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Empirical insights on the nature of synergies among HRM policies - An analysis of an ethics-oriented HRM system

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ABSTRACT

In the last years, several HRM scholars have theoretically support the idea that the policies bundled in an HRM system present synergistic effects. Surprisingly, empirical studies about those synergistic effects are scarce, and their results unstable. As a result, some critical voices in the HR field are questioning the idea of synergies among HR policies, and calling for more research which does not take them for granted. Addressing this gap, this study tests the existence and nature of synergies in HRM systems targeted at improving the employees' perception of benevolent and principled ethical climates. Results from a probabilistic sample of 6000 employees from 6 European countries highlight that synergies occur both for benevolent and principled ethical climates, even if the specific components of the HRM system presenting synergistic effects are different in the two cases. Implications of the findings for HRM practice are presented and discussed.

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1. Introduction

HRM studies are increasingly focusing their attention on the effects that bundles of policies have on targeted outcomes (Kepes and Delery, 2008; Jackson, Schuler, and Jiang, 2014). HRM theory argues that integrated, aligned and consistent HRM policies generate positive synergistic effects on targeted outcomes. Thus, HRM systems, i.e. “the pattern of planned human resource activities to enable an organization to achieve its goal” (Wright and McMahan, 1992: 298), exert an impact on targeted outcomes that goes beyond the sum of their individual policies (Jiang et al., 2012). This theoretical framework endorses an ‘optimistic’ view of synergies, according to which positive complementarities are intrinsic to a bundle of HRM policies, and their multiplicative effects can be developed through appropriate investments (Jiang et al., 2012). Empirically, evidence of synergies between HRM policies is however sparse and heterogeneous. The most common operationalization of synergies is the additive approach, which either sums or averages the values of practices used in the HRM system (Jiang et al., 2012, p. 81). This operationalization is “built on a specific and rather conservative form of synergy, that assumes little substantive interaction” (Chadwick, 2010, p. 88). Those studies going beyond additive approach

for measuring the existence of synergies among HRM policies have provided different, and sometimes contradictory, results. Some have found significant multiplicative effects (e.g. Subramony, 2009; Bello-Pintado, 2015; Combs, Liu, Hall, and Ketchen, 2006; Way, 2002), while others did not (e.g. Godard, 2004; Gerhart, 2007).

Reviewing these partial and contradictory results, influential commentaries have argued that evidence of synergistic effects is “overstated” (Chadwick, 2010; p. 89) and have developed a more critical and contingent perspective on their existence (e.g. Wall and Wood, 2005; Gerhart, 2012). More generally, testing the existence and evaluating the nature of synergies between HRM policies represent today a major call in HRM empirical research (e.g., Boxall, 2013; Posthuma, Campion, Masimova, and Campion, 2013).

Our study responds to this call by testing the existence of synergistic effects between the policy domains of HRM systems targeted at the development of organizational ethics. These targeted HRM systems are designed to increase employees' perception of benevolent and principled ethical climates in the organization. Those HRM systems, which are more and more diffused for reducing the diffusion of opportunistic behaviors and personal misconduct with the organization (SHRM, 2013), are typically based on AMO frameworks (i.e. combining policies oriented at increasing employees' ethical Abilities, Opportunities and Motivations, Jiang et al., 2012). In the paper, which is based on a probabilistic sample of 6000 employees from six European countries, we compare an *independent effects* model, according to which the AMO policy domains of the HRM system under study exert an additive effect on

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outcomes, with a *synergistic effects* model, according to which these policies have interactive effects. We compare the explicative power of the two models through a comparison of fit, variable significance, and magnitudes of their effects on performance.

Our findings support the existence of synergies among AMO policy domains, even if the characteristics of the synergistic effects on the employee perception of benevolent ethical climate are different from the characteristics of the synergistic effects on the employee perception of principled ethical climate. Accordingly, we deliver specific recommendations for practice.

1.1. Synergies among HR practices: theory, empirical evidence, and knowledge gap(s)

Recent HRM research has shifted the focus of empirical analysis from single HRM policies and practices to HRM systems, intended as intentionally designed bundles of *connected* policies that follow a systematic order and pursue a shared goal (Jackson et al., 2014). In particular, an HRM system is composed of a set of HRM policies, i.e. “the firm or business unit’s stated intention about the kinds of HRM programs, processes, and techniques that should be carried out in the organizations” (Wright and Boswell, 2002, p. 263). Each policy includes specific HRM practices which represent the actual programs implemented (Arthur and Boyles, 2007). Different studies suggest that all HRM systems are characterized by the same policy domains, or ‘components’ (Lepak, Liao, Chung, and Harden, 2006; Subramony, 2009). According to the AMO theory (Appelbaum, Bailey, Berg, and Kalleberg, 2000), the policy domains relate to the: (i) *Ability* to perform as expected and achieve specific organizational goals, which includes policies such as recruiting, selection, and training; (ii) *Motivation* to perform as expected, through such policies as performance management, compensation, incentive and rewards; (iii) *Opportunity* to engage in specific behaviour, through such policies as job design, industrial relation and workforce involvement.

