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Chapter 8

STRATEGIC HRM MOVING FORWARD: WHAT CAN WE LEARN FROM MICRO PERSPECTIVES?

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INTRODUCTION

In the past few decades, research in strategic human resource management (HRM) has been widely conducted at the organizational level to explore why, when, and how bundles of HR practices influence organizational performance. In order to explain this “black box” between HRM and organizational performance, scholars have drawn upon theories from different perspectives such as the resource-based view (RBV) of the firm, transaction cost economics, the behavioral perspective from strategic HRM literature, and institutional theory (Wright & McMahan, 1992). A considerable number of empirical studies have demonstrated that bundles of HR practices or HR systems are positively associated with different types of organizational performance (e.g., collective employee performance, operational performance, and financial performance) across different industries (e.g., manufacturing industry and service industry) in different countries (Combs, Liu, Hall, & Ketchen, 2006).

Despite the theoretical approaches and substantial evidence of the impact of HR systems on organizational performance, scholars have recently argued that strategic HRM researchers have placed priority on the managerial perspective of the influence of HR systems on relevant outcomes and, implicitly, often

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1 assumed that individual employees are aware of these systems and perceive the
2 systems as expected by management (Nishii & Wright, 2008). To the extent
3 that this assumption is prevalent, prior research neglects the possibility that
4 employees may play an active role in perceiving and interpreting HR practices
5 designed by organizations, and that their perceptions and interpretations, in
6 turn, affect their work-related attitudinal and behavioral reactions and respond
7 in very predictable ways (Nishii, Lepak, & Schneider, 2008). Given this possi-
8 bility, scholars have recently called for more attention to the role of individual
9 employees in understanding the influence mechanisms of HR systems (Butts,
10 DeJoy, Schaffer, Wilson, & Vandenberg, 2009; Kehoe & Wright, in press; Liao,
11 Toya, Lepak, & Hong, 2009).

12 The focus on individual reactions to HR systems has also been bolstered
13 by the burgeoning multilevel research (Aumann & Ostroff, 2006; Klein &
14 Kozlowski, 2000; Ostroff & Bowen, 2000) in which the possibility of top-down
15 process and bottom-up process are explicitly considered. With a top-down pro-
16 cess, the relationship between HR practices and relevant outcomes is based on
17 the notion that organizations adopt HR practices to influence individual em-
18 ployees' human capital and attitudes. In contrast, with a bottom-up approach
19 the impact of HR practices on outcomes is based on individual responses to
20 HR practices that may be aggregated to collective outcomes through emergent
21 processes, which in turn can have an impact on organizational performance
22 (e.g., Ployhart & Moliterno, 2011). Compared to previous research that fo-
23 cused primarily on the organizational level analysis, this multilevel perspective
24 in strategic HRM simultaneously considers the organizational influence on in-
25 dividual reactions and the emergence of individual outcomes to the group and
26 organizational level. As a result, this perspective provides a richer approach to
27 explore the relationship between HR systems and organizational performance
28 (Mossholder, Richardson, & Settoon, 2011; Nishii, Lepak, & Schneider, 2008;
29 Ployhart & Moliterno, 2011).

30 Building on this emerging stream of research, the purpose of this chapter is to
31 incorporate several traditional micro theories from the organizational behavior
32 literature and the Industrial/Organizational psychology literature into strategic
33 HRM research. In so doing, we do not intend to provide a comprehensive
34 review of all work that has been undertaken over the past three decades (see a
35 review of Lengnick-Hall, Lengnick-Hall, Andrade, & Drake, 2009). Instead,
36 we have opted to highlight particular examples of themes or trends in the
37 strategic HRM research arena, with a view to providing directions for future
38 research. Rather than focusing attention on what has been accomplished, our
39 orientation is more in terms of looking ahead to several areas of research that
40 are warranted to advance our knowledge of *how* HR systems impact relevant
41 individual, collective, and organizational outcomes.

42 In focusing on how micro theories can help understand the mediating mech-
43 anisms of HR systems on organizational outcomes, we propose a general mul-
44 tilevel framework of the influence of HR systems on collective performance.

1 Based on this model, the chapter will be organized as follows. First, we intro-
2 duce the multilevel model in which HR systems affect employees' perception
3 and interpretation, which in turn impact their reactions to HR systems, which
4 in turn create collective outcomes through emergence process. Second, we
5 briefly introduce several micro theories and explain how these theories can
6 help understand the different phases of the link between HR systems and
7 organizational performance. Finally, we consider the implications for future
8 research in strategic HRM.
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12 **LINKING HR SYSTEMS AND ORGANIZATIONAL** 13 **PERFORMANCE: A MULTILEVEL FRAMEWORK**

14

15 Many theoretical perspectives have been advanced to explain the impact of
16 HRM on organizational outcomes (e.g., see reviews in Boxall & Macky, 2009;
17 Jackson & Schuler, 1995; Wright & McMahan, 1992). Among these per-
18 spective, the RBV and the behavioral perspective have garnered consider-
19 able attention within the strategic HRM research (Jackson & Schuler, 1995;
20 Jackson, Schuler, & Rivero, 1989; Wright, Dunford, & Snell, 2001). Focusing
21 on the attributes of various resources within organizations, the RBV helps ex-
22 plain *why* employees may serve as potential sustainable competitive advantage
23 for an organization (Lado & Wilson, 1994; Wright, McMahan, & McWilliams,
24 1994). By articulating that HR systems may impact competitiveness through
25 the development and retention of valuable and unique human and social capi-
26 tal, the RBV provides a strong conceptual backdrop why a focus on strategically
27 managing employees is an important and potentially essential endeavor. Inter-
28 estingly, although the RBV is invoked to provide a lens for understanding why
29 HR is critical for competitiveness, it has seldom been adopted to illuminate
30 the mechanisms by which the relationships between HR systems and organi-
31 zational performance occur. From a different approach, the behavioral per-
32 spective within the strategic HRM domain focuses on *how* HRM contributes
33 to organizational effectiveness. The essence of the behavioral perspective is
34 that HR systems affect organizational performance by eliciting and control-
35 ling employee role behaviors that are particularly instrumental for different
36 circumstances (Jackson, Schuler, & Carlos Rivero, 1989).

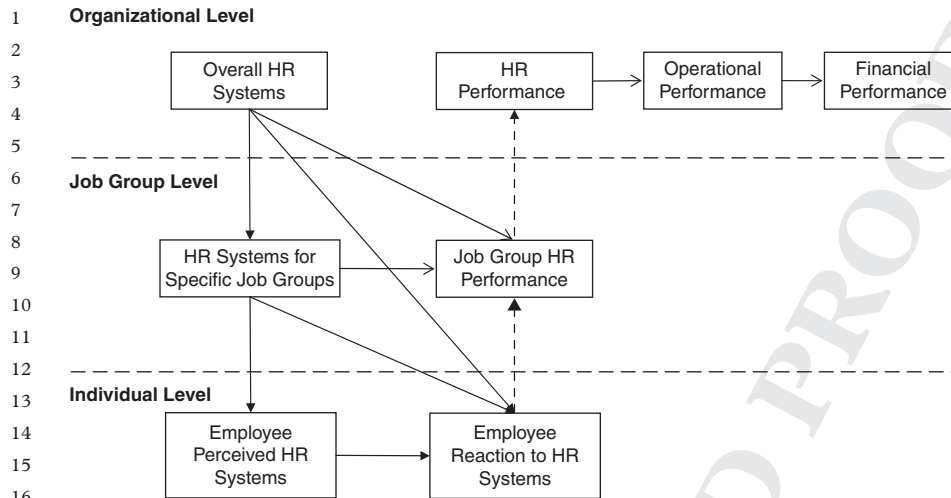
37 Building on these perspectives, researchers have proposed several theoretical
38 models of the mediating process of HR systems-organizational outcomes.
39 For example, Dyer and Reeves (1995) provided a typology of performance
40 for strategic HRM, suggesting that HR practices impact on HR outcomes
41 (e.g., collective human capital, employee motivation and performance), which
42 then impact on operational outcomes (e.g., productivity, quality, service,
43 safety, innovation) and financial outcomes (e.g., profitability, return on asset,
44 return on equity). Guest (1997) posited that HRM practices affect employee
skills and abilities, effort and motivation, and role structure and perception,

