Advancing multilevel thinking in human resource management research: Applications and guidelines

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ABSTRACT

Strategic Human Resource Management (SHRM) researchers have recently turned their attention to using various levels of analysis in examining the relationship between HRM and performance. Despite several calls for research that integrates multiple levels of analysis, HRM research has yet to apply a multilevel approach to its full advantage. In our view, the paucity of multilevel research is rooted in the lack of what we label multilevel thinking: the application of multilevel principles. In this conceptual paper, we develop 9 guidelines based on tailored multilevel HRM principles that offer a course of action for scholars who are interested in conducting multilevel HRM research. Following Kozlowski and Klein (2000), we build these principles around the what, how, where, when, and why questions in multilevel HRM research. Based on an analysis of 88 empirical multilevel HRM studies, we identify the approaches commonly applied when using multilevel principles, explain the weaknesses in current multilevel HRM studies, and offer what we consider good examples of a rigorous approach.

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1. Introduction

Motivated by the evidence that human resource management (HRM) can have a positive effect on firm performance (Combs, Liu, Hall, & Ketchen, 2006; Jiang, Lepak, Hu, & Baer, 2012), strategic HRM researchers have recently turned their attention to the various levels at which this interaction occurs. In the past, HRM scholars tended to focus on single-level effects, among others, on the effect of organizational HRM policies on organizational-level performance. There have been regular calls for multilevel HRM research (e.g. Boselie, Dietz, & Boon, 2005; Kepes & Delery, 2007; Wright & Boswell, 2002), and an increasing number of studies have examined HRM–performance relationships across various levels of analysis (Jiang, Takeuchi, & Lepak, 2013). Integrating levels of analysis, so-called multilevel research, grew out of two ideas. First, organizational HRM policies influence organization-level performance by affecting lower-level variables such as individual-level attitudes and behaviors (Ostroff & Bowen, 2000; Paauwe, 2009; Wright & Boswell, 2002). Second, these cross-level relationships reflect the reality that strategic HRM (SHRM) is inherently multilevel and, consequently, that its assumptions are built upon multilevel theory (Kozlowski & Klein, 2000; Ostroff & Bowen, 2000).

Examining cross-level effects is important for at least two reasons. First, models that integrate multiple levels of analysis are able to explain how lower-level entities, such as employees, become aligned with higher-level entities such as organizational goals (Wright & Boswell, 2002). Second, due to the hierarchical nature of organizations, the majority of problems encountered by managers are anything but single level in nature. Since managerial problems are rooted in causes that reside on various levels,

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a multilevel perspective can offer a nuanced view that is closer to the organizational HRM reality. By building on a multilevel perspective, HRM studies have shown that organization-level HRM practices have a positive, top-down effect on individual-level outcomes (Aryee, Walumbwa, Seidu, & Otaye, 2012; Bal, Kooij, & De Jong, 2013; Liao, Toya, Lepak, & Hong, 2009; Takeuchi, Chen, & Lepak, 2009), and that individual employees' traits, attitudes, and behaviors can be aggregated to higher hierarchical organizational levels thereby having a bottom-up effect on organizational-level outcomes such as organizational innovation, service quality, and financial performance (Aryee et al., 2012; Den Hartog, Boon, Verburg, & Croon, 2013; Nishii, Lepak, & Schneider, 2008). Notwithstanding the attention given to both these top-down and bottom-up effects, multilevel HRM research has yet to achieve conceptual and empirical maturity (Molloy, Ployhart, & Wright, 2011; Shen, 2016). More specifically, this paper argues that the majority of multilevel HRM studies have only limitedly applied conceptual insights from multilevel theory. This caveat regarding multilevel HRM research is rooted in the deficiency in what we term multilevel thinking, or the application of multilevel principles (Costa, Graça, Marques-Quinteiro, Santos, Caetano et al., 2013). These principles were introduced by Kozlowski and Klein (2000) and represent the fundamental processes to be addressed in developing multilevel theory. These principles can aid researchers in specifying the WHAT, HOW, WHERE, WHEN, and WHY constructs and relationships that occur across various levels. So far, as we will show in this paper, multilevel HRM studies have either overlooked some of these principles or applied them in a somewhat implicit or arbitrary manner.