According with this view of HRM systems, recent HRM research has assumed that AMO systems are characterized by synergistic effects (e.g. Bello-Pintado, 2015). This assumption is embedded in the differentiation proposed by Delery (1998) between additive effects, which happens when AMO policy domains have independent and non-overlapping effects on the outcome (i.e., $2 + 2 = 4$); and synergistic effects, which can be substitutive - when one AMO policy domain is replaceable with another policy domain, and therefore the effect of one policy domain can be substitute by the effects of the other policy domain (i.e., $2 + 2 = 3$) - or positive - when the presence of one AMO policy domain makes stronger the effects of the other policy domains on the outcomes (i.e., $2 + 2 = 5$). On that, Jiang et al. (2012: 78, brackets added) propositioned that “within an HR system, the three HR policy domains of ability, motivation, and opportunities have synergistic (positive) effects”. The authors derived this proposition from organizational psychology studies, according to which employees provide higher efforts when they have ability, motivation and opportunity to do so. Put differently, the lack in one property affects the individual’s effort regardless of how high the other two might be (Gerhart, 2007). This evidence has been imported in the literature of strategic HRM in terms of internal fit, i.e. AMO policy domains manifest synergistic effects because “the impact of one domain on employee performance is dependent on the presence and effectiveness of other policy domains in place” (Jiang et al., 2012: 78).

Empirically, few studies has actually tested whether the HRM policies included in the same HRM system present independent or synergistic effects, so that the empirical test of the theories about synergies is today considered a key development for HRM research (e.g., Boxall, 2013; Posthuma et al., 2013). In particular, available empirical evidence presents unstable results. On the one hand, some studies have supported the pro-synergies arguments, leading mainstream research to the belief that AMO policy domains universally present synergistic (and

positive) effects, which contextual contingencies might augment or mitigate (e.g., Combs et al., 2006). For instance, Bello-Pintado (2015) evidenced the existence of positive synergistic effects between motivation-enhancing and opportunity-enhancing and ability-enhancing policy domains.

On the other hand, literature provides HRM researchers with studies which do not empirically support the pro-synergies arguments. Cappelli and Neumark (2001), in this regard, argued: “implementing practice A in conjunction with practice B is better than introducing practice A in isolation...but this does not necessarily mean that the joint implementation of the bundle of work practices A and B is beneficial on the net” (p. 759–760). Empirically, Macky and Boxall (2007) found that interactions among HRM components were not always significant and positive, due to the moderating role played by organizational and environmental contingencies. Therefore, relevant ambiguities remain open; on them, for example, Gerhart argued: “the literature uses the term High-Performance-Work-Practices (HPWP) system widely, but often seems unaware or uninterested in what system actually implies and rarely is any relevant evidence reported to evaluate whether a system of HPWP is necessary and/or useful” (2012: 158). As a result, concerns that the existence and importance of synergies might be “overstated” (Chadwick, 2010: 89) and overgeneralized are now emerging in the field, and several calls for more research on that are available in extant literature (e.g. Boxall, 2013; Posthuma et al., 2013).

1.2. HRM systems targeting organizational ethics: components, empirical evidence and knowledge gap(s)

Perceptions of ethical climates affect employees’ understanding of what is the correct behaviour in the organization and how ethical situations should be handled (Victor and Cullen, 1988). An organizational ethical climate is perceived benevolent when employees believe that their behaviour should be guided by an interest in the well-being of others in their social community. An organizational ethical climate is instead perceived principled when employees believe that their behaviour should be guided by the rules and norms of conduct established within their organization.

Both benevolent and principled organizational climates instil less individualistic concerns in employees, who are likely to increase behaviors that meet organizational and societal expectations (Barnett and Schubert, 2002), commitment (Cullen, Parboteeah, and Victor, 2003), job satisfaction (Shin, 2012), organizational deviance (Hsieh and Wang, 2016) and psychological well-being (Mulki, Jaramillo, and Locander, 2008).

Drawing upon this, organizations are increasingly paying attention to developing HRM systems targeted at increasing the perception of both benevolent and perceived ethical climates (e.g. Manroop, Singh, and Ezzedeen, 2014). The structure of these systems is analogous to any other AMO system (e.g., Chang, Gong, Way, and Jia, 2013). Specifically, in the case of the HRM system strategically targeted at the establishment of specific ethical climates, the ethical ability-enhancing policy domain, which includes as selection, recruitment and training practices, seeks to develop higher ethical sensitivity in employees; develop greater capacity to make independent decisions in ethically ambiguous situations; provide relevant competencies to understand and follow organizational ethical rules and standards. The ethical motivation-enhancing policy domain seeks to promote employees’ willingness to engage in ethical behaviors and to avoid unethical ones, by means of sanctions, punishment, variable pay or awards. The ethical opportunity-enhancing policy domain provides employees with the technical and organizational possibility to engage with explicit mechanisms to identify unethical behaviour, such as supporting whistle-blowing; or contribute to organizational ethical programmes, such as volunteer programmes or calls for ideas.

Previous research already focused on the effects of these policy domains on employees’ perceptions of ethical climates (e.g., Parboteeah,

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