1 which in turn lead to behavioral outcomes, which then impact on operational
2 outcomes and financial outcomes. Similarly, Becker and Huselid (1998) and
3 Delery and Shaw (2001) proposed that HR systems influence employee skills,
4 motivation, and job design and work structures, which in turn impact on
5 operating performance, financial performance, and market value. While these
6 frameworks provide insights into the potential path between HR systems and
7 organizational outcomes, because these models were delineated primarily
8 at the organizational level, several limitations have been pointed out by the
9 subsequent scholars.

10 First, studying HR systems at the organizational level may overlook employ-
11 ees' active role in perceiving and interpreting HR practices. Focusing on HR
12 systems at the organizational level implicitly assumes that all employees have
13 similar perceptions of the HR systems implemented in the organization. How-
14 ever, HR practices vary across job groups within the organization (Lepak &
15 Snell, 1999, 2002) and employees have different interpretations of the HRM
16 practices implemented in their organization (Liao *et al.*, 2009; Nishii, Lepak,
17 & Schneider, 2008). Indeed, Nishii and Wright (2008) suggested that employ-
18 ees' perceptions of HR systems can be influenced by their values, personality,
19 and other individual difference variables. They also proposed a process model
20 of strategic HRM in which the influence of intended HR practices on orga-
21 nizational performance is dependent on the degree to which those intended
22 HR practices are implemented perfectly in organizations and the extent to
23 which the actual HR practices are perceived by employees as employers ex-
24 pect. It is employees' reaction of their perceptions of HR practices, not just
25 their exposure to them, that further leads to organizational performance.

26 Second, several researchers have directed attention to how organizational-
27 level HR systems influence individual human capital (e.g., knowledge, skills,
28 and abilities), and motivation and how these individual variables mediate the
29 impact of HR systems on individual attitudes, behavior, and performance (e.g.,
30 Liao *et al.*, 2009). From this perspective, it is these individual attitudes, be-
31 haviors, and performance that, when aggregated, drive organizational perfor-
32 mance (Lepak, Liao, Chung, & Harden, 2006; Messersmith, Patel, & Lepak,
33 in press; Ostroff & Bowen, 2000; Takeuchi, Chen, & Lepak, 2009). Taken
34 together, these studies suggest that the effect of HR systems on organizational
35 performance is mediated by employees' perceptions of and their reactions to
36 those systems.

37 As shown in Figure 8.1, we organize the chapter by proposing a three-level
38 conceptual framework linking HR systems and organizational performance.
39 As observed earlier, this model combines the process models from the behav-
40 ioral perspective of strategic HRM (e.g., Becker & Huselid, 1998; Delery &
41 Shaw, 2001; Guest, 1997) as well as multilevel considerations (e.g., Lepak
42 *et al.*, 2006; Nishii & Wright, 2008; Ostroff & Bowen, 2000). On the left
43 side of the model, there are three levels of HR systems: organizational level,
44 job group level, and individual level. At the organizational level, HR systems



18 **Figure 8.1** Multilevel influence of HR systems on collective performance

19
 20 refer to a broad pattern of HR policies and practices that may be applied to
 21 different groups or types of employees. As organizations may use different
 22 practices to manage different types of employees, job group-level HR systems
 23 are included to reflect those practices that are specific for certain job group
 24 of employees (e.g., contact service workers, research and development work-
 25 ers, manufacturing workers, or managers). Individually perceived HR systems
 26 indicate employees' perception and interpretations of HR systems in the work-
 27 place, including both organizational-level HR systems and job group-level HR
 28 systems. On the right-hand side of this model are three categories of organi-
 29 zational performance: HR outcomes (e.g., employee performance, turnover,
 30 and absenteeism), operational outcomes (e.g., productivity, quality, innova-
 31 tion, and service), and financial outcomes (e.g., profitability). In the middle
 32 of the model are individual reactions resulting from employees' perceptions
 33 of HR systems that are aggregated to create job group-level outcomes which
 34 further form the basis of organizational-level HR performance. This concep-
 35 tual framework will drive our discussions concerning the application of micro
 36 theories in strategic HRM research in the following sections.

37 38 39 **APPLYING MICRO THEORIES TO STRATEGIC** 40 **HRM RESEARCH**

41
 42 Although there is a long list of more micro-oriented theoretical perspectives
 43 that would probably provide valuable insights into understanding how HR sys-
 44 tems impact organizational outcomes, we focus on two areas of research. First,

1 we explicitly focus on theoretical perspectives that might prove particularly
2 insightful for explaining variability in how HR systems operate. Macro HR
3 systems scholars have often focused on direct effects between organizational-
4 level measures of HR systems and organizational outcomes. However, a key
5 to understanding how, why, and when HR systems are optimally effective re-
6 quires consideration of individual level factors. Why do some people respond
7 as expected to the introduction of HR interventions while others do not? Why
8 do employees vary in how strongly they respond? Theoretical perspectives that
9 are able to shed light on these questions are critical to help us understand more
10 clearly how HR systems operate within particular organizations.

11 Second, we explicitly focus on the notion of group level HR initiatives. Rec-
12 ognizing that HR systems are modified within organizations based on different
13 types of contributions or different employee groups (Lepak & Snell, 1999;
14 Delery & Shaw, 2001), we explore the potential insights that the groups
15 literature might provide for understanding how HR systems operate in group
16 settings.

17 18 **Interpretive Perspectives** 19

20 In this section we review theory and research that has examined the ways in
21 which individual perceptions and interpretations might influence how employ-
22 ees react to particular HR systems. In particular, we focus on: social exchange
23 theory, psychological contract theory, equity theory/justice theory, and attri-
24 bution theory, with a view to elucidating future research directions.

25 *Social exchange theory* (SET) is one of the most influential theoretical per-
26 spectives for understanding employee behaviors in the workplace (Coyle-
27 Shapiro & Shore, 2007; Cropanzano & Mitchell, 2005; Lepak & Boswell, in
28 press). It emphasizes that the interactions between two interdependent parties
29 generates obligations of each party toward the other and impacts the quality
30 of the relationship between the two parties. Although SET has derived from
31 multiple disciplines (Cropanzano & Mitchell, 2005), most studies adopting
32 SET within the field of HRM are based on the rule or norm of reciprocity
33 (Gouldner, 1960) and Blau's (1964) work of social exchange relationship. The
34 rule of reciprocity indicates that if one party supplies a benefit, the receiving
35 party should respond in kind. Further, the abidance of the reciprocity rule will
36 improve the quality of the relationship between the two parties, which in turn
37 leads to beneficial consequences.