Further attention to multilevel thinking in HRM research is necessary because, ultimately, applying multilevel principles will enable the development of better, contextualized, and nuanced explanations of how HRM and performance are related across various levels of analysis. To advance multilevel thinking in strategic HRM research, we have developed a set of guidelines based on multilevel principles that explain the what, how, where, when, and why of multilevel relationships between HRM and performance. In so doing, we contribute to the field by outlining a research agenda to inform future multilevel HRM research and which, once addressed, will improve our understanding of the multilevel nature of HRM–outcome relationships. Furthermore, we contribute to multilevel research, which has traditionally applied the multilevel principles for examining relationships across hierarchically ordered entities (e.g. industries, organizations, units, and employees), by showing that principles of multilevel theory building can be applied to types of nested structures that traditional multilevel research has overlooked.

The paper is structured as follows: we begin with an introduction to multilevel theory and its evolution in HRM research. This is followed by a structured literature review of the application of multilevel principles in existing HRM research. Based on the analysis of 88 empirical multilevel HRM studies, we identify approaches commonly applied when using multilevel principles in HRM research, explain the weaknesses in current studies, offer what we consider good examples of a vigorous approach, and propose guidelines for advancing multilevel HRM research.

2. The evolution of multilevel SHRM research

Central to multilevel thinking is the proposition that organizational entities exist in so-called nested arrangements (Hitt, Beamish, Jackson, & Mathieu, 2007). Although such entities generally refer to units that consist of hierarchically ordered individuals – such as employees nested in a team, teams nested in an organization, and organizations nested in an industry – they can also refer to components of systems that are hierarchically arranged. Although not using the term 'multilevel', one of the earliest streams of strategic HRM research that examined such nested entities addressed HRM systems (Becker & Gerhart, 1996; Schuler, 1992). We elaborate on three crucial directions that have been taken in the past two decades and that, in our view, have assembled building blocks for multilevel research in HRM.

Back in the early 1990s, Schuler (1992) was one of the first to argue that HRM systems consist of at least three hierarchically ordered components: HR philosophies, policies, and practices. An HR philosophy amounts to "a statement of how the organization regards its human resources, what role the resources play in the overall success of the business, and how they are to be treated and managed" (Schuler, 1992, p. 21). They can be seen as guiding principles that are fundamental to the choice of HR policies and practices, and indicate how workers contribute to organizational goals (Arthur & Boyles, 2007; Becker & Gerhart, 1996). The HR philosophy provides guidelines for the development of HR policies that should help realize the HR philosophy (Kepes & Delery, 2007). HR policies describe objectives for managing human resources and outline the relative emphasis that an organization places on HR choices. As such, HR policies reflect WHAT organizations want to achieve rather than HOW to achieve people-related business objectives (Kepes & Delery, 2007; Schuler, 1992). While HR philosophies represent the values, beliefs, and norms about how success can be achieved through employees (Arthur & Boyles, 2007), HR policies are specific objectives for realizing employee performance. For example, Schuler (1992) referred to the need to hire skilled workers or to appraise workers as examples of HR policies. Ultimately, the HR policies should be translated into HR practices, which are the specific instruments that are used to manage employees' abilities, motivations, and opportunities to perform (Jiang et al., 2012). As such, researchers have already recognized that the HRM system, as a construct, is multilevel in nature, consisting of different levels of abstraction with HRM practices being nested in HRM policies which are nested in HRM philosophies (Arthur & Boyles, 2007).

A decade later, the seminal book chapter by Ostroff and Bowen (2000) integrated different levels of analysis in conceptualizing the multilevel relationships between HRM systems and performance. They argued that organization-level HRM systems affect organizational performance by creating organizational and psychological climates. Since these climates reside at (i.e. are a feature of) the organization and individual levels respectively, Ostroff and Bowen (2000) showed that, conceptually, HRM systems, company performance, and the relationships between them can manifest themselves at least at two organizational levels of analysis. That is, organization-level HRM practices create a psychological climate at the employee level in terms of the employee's perceptions of what behavior is expected, which in turn can also manifest itself as an organizational climate at the organization-level