5
8	I consider the impact of my actions on others	1	2	3	4	5
9	I 'touch base' with others before initiating actions that might affect them	1	2	3	4	5
10	I try to avoid creating problems for the other employees	1	2	3	4	5

Below, some statements related to your intentions are presented.

		strongly disagree	disagree	neither disagree nor agree	agree	strongly agree
1	I frequently think of quitting my job	1	2	3	4	5
2	I am planning to search for a new job during the next twelve months	1	2	3	4	5
3	If I have my own way, I will be working in this organization one year from now	1	2	3	4	5

*Below, a question is asked about your **job satisfaction**. Please choose the answer which best reflects your opinion. 5 response categories are provided, ranging from very dissatisfied to very satisfied:*

1:   **very <u>dis</u>satisfied**
2:   **<u>dis</u>satisfied**
3:   **neither satisfied nor dissatisfied**
4:   **satisfied**
5:   **very satisfied**

		very dis- satisfied	dis- satisfied	neither dis- satisfied nor satisfied	satisfied	very satis- fied
1	Overall, how satisfied are you with your job?	1	2	3	4	5

To conclude this questionnaire, a few general questions will be asked. These questions will only be used in order to process the questionnaires. Please fill in these questions as completely as possible.

<u>Background information</u>

1	In which business unit do you work?	_____
2	What is your official job title?	_____
3	Do you have a managerial function?	Yes / No
4	If so, how many people do you manage?	_____ people
5	How many hours a week do you work (contract)?	_____ hours a week
6	Do you have a permanent contract in Org. X?	Yes / No
7	How long is your tenure in Organization X?	_____ years
8	How long is your tenure in your current position?	_____ years
9	What is your age?	_____ years
10	What is your gender?	M / F
11	What is your highest completed education[13]?	☐ High school ☐ Vocational training ☐ University ☐ Other education: _____

This concludes the questionnaire. Thank you very much for your cooperation. In the accompanying return envelope, you can send the questionnaire to the researchers. If you have any questions or comments regarding the questionnaire or the research project, please write them below. For any further questions, don't hesitate to contact me by email: cboon@few.eur.nl. Thank you again!

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[13] The Dutch educational system differs from the system in other countries. These response categories are given for illustrative purposes.

ABOUT THE AUTHOR

Corine Boon was born in Lekkerkerk, the Netherlands, on March 24th in 1981. In 1998 she obtained her high school diploma at the 'Krimpenerwaard College' in Krimpen aan den IJssel, after which she started studying Business Economics at the Erasmus University Rotterdam. After she graduated cum laude in 2003, she was appointed as a PhD student in human resource management at the Erasmus University, where she worked on her dissertation about 'HRM and fit'. She presented her research at international conferences, including the Academy of Management annual meeting, the annual SIOP conference, the EAWOP conference, and the Dutch HRM network conference. In 2007, one of her papers was nominated for the Carolyn Dexter award at the Academy of Management conference, and this paper was also published in the best paper proceedings of the HR division of the Academy of Management. Corine currently works as a post-doctoral researcher as part of the People Performance and Healthcare group which is a cooperation between the Institute of Health Policy and Management (Erasmus University Medical Centre) and the department of HR studies at Tilburg University.

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HRM AND FIT

SURVIVAL OF THE FITTEST!?

What is the nature of 'fit' in strategic HRM? This is the question guiding this thesis. Although the idea of fit is theoretically convincing, empirical evidence to support the role of fit is limited. Previous studies on fit have mainly focused on the alignment between HRM and strategy (strategic fit) and the alignment of HR practices with each other such that they form a consistent HR system (internal fit). Criticism of current research includes that there has been a lack of attention to dynamics and employee interests, and a lack of sophistication in the description of fit. Conceptualizations and operationalizations of fit in HRM need refining. This thesis reports research on five types of fit: *strategic, internal, organizational,* and *institutional fit* from the strategic HRM field, and *person-environment fit* from the applied psychology literature. First, new conceptualizations and operationalizations of fit in HRM are developed and evaluated using qualitative case study data from three Dutch organizations. Next, we aim to bridge organizational and individual level HRM research by assessing the contribution of person-environment fit to the strategic HRM field using employee survey data from two organizations. Finally, the possible effectiveness of fit for different stakeholders is explored. Does fit make a difference to organizations? This research provides insight in the different elements that make up fit. Results indicate that the different types of fit are interrelated, and that person-environment fit provides a valuable contribution to strategic HRM as it plays a significant role in explaining the relationship between HRM perceptions and employee attitudes and behaviors. Also, 'adaptive capabilities' are important for achieving a strong fit in the long run. This thesis concludes with an evaluation of the fit concept and an exploration of possible benefits of achieving a fit for organizations.

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