38 Within the strategic HRM research, scholars typically view the social ex-
39 change relationship between employees and their organizations as a mediator
40 between organizations' investment in HRM and employee outcomes, which
41 in turn drive the key operational and financial outcomes of organizations.
42 The rationale for the mediating role of social exchange relationships is that
43 when organizations value the contribution of employees and care about the
44 well-being of employees by designing HR practices or systems, employees
reciprocate by exerting positive work attitudes and effective work behavior.

1 Two variables that have received extensive focus related to the social ex-
2 change relationships in HRM research are perceived organizational support
3 (POS) and its direct consequence – organizational commitment. Prior research
4 has examined the mediating roles of these variables at both individual level
5 and organizational level. For example, at the individual level, Wayne, Shore,
6 Bommer, and Tetrick (2002) found that HR practices such as employee
7 involvement, fair pay, and recognition are positively related to POS which
8 was also related to organizational commitment and organizational citizen-
9 ship behavior (OCB). Similarly, Allen, Shore, and Griffeth (2003) reported
10 that employee perceived participation, rewards, and growth opportunity posi-
11 tively influenced POS and organizational commitment, which in turn im-
12 pacted on individual voluntary turnover. By examining the cross-level effect
13 of organizational-level HR systems, Liao and colleagues (2009) demonstrated
14 that individual perceived HR systems mediated the higher-level influence of
15 organizational-level HR systems on individual POS, which in turn affected
16 individual-level service performance.

17 At the organizational level, researchers have maintained that employees
18 within an organization or work unit share their perceptions of the exchange
19 relationship with organizations, resulting in a collective exchange relationship.
20 In keeping with the logic of this approach, scholars have examined the medi-
21 ating effect of collective exchange relationships. For example, Takeuchi, Lepak,
22 Wang, and Takeuchi (2007) directly examined the mediating role of social
23 exchange relationships between high performance work systems (HPWS) and
24 establishment performance in a study that sampled 76 business establishments
25 from 56 Japanese companies. Using the same dataset, Takeuchi and colleagues
26 (2009) found that aggregated POS at the establishment level, which was called
27 concern for employee climate, mediated the cross-level influence of HPWS on
28 individual-level affective commitment and job satisfaction. By focusing only
29 on the organizational level of analysis, Gong, Law, Chang, and Xin (2009)
30 demonstrated that HR systems designed to improve employee performance
31 were positively related to middle managers' collective affective commitment,
32 which in turn was associated with improved organizational performance. In
33 a study of 133 Chinese service stores Chuang and Liao (2010) found that
34 concern for employee climate, operationalized as collective POS, mediated the
35 positive impact of HPWS on service performance and market performance.

36 As the above discussion suggests, previous research incorporating SET logic
37 into HRM research has made significant contributions to understanding the
38 mediating mechanisms between HR systems and both individual and organi-
39 zational outcomes. Despite this progress, we believe that there remain several
40 clear potential contributions to our knowledge of the relationship between HR
41 and organizational outcomes by further incorporating SET into future studies.

42 First, previous HRM researchers have not explicitly investigated what ex-
43 actly is exchanged in the relationship between organizations and employ-
44 ees that is facilitated through HR systems. Researchers have suggested that
there are a variety of types of resources in the exchange relationship and that

1 different types of resources are likely to be exchanged in different ways (Foa &
2 Foa, 1974). For example, tangible and monetary resources (e.g., compensa-
3 tion and rewards) may be more likely to be exchanged in a short-term pattern
4 whereas intangible and non-monetary resources (e.g., promotion opportuni-
5 ties and caring) may be more likely to be exchanged in the long term. Interest-
6 ingly, organizations can provide both categories of resources to employees by
7 using HR practices, such as offering competitive salary through compensation
8 practices and providing internal promotion opportunities via job design. By fo-
9 cusing on POS and commitment, researchers can capture employees' general
10 evaluation of their relationships with organizations but these investigations do
11 not identify how specific HR practices or systems influence different resources
12 the organizations provide for employees, which may generate different types of
13 exchange relationships between employees and organizations. As a preliminary
14 exploration, Gong, Law, Chang, and Xin (2009) found that performance-
15 oriented HR systems composed of selective hiring, extensive training, career
16 planning, performance appraisal for pay and promotion purpose, and partici-
17 pation in decision making were positively related to collective affective commit-
18 ment but not to continuance commitment. In contrast, their results indicated
19 that maintenance-oriented HR systems including job security and reduction of
20 status distinction were positively associated with collective continuance com-
21 mitment but not with affective commitment. Inspired by this study, we call for
22 further research to explore what resources organizations provide for employees
23 by focusing on different HR practices and how these different resources may
24 foster different sorts of exchange relationships between employees and organi-
25 zations, in order to elucidate how variations in the exchange affect subsequent
26 employee and organizational outcomes. In short, different combinations of HR
27 practices convey different terms of social exchange and research is needed to
28 delve into the intricacies of these exchanges.

29 Second, future strategic HRM research may explore causality in the ex-
30 change relationships between employees and organizations. Previous research
31 implicitly assumes that exchange relationships between employees and organi-
32 zations begin when organizations invest in (and thus induce) their employees
33 and that when employees perceive such support they will reciprocate with
34 increased levels of commitment, positive behavior, and performance (e.g.,
35 Takeuchi *et al.*, 2007; Takeuchi, Chen, & Lepak, 2009). However, it is possi-
36 ble that employees may take the first step to building close relationship with
37 their organization by exhibiting increased commitment and exerting additional
38 effort in advance of enhanced support on the part of the organization. In re-
39 sponse, organizations may implement specific HR practices to maintain the
40 positive exchange relationship induced by their employees. In short, while
41 organizations often implement HR practices in an attempt to establish the
42 exchange relationship, it is important to remember that this is an exchange be-
43 tween two parties that may be shaped proactively by either (Lepak & Boswell,
44 in press). Therefore, in addition to previous findings of HR's influence on

1 employees in exchange relationships, it is meaningful to examine how em-
2 ployee intended relationships with their organizations impact on the design
3 and implementation of HR systems in organizations and explore how the ex-
4 change relationships and the design of HR systems develop over time.

5 Third, we encourage future research to consider other types or targets of
6 exchange relationships in strategic HRM research. Previous research suggests
7 that employees not only have exchange relationship with organizations as a
8 whole (e.g., POS), but also have exchange relationships with leaders (e.g.,
9 leader-member exchange (LMX), Graen & Uhl-Bien, 1995; Wayne, Shore, &
10 Liden, 1997) and coworkers within work teams (e.g., team-member exchange
11 (TMX), or perceived team support (PTS), Bishop, Scott, & Burroughs, 2000;
12 Seers, Petty, & Cashman, 1995). Researchers have suggested that different
13 types of exchange relationships have different antecedents and consequences.
14 For example, at the individual level of analysis, researchers found that pro-
15 motions and organizational tenure significantly predicted POS, which in turn
16 impacted on commitment, intention to leave, and OCB toward organizations;
17 while supervisor-contingent rewards and dyad tenure were significantly related
18 to LMX, which in turn affected OCB toward leaders and performance rating
19 by leaders (e.g., Masterson, Lewis, Goldman, & Taylor, 2000; Wayne, Shore, &
20 Liden, 1997; Wayne *et al.*, 2002). However, macro HRM researchers do not
21 typically consider the LTX, TMX, and PTS relationships that are usually ex-
22 amined as individual-level variables. This omission provides two promising
23 approaches for strategic HRM research. Initially, researchers might examine
24 if, and in what ways, HR practices impact on LTX, TMX, and PTS. In ad-
25 dition, it is worth exploring whether employees' exchange relationships with
26 their leaders and teams moderate the relationships between HR systems and
27 employee outcomes. It is possible that employees with high-quality relationship
28 with their leaders may be more likely to hold more positive perceptions of HR
29 practices and thus have more favorable reactions of HR practices compared
30 with their counterparts that have low-quality relationships with leaders.

31 Fourth, prior research examining POS and organizational commitment at
32 the collective level has assumed that employees within a given organization
33 evaluate their relationships with their organization in similar ways. However,
34 individuals may differ in the degree they endorse reciprocity (e.g., Eisenberger,
35 Huntington, Hutchison, & Sowa, 1986). Those high in an exchange orientation
36 may be more sensitive to organizations' support through HR practices and
37 more likely to feel obligated to pay back the organization. However, those
38 low in an exchange orientation may be less likely to be influenced by the HR
39 practices designed to provide support and resources for employees. Hence, it
40 would be fruitful to examine the moderating role of exchange orientation in the
41 relationship between HRM and POS and commitment at both the individual
42 level and organizational level.

43 *Psychological contract theory* is closely related to the broader notion of so-
44 cial exchange, that is, research focusing on psychological contracts. The

1 psychological contract in employment refers to the system of beliefs that an
2 individual and his or her employer hold regarding the terms of their exchange
3 agreement (Rousseau, 1995). The psychological contract has been defined
4 as “an individual’s beliefs, shaped by the organization, regarding terms of an
5 exchange agreement between individuals and their organizations” (Rousseau,
6 1995: 9). The beliefs refer to employee perceptions of the explicit and implicit
7 promises (Robinson, Kraatz, & Rousseau, 1994; Conway & Briner, 2005,
8 2009) regarding the exchange of employee contributions (e.g., effort, ability,
9 loyalty) for organizational inducements (e.g., pay, promotion, and security).

10 Rousseau (1995) defined two types of exchange agreements between em-
11 ployers and employees: transactional and relational contracts. Transactional
12 contracts are short term, have a purely economic or materialistic focus, and
13 entail limited involvement by both parties. Relational contracts are long term
14 and broad, as they are not restricted to purely economic exchange but also
15 include terms for loyalty in exchange for security or growth in an organization
16 (Morrison & Robinson, 1997; Rousseau & McLean Parks, 1993).

17 Although workers and employers often differ in their perceptions and in-
18 terpretations regarding the terms of employments (Coyle-Shapiro & Kessler,
19 2000, 2002; Porter, Pearce, Tripoli, & Lewis, 1998), some degree of mu-
20 tuality or shared understanding is essential for the parties to achieve their
21 interdependent goals (Rousseau, 1995). Mutuality exists, for example, where
22 both employee and employer agree that the employer has committed to pro-
23 viding fair compensation. Failure to reach an objective agreement can give rise
24 to a psychological contract breach (Morrison & Robinson, 1997; Rousseau,
25 1995) – “the cognition that one’s organization has failed to meet one or more
26 obligations within one’s psychological contract in a manner commensurate
27 with one’s contributions” (Morrison & Robinson, 1997, p. 230).

28 Morrison and Robinson (1997) discussed two root causes of perceived
29 psychological contract breach: renegeing and incongruence. *Reneging* is when
30 agent(s) of the organization recognize that an obligation exists but knowingly
31 fail to meet that obligation. An example would be when a recruiter or manager
32 made an explicit promise and then failed to uphold that promise. *Incongruence*
33 is when the employee and the organizational agent(s) have different under-
34 standings about whether a given obligation exists or about the nature of a
35 given obligation. An example is if an employee misinterprets a statement made
36 during the recruitment process. Either renegeing or incongruence may lead to
37 the perception of a contract breach by creating a discrepancy of what he or she
38 has actually experienced. Attributions or judgments about why the contract
39 breach occurred will also play a role in the interpretation process. Regardless
40 of the actual conditions leading to a perceived breach (i.e., incongruence or
41 renegeing), employees will experience more intense negative emotions if they
42 attribute it to purposeful renegeing. When faced with unfavorable or unex-
43 pected outcomes, people tend to search for explanations that will enable them
44 to assign responsibility (Wong & Weiner, 1981).

1 Another important component of the psychological contract interpreta-
2 tion process is the worker's assessment of how fairly he or she was treated
3 while forming perceptions of the contract breach. In particular, Morrison and
4 Robinson (1997) argued that the interpretation of a psychological contract
5 breach will be heavily influenced by perceived interactional fairness (Bies &
6 Moag, 1986), or employees' beliefs about interpersonal treatment that they
7 experienced (e.g. respect, consideration, and adequate explanation). Unfair
8 interpersonal treatment signals to an employee that he or she is not valued or
9 respected in the relationship (Brockner & Wiesenfeld, 1996), which intensifies
10 feelings of anger and betrayal.

11 The importance of perceptions of breach is that it provides a clear medita-
12 tional explanation for why employees may or may not respond to HR practices
13 as desired by organizations. Indeed, research has shown a negative relationship
14 between perceived psychological contract breach and desirable outcomes such
15 as job satisfaction, organizational commitment, and performance (Bunderson,
16 2001; Robinson & Morrison, 2000). Perceptions of breach have also been
17 found to reduce employees' trust, intentions to remain with the organization,
18 and in-role and extra-role performance (Robinson, 1996; Robinson, Kraatz, &
19 Rousseau, 1994; Robinson & Morrison, 1995).

20 Future research in strategic HRM would benefit from great incorporation
21 of psychological contract considerations. For example, the strategic HRM
22 literature highlights a number of HR systems consisting of different HR prac-
23 tices that are argued to achieve a range of business objectives. The goal of
24 control HR systems, for example, is to reduce costs or improve operational
25 efficiency and consist of narrowly defined jobs, lower skill demands, and
26 minimal training that may result in a transactional employment relationship
27 (Arthur, 1992, 1994; Tsui, Pearce, Porter, & Tripoli, 1997). The goal of high-
28 commitment HR systems, in contrast, is to motivate employees to identify
29 with organizational goals (Whitener, 2001). They consist of HR practices such
30 as highly selective staffing, intensive training, and a high level of compensa-
31 tion, which result in a relational employment relationship (Tsui *et al.*, 1997).
32 Although they were developed in separate research streams, these two HR
33 systems have direct parallels in the psychological contract literature. On the
34 one hand, control oriented HR systems share many properties with transac-
35 tional relationships. Commitment oriented HR systems, on the other hand,
36 share properties with relational contract perceptions (Lepak & Snell, 1999;
37 Tsui *et al.* 1997).

38 From a strategic HRM point of view, organizations signal the desire to
39 establish either transactional oriented and relational oriented HR systems for
40 strategic reasons – to align employee contributions with the strategic goals
41 they are trying to achieve. Given the variance in the level of investments in
42 various employment relationships, future research could shed light on how
43 employee performance might be influenced under these different employment
44 arrangements, given the strategic objectives of the organizations.

1 In addition to understanding how organizations use different HR systems
2 to achieve different strategic outcomes, it is critical to understand the im-
3 portance of effectively communicating to employees the rationale for these
4 decisions. Rousseau (1989) argued that the intensity of how an individual re-
5 sponds to psychological contract breach “is directly attributable not only to
6 unmet expectations of specific rewards or benefits, but also to more general
7 beliefs about respect of persons, codes of conduct and other patterns of be-
8 havior associated with relationships involving trust” (p. 129). It is possible that
9 while organizations may explain differing employment arrangements and psy-
10 chological contract intentions through realistic job previews and hold up their
11 end of the employment contract to avoid a contract breach, employees may
12 still perceive a contract violation or breach.

13 As the perceptions of met and unmet expectations reside in the minds of
14 employees, it is important to understand how their considerations might in-
15 fluence the alignment between strategic objectives and the effectiveness of HR
16 systems in reaching those objectives. There may be other factors contribut-
17 ing to employee’s perceptions of psychological contract breach beyond how
18 they are managed. A substantial body of research finds that the value or im-
19 portance of work outcomes varies across individuals, which can impact on
20 their psychological contracts (Bartol & Locke, 2000). Just as organizations’
21 strategic objectives impact on employment contracts, employee’s work pref-
22 erences may also impact their perceptions of psychological contract breach.
23 Individuals differ on the type of work they prefer and these preferences may
24 differentially influence the type of employment relationship they seek with
25 organizations. At a basic level, some individuals may simply perform better
26 in transactional employment contracts if there are work outcomes that they
27 value. For example, some individuals may accept a transactional employment
28 contract if it provides them the means to achieve flexibility in balancing work
29 and personal objectives (Van Dyne & Ang, 1998), or an opportunity to earn
30 more money (Ellingson, Gruys, & Sackett, 1998), or develop new skills that
31 will help them to be more marketable (Albrecht, 1998). Though there may be
32 agreement as to the promises made in the employment contract congruence
33 in between HR systems and employee preferences may also be necessary to
34 ensure performance outcomes. The use of fair practices demonstrates a super-
35 visor’s respect for the rights and dignity of workers. This demonstrated respect
36 indicates that an authority is devoted to the principles of procedurally fair
37 treatment, thus resulting in enhanced trust in the employment relationship
38 (Lind & Tyler, 1988), which is an important part of psychological contract
39 fulfillment (Rousseau, 1995).

40 Other employees, however, may prefer the long-term developmental orien-
41 tation of a relational exchange and, even if an organization is entirely con-
42 sistent in aligning its HR practices with the employment relationship, there
43 may be dissatisfaction and frustration with the lack of long-term orientations.
44 Consistently conveying a particular psychological contract does not require

1 that the employees exposed to that contract are happy with their employment
2 relationship.

3 An additional issue that might be informed by the psychological contract
4 research is the potential disparity that exists between intended and experi-
5 enced HR practices. For example, Liao and colleagues (2009) explored the
6 impact of a set of HRM practices and desired individual outcomes such as
7 human capital, psychological empowerment and perceived organizational sup-
8 port. Interestingly, they found different effects with the outcomes comparing
9 employees' experienced work practices from management intended work prac-
10 tices. Not surprisingly, employee perceptions of HR practices was a stronger
11 factor for psychological empowerment than was ratings of HR practices in
12 use as reported by managers. This study highlights the fact that employees'
13 perceptions of HR practices, perceptions that are closely linked with psycho-
14 logical contract perceptions, impact on their motivation. The findings provide
15 additional evidence of the potential value of the micro perspective as a basis
16 for illuminating the processes by which HR systems impact on employees'
17 motivations and wider behaviors in the workplace.

18 A further issue to consider in future strategic HRM research concerns the
19 alignment of individual interests in type of psychological contract that employ-
20 ees desire and the one conveyed and reinforced by the organization. Strategic
21 HRM researchers have explored alignment between strategic objectives and
22 HR systems as well as HR systems and employment relationships. Given that
23 the effectiveness of HR systems is dependent on the employees exposed to
24 those systems, it would be fruitful to consider the alignment between the psy-
25 chological contract terms conveyed by HR systems and employee preferences
26 for psychological contracts. Examining potential inconsistencies in what is
27 conveyed by the HR systems in use and what is desired by employees may
28 provide insights into understanding conditions of met and unmet expectations
29 and help understand variance in the impact and effectiveness of HR systems
30 in organizations.

31 *Equity theory* research is closely related to perceptions of met expectations
32 and possible perceptions of breach. Much equity theory research has derived
33 from initial work conducted by Adams (1965), who used a social exchange the-
34 ory framework to evaluate fairness, which was used to help define distributive
35 justice. According to Adams, what people were concerned about was not the
36 absolute level of outcomes per se but whether those outcomes were perceived
37 as fair. Adams suggested that one way to determine whether an outcome was
38 fair was to calculate the ratio of one's outcomes (e.g., compensation, promo-
39 tions, development) to one's inputs (e.g., effort, time, education, intelligence,
40 and experience) and then compare that ratio with the ratio of inputs to out-
41 comes of a comparison other. The outcomes of comparison others (relative
42 to inputs) is thus an important source of evidence used by individuals when
43 forming justice judgments (Kulik & Ambrose, 1992). Dissimilar ratios lead to
44 perceptions of inequity.

1 Although equity theory and psychological contract theory both help to ex-
2 plain the mediating factors between HR systems and performance, it is in-
3 sightful to understand the different processes postulated by each theory as
4 the underlying basis for the effects observed. Whereas equity is evaluated by
5 considering ratios of inputs and outcomes, breach of psychological contract is
6 determined by comparing inputs and outcomes relative to what was promised.
7 An employee's perception of past promises plays a prominent role in the de-
8 termination of contract breach. In contrast, evaluations of equity include all
9 job-relevant inputs and outputs, regardless of perceived promises (Morrison &
10 Robinson, 1997).

11 There is also a difference with respect to the nature and role of referent oth-
12 ers. In equity theory, the referent other is not necessarily in a direct exchange
13 relationship with the focal employee. Rather, the referent is someone in a sim-
14 ilar exchange relationship with the organization, whereas in the determination
15 of whether a psychological contract breach occurred, the only relevant parties
16 are the employee and the organization (Morrison & Robinson, 1997). Conse-
17 quently, it does not matter what others have received from the organization; an
18 employee may perceive a contract breach even if co-workers have been treated
19 similarly. It is also possible that an employee can have an input-outcome ra-
20 tio that is much worse than co-workers', yet conclude that the psychological
21 contract has been upheld.

22 A key motivational component of equity theory is related to organizational
23 justice. Justice in organizational settings can be described as focusing on the
24 antecedents and consequences of three types of subjective perceptions: (a)
25 the fairness of outcome distributions, (b) the fairness of the procedure used
26 to determine outcome distributions, and (c) the fairness and quality of the
27 interpersonal treatment employees experience in the workplace. These forms of
28 equity are typically referred to as distributive justice (Adams, 1965, Leventhal,
29 1980), procedural justice (Leventhal, 1980), and interactional justice (Bies &
30 Moag, 1986).

31 Thibaut and Walker (1975) expanded the focus of justice beyond inputs and
32 outcomes to include process, which became known as procedural justice. Lev-
33 enthal (1980) can be credited for extending the notion of procedural justice into
34 non-legal contexts such as organizational settings. Leventahl's theory of proce-
35 dural justice judgments focused on six criteria that a procedure should meet if it
36 is to be perceived as fair. Procedures should (a) be applied consistently across
37 people and across time, (b) be free from bias, for example, ensuring that a
38 third party has no vested interest in a particular settlement, (c) ensure that
39 accurate information is collected and used in making decisions, (d) have some
40 mechanism to correct flawed or inaccurate decisions, (e) conform to personal
41 or prevailing standards of ethics or morality, and (f) ensure that the opinions
42 of various groups affected by the decision have been taken into account.

43 Bies and Moag (1986) focused attention on the importance of the quality of
44 the interpersonal treatment people receive when procedures are implemented.

1 Interactional justice (Bies & Moag, 1986) is fostered when decision makers
2 treat people with respect and sensitivity and explain the rationale for deci-
3 sions. More recently, interactional justice has come to be seen as consisting
4 of two specific types of interpersonal treatment (Greenberg, 1990). The first,
5 labeled interpersonal justice reflects the degree to which people are treated
6 with politeness, dignity, and respect by authorities or third parties involved
7 in executing procedures or determining outcomes. The second, labeled infor-
8 mational justice, focuses on the explanations provided to people that convey
9 information about why procedures were used in a certain way or why outcomes
10 were distributed in a certain fashion.

11 While typically used to understand how individuals assess their own situation
12 at work, equity theory can also be a useful lens to understand variability in HR
13 system reactions. For example, individuals who experience an inequity while
14 comparing their input-out ratios with their comparison others are less likely to
15 be satisfied with their job and engage in organizational citizenship behaviors
16 (Colquitt, Conlon, Wesson, Porter, & Ng 2001; Tyler & Smith, 1998), and
17 are more likely to be aggressive and seek revenge (Aquino, Tripp, & Bies,
18 2001). Such responses to inequity seem to be a sort of reciprocation, such
19 as that described by social exchange theory (Blau, 1964; Organ, 1988). The
20 reactions to these inequities may cause tension and may motivate the person
21 to try to reduce the inequity. Once a person perceives inequity, they have six
22 options: (1) Change their inputs, for example, decrease or increase effort; (2)
23 Change their outcomes, for example, request more money; (3) Distort how
24 one perceives their inputs or themselves; (4) Distort how one perceives others;
25 (5) Select a different referent; or (6) Leave or engage in withdrawal behaviors
26 (Austin, 1977).

27 Workers experiencing inequity may consciously change their behavior or
28 change their perceptions of inputs or outcomes to restore balance with their
29 comparison people. Research also suggest that individuals are more likely
30 to change behaviors when under rewarded (i.e., a smaller outcome to input
31 ratio than others) rather than over rewarded (i.e., a larger outcome to input
32 ratio than others) (Hegtvedt, 1990). In the short term, this may mean that
33 employees alter their inputs through lower job performance to make the ratio
34 of outcomes to inputs more equal to comparison others. This response is
35 preferable, because workers have the most control over this part of the ratio
36 and because this response is less psychologically damaging than other options
37 (Adams, 1965; Schwarzwald, Koslowsky, & Shalit, 1992).

38 In the worst case scenario, individuals may leave the work setting to restore
39 feelings of equity. Although leaving is one way of demonstrating low orga-
40 nizational attachment (Withey & Cooper, 1989), it may not be an option for
41 everyone. When leaving is not an option, individuals may reduce organizational
42 attachment by psychologically withdrawing from the organization resulting in
43 behaviors such as absence (Rhodes & Steers, 1990) and attitudes such as
44 reduced psychological commitment (Mowday, Steers, & Porter, 1979).

1 Consideration of equity issues could prove valuable to advance strategic
2 HRM research. Interestingly, much of the strategic HRM literature incorpo-
3 rates issues regarding differentiation (Huselid & Becker, 2011; Lepak & Snell,
4 1999) with practices such as differential incentives and bonuses for differences
5 in contributions and other forms of equity based HR practices. What is in-
6 teresting is that perceptions of equity exist in the mind of the individual, and
7 while these inequalities, even if viewed as legitimate from the organizational
8 point of view, may be viewed as detrimental from the individual point of view.
9 When this happens, organizations may experience adverse reactions from in-
10 dividuals who perceive that their inputs and outputs differ significantly from
11 expected when compared to organizational decisions makers. If organizations
12 cannot justify those differences to the employee's satisfaction or cannot explain
13 why the differences are reasonable, individual contributions may differ signif-
14 icantly from what the organization intended. It is plausible that organizations
15 do exactly what the strategic HRM literature would suggest only to realize
16 adverse outcomes from individuals with different perceptions. Research that
17 examines the relative tradeoffs achieved through efficiencies and other relevant
18 performance metrics potentially associated with differentiation relative to any
19 potential adverse perceptions or reactions to perceptions of inequities would
20 prove insightful given the recent shift in the macro HRM literature embracing
21 an architectural perspective with a push toward differentiation.

22 *Attribution theory* While social exchange, psychological contract, and equity
23 theory each provide insights into how individuals view their obligations to-
24 ward their organization as well as how fairly they feel they are being treated,
25 attribution theory provides a different lens to view how employees act in re-
26 sponse to HR practices. Attribution theory, which was suggested by Heider
27 (1958) and developed by Kelley (1972) and Weiner (1986), illustrates that
28 people desire to understand the causes of others' behaviors through a series of
29 cognitive processes. According to Heider's (1958) arguments, people explain
30 one another's behaviors via a series of attributions pertaining to the locus of
31 causality and the extent to which the phenomena in question are believed to
32 be controllable or uncontrollable. These attributions, in turn, influence em-
33 ployees' cognitive and behavioral response to others' behaviors (Kelley, 1973).

34 Although attribution theory was introduced to the Organizational Science
35 in the late 1970s and early 1980s, little attention had been given to this the-
36 ory by organizational scholars (Martinko, Douglas, & Harvey, 2006a, 2006b;
37 Martinko, Harvey, & Dasborough, 2011). Recently, however, there are an
38 increasing number of scholars that have shed light on the importance of
39 attribution in predicting employees' emotions, expectancies, and behaviors
40 at work and higher level outcomes in HRM and OB fields (e.g., Bachrach,
41 Bendoly, & Podsakoff, 2001; Nishii, Lepak, & Schneider, 2008). Specifically,
42 studies have noted that attribution theory provides some explanations about
43 employees organizational citizenship behavior (OCB) in the workplace, leader-
44 member relationship (LMX), and effectiveness of individual HRM practices

1 such as performance appraisal or feedback (e.g., Bachrach, Bendoly, &
2 Podsakoff, 2001; Feldman, 1981; Jackson & LePine, 2003; Martinko,
3 Harvey, & Dasborough, 2011).

4 Nishii and colleagues (2008) showed that attribution theory provides a
5 strong conceptual basis for understanding how HR systems operate by focus-
6 ing on employees' attributions regarding their companies' motives for using
7 HR systems. They emphasized the importance of "employees' attributions of
8 why HRM practices exist" (p.505) and categorized these attributions of man-
9 agerial motivations for HR decisions into two broad categories: (1) quality
10 enhancing – employee well-being orientation, and (2) cost reduction – ex-
11 ploiting employee orientation. Regardless of the manager's actual motivation,
12 employees held their own perceived attributions of their manager's motivations
13 for using HRM practices. The results of their study indicated that when the
14 attribution was one of managerial focus on quality enhancement and employee
15 well-being, the employees tended to have higher affective commitment and sat-
16 isfaction. In contrast, when employees attributed their manager's motivation
17 for use of HRM practices to achieve cost reduction or exploit employees, the
18 employees did not have positive attitudinal outcomes. In sum, this empirical
19 study demonstrates that understanding the frame of mind of the employee is
20 critical for fully understanding how they respond to organizational initiatives.
21 While attributions have not been a primary focus in the strategic HRM liter-
22 ature, it is one that is ripe for additional considerations. For example, what
23 other types of perceived motivations might be held by employees and how
24 do those perceptions impact on their reactions to HR systems? What is the
25 relationship between attributions and perceptions of psychological contract vi-
26 olations and equity concerns? To what extent and in what ways do employees
27 with more negative attributions jump to concerns about violation or breach
28 quicker than employees with more positively held attributions? How might
29 equity considerations be tempered by perceptions of managerial motivations?

30 It is also useful to think about how other factors might influence these
31 attributions. For example, a subordinate who is high in LMX quality may
32 attribute for HRM practices accurately through high quality communication
33 (Barry & Crant, 2000). The level of trust in management would be an interest-
34 ing antecedent that influences individual interpretation of HR attribution, as
35 an individual who has trust in management tends to interpret management's
36 motives and behaviors positively (Korsgaard, Brodt, & Whitener, 2002).

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Strategic HRM at the Team-Level of Analysis

40 Inspired by the multilevel research, strategic HRM scholars have recently pro-
41 posed multilevel frameworks in which organizational-level HR systems can
42 influence both psychological climate and organizational climate which in turn
43 lead to individual outcomes and organizational performance (James, 1982;
44 James, Demaree, & Wolf, 1984). Following the theoretical works that have

1 elaborated these ideas (e.g., Lepak **et al.** 2006; Mossholder, Richardson, &
2 Settoon, 2011; Ostroff & Bowen, 2000), subsequent empirical research has
3 examined how the organizational-level HR systems affect individual attitudes,
4 behavior, and performance (e.g., Kehoe & Wright, in press; Liao *et al.*, 2009;
5 Snape & Redman, 2010; Takeuchi, Chen, & Lepak, 2009; Takeuchi & Way,
6 2010; Uen, Chien, & Yen, 2009; Wu & Chaturvedi, 2009). Very little ef-
7 fort, however, has been directed to incorporating the team level of analysis in
8 strategic HRM research, which is a broad and flourishing area in organizational
9 research (Mathieu, Maynard, Rapp, & Gilson, 2008).

10 We argue that a greater focus on the team level of analysis in strategic HRM
11 research provides an opportunity to generate greater insights into how HR
12 systems operate within organizations. First, in team-based organizations, teams
13 serve as important work contexts for individual employees (Kozlowski & Bell,
14 2003). Organizations may not directly influence individual employees without
15 affecting the team contexts. Compared with organizations, teams are more
16 proximal to individual employees and thus have greater influence on individual-
17 level outcomes (Mathieu & Chen, 2011). In this case, work teams may play
18 an important role in mediating the influence of HR systems on individual
19 outcomes. As a result, looking at HR systems for teams might provide an
20 avenue that better reflects the realities of organizational life.

21 Second, although examining the influence of HR systems on individual
22 outcomes is important, relatively little is known about how the individual out-
23 comes link with organizational outcomes (Ployhart & Moliterno, 2011). Due
24 to the bridging position of work teams between organizations and individuals, it
25 is conceivable that individual outcomes may first influence team performance,
26 which in turn translates to organizational performance through emergence
27 processes. Therefore, considering teams in strategic HRM research can help
28 understand how individual outcomes resulting from investments or inducements
29 of HR systems can contribute to organizational effectiveness. Related,
30 as a desirable management goal, team effectiveness has been widely examined
31 in the team literature. Team scholars have endeavored to explore the impact
32 of team leadership and team characteristics (e.g., task interdependence, team
33 structure) on team effectiveness. However, more attention has been called for
34 by the recent review of team literature to investigate the impact of contextual
35 factors such as organizational-level HR systems on team processes and team
36 performance (Mathieu *et al.*, 2008).

37 Third, both strategic HRM research and team research have not yet made
38 enough effort to explore the nature and function of HR systems at the team
39 level. By focusing on HR systems only at the organizational level, prior strategic
40 HRM research implicitly assumes that organizational-level HR systems have
41 been implemented equally in all teams and there are no specific HR practices
42 that are especially important for teamwork. It also assumes that throughout
43 organizations (and across teams) employees receive the same practices. Yet, it
44 is possible that there may be inconsistencies between organizational-level HR

1 initiatives and team-based HR systems perceived by employees. In essence,
2 we have failed to explicitly recognize the role of team-based HR systems in
3 affecting team process and outcomes and individual attitudes, behavior, and
4 performance.

5 Finally, in the team literature, HR practices are generally described within
6 the Input-Process-Output (IPO) framework of teamwork (Hackman, 1987) as
7 a critical input to team effectiveness (Cohen & Bailey, 1997; Mathieu *et al.*,
8 2008). Limited efforts have been made toward understanding how and why
9 HR serves as an input of team processes and subsequent individual members'
10 attitudes and behaviors (for notable exceptions see Kirkman & Rosen, 1999;
11 Mathieu, Gilson, & Ruddy, 2006; Tsui *et al.*, 1997).

12 Team process is a multidimensional construct that captures team motiva-
13 tional process, cognitive process, and coordination (Kozlowski & Bell, 2003;
14 Marks, Mathieu, & Zaccaro, 2001; Zaccaro, Rittman, & Marks, 2001). Given
15 the issues outlined above, closer theoretical scrutiny is needed to detect how
16 and why HR can impact on employee attitudes and behaviors through team
17 processes. To this end, we explore the conceptual connection between HR
18 practices and multiple team processes and encourage more research in the
19 field in future. In particular, we focus on the link between HR systems and
20 team motivational processes, team cognitive processes, and team coordination.

21 *HR and team motivational processes* How to motivate team members to
22 work toward common goals and to improve team effectiveness is a central
23 concern for both organizational practitioners and team researchers. Motiva-
24 tional theory predominantly targets the individual level, displaying a dearth
25 of research aimed at exploring the mechanisms of team-level motivation
26 (Kozlowski & Bell, 2003). As Zaccaro and colleagues (2008) indicated, role
27 clarity and commitment to the team goals are two critical enabling condi-
28 tions for enhancing team motivation. This is one particular area in which
29 HR practices may prove essential for enhancing team motivation by providing
30 such conditions.

31 First, HR practices related to job design and job evaluation may help team
32 members to understand their role expectations and the process for how to
33 do their work within teams. Individual team members with clear roles about
34 their teamwork are more likely to generate a strong sense of team potency
35 beliefs (Hu & Liden, 2011), a critical team motivational state (Campion,
36 Medsker, & Higgs, 1993; Guzzo, Yost, Campbell, & Shea, 1993). Second,
37 team training practices are seen as effective tools in increasing team mem-
38 bers' skills and knowledge in performing team tasks (Salas & Cannon-Bowers,
39 2001). Such HR practices not only influence individual members' team-
40 work capabilities but also facilitate team coherence and integration, which
41 improves team processes and also helps increase commitment to the team.
42 Providing support to the positive value of HR practices on team motivation,
43 Kirkman and Rosen (1999) found that team-based HR practices enhanced
44 team members' empowerment experiences – a key component of team

1 motivation. Likewise, Mathieu, Gilson, and Ruddy (2006) demonstrated that
2 HR practices in the form of team training and feedback were significantly
3 related to team empowerment.

4 *HR and team cognition processes* HR practices are expected to help the sense-
5 making processes among team members, and facilitate the development of
6 team mental models and collective performance processing (Zaccaro *et al.*,
7 2008), both of which are crucial indicators of team cognition. Specifically, HR
8 departments can facilitate teamwork by utilizing practices such as selection,
9 training, performance evaluation, and compensation. For example, in work
10 teams, members need to work interdependently on related tasks. In order to
11 enhance the efficiency of teamwork, organizations can use staffing practices to
12 ensure members have similar cognitive ability to perform tasks. As described
13 in Schneider's (1987) attraction-selection-attrition model, similar people are
14 apt to be attracted to and selected into a given team. This similarity helps team
15 members to interpret common events similarly and come to a common work
16 decision easily, developing shared mental models. Furthermore, performance
17 feedback practices aid team members to understand incorrect behaviors and
18 insufficient performance, which enhance their capabilities to detect problems
19 and solutions in the future. In line with role theory (Katz & Kahn, 1978),
20 clear interpretation of their work roles allows individual members to know
21 how decisions are made and what ways to solve problems in the future. This
22 shared interpretation increases the development of more effective team mental
23 models and collective performance processing. Likewise, team training pro-
24 grams inculcate in team members a clear interpretation of common goals, a
25 correct way to understand environmental events, and an attitude to face team
26 problems together (Moreland & Myaskovsky, 2000). As a consequence, team
27 members are likely to generate shared understanding toward team goals, prac-
28 tices, and events, and cultivate an effective shared mental model (Huber &
29 Lewis, 2010; Mathieu *et al.*, 2008). However, in order to realize these goals,
30 team-training programs need to be targeted at rather specific processes and
31 outcomes. For example, in order to develop similar team-interaction men-
32 tal models within teams, organizations need to train team members how to
33 coordinate their actions. In addition, organizations can use cross-training to
34 develop inter-positional knowledge with which team members can understand
35 the roles of responsibilities of other members of the team (see a review of
36 Mohammed, Ferzandi, & Hamilton, 2010).

37 *HR and team coordination* A key characteristic of teamwork lies in its nature
38 of interdependence. Team coordination involves activities required to utilize
39 the interdependence in tasks (Kozłowski & Bell, 2003). Based on the social
40 psychology literature, an important obstacle for effective team coordination is
41 social loafing (Latane, Williams, & Harkins, 1979), which results from a lack of
42 individual contribution to the collective endeavor. Effective HR practices are
43 able to reduce, if not eliminate, the generation of social loafers and free riders.
44 For instance, clear job design denotes every member's work responsibilities and

1 duties in the team and how their own work relates to the collective effectiveness
2 (Sawyer, 1992; Hu & Liden, 2011). Performance evaluations let individual
3 team members know how they perform in the team and how they can improve
4 their work to contribute to the team goal accomplishment. In addition, team
5 training cultivates good team players who know how to cooperate with others
6 toward the common goals. Furthermore, how HR department reward team
7 members' work is critical for team coordination process. As Hackman (1987)
8 indicated, reward systems that reinforce team members' achievements are able
9 to facilitate team synergy and reduce coordination loss. Hence, compensation
10 based on team performance can enhance coordination within the team toward
11 common goals (Tsui *et al.*, 1997). Taken together, HR practices can aid team
12 coordination through emphasizing the importance of the team's mission and
13 highlighting individual contribution to the teamwork.

14 In sum, researchers have explored distinct avenues by which HR systems
15 may influence critical team processes. Yet, in the strategic HRM literature,
16 team-level issues and considerations are not often explicitly considered. Most
17 empirical studies in strategic HRM research have examined the effect of HRM
18 either solely at the organizational level or the individual level, or across the
19 organizational level and the individual level. Moving forward, we encourage
20 future research to explore the mediating role of team-level factors in the rela-
21 tionships between HRM and outcomes. As more organizations use work teams
22 or groups to structure work, teams have become a vital work context for indi-
23 vidual workers (Kozlowski & Bell, 2003). Multilevel research and managerial
24 reality have shown that individuals are embedded in work teams, which are in
25 turn nested in organizations.

26 Focusing on teams also introduces a host of important multilevel issues
27 that have not garnered much attention in the extant literature. For example,
28 given our earlier focus on attribution processes, it would be worth investigat-
29 ing how groups develop employees' attributions of HR practices in teams and
30 organizations. Scholars focusing on adopting a multilevel perspective advocate
31 that individual characteristics and individual level cognitive and behavioral
32 outcomes, which used to be considered as idiosyncratic across people, can
33 be subjugated to the group or the organization (Nishii, Lepak, & Schneider,
34 2008). For example, Takeuchi, Chen, and Lepak (2009) demonstrated that
35 employees within a unit can share their perceptions of organizational sup-
36 port. In keeping with this argument, attribution theory can be expanded
37 to the group level context. Touching on this issue, Martinko, Harvey, and
38 Dasborough (2011) suggest that if group members share their attributions of
39 HR practices, the shared attributions can be aggregated to the group level
40 representing the whole group's attribution of HR practices. Further, the col-
41 lective attribution would become group identification that may influence the
42 responses of individual group members and the group. Extending this idea, it
43 would be necessary for future research to investigate the collective attribution
44 to HRM practices and its consequences.

1 Teams play an important role in mediating the top-down influence of
2 organizational-level HR systems and intermediates on individual-level vari-
3 ables and the bottom-up impact of individual-level outcomes on organizational
4 outcomes. Indeed, multilevel scholars have suggested that linkages across levels
5 are more likely to be exhibited among directly coupled levels and entities (Ko-
6 zlowski & Klein, 2000). As an example, Han, Liao, Taylor, and Kim (2010)
7 examined the influence of firm-level HR systems on team performance via
8 team transformational leadership. Building on this research, we encourage the
9 field of strategic HRM to explore the role of team-level analysis in understand-
10 ing the mediating mechanisms of HRM-performance relationships. In sum, we
11 propose team motivation, cognition, and coordination processes will mediate
12 organizational-level HR systems' impact on team effectiveness. Both team-
13 level factors and organizational-level HR factors will together affect individual
14 perceptions, cognitions, attitudes, and behaviors.

15 16 17 CONCLUSION

18
19 The primary objective of this chapter was to explore the potential insights
20 and research ideas that might emerge by incorporating more traditional micro
21 theories from organizational behavior and I/O psychology into strategic HRM
22 research. As we have demonstrated throughout, by focusing on two broad
23 perspectives related to interpretive perspectives and group processes, future
24 research could provide much greater clarity as to why employees respond so
25 variably to common HR systems. Our hope is that future research in these
26 areas will provide: greater insights into why this happens; how organizations
27 can more effectively manage their workforces; and how companies can leverage
28 the talent of their employees more effectively to realize a variety of strategic
29 objectives.

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UNCORRECTED PROOFS