

Exploring the drivers of vertical internal HRM system fit within the health care sector

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ABSTRACT

As internal vertical fit is becoming an increasingly more popular phenomenon to investigate, more and more is known about it. However, practically no research has been done towards internal vertical fit within the health care sector. As financing our health care system becomes a bigger problem each year, due to our ageing population, it would be interesting to do research regarding what the drivers of internal vertical fit are within this sector. By comparing various HRM policies and practices, an internal vertical fit could be established to be present. The more interesting question would then of course be, why (or why not)? This research is aimed at investigating what the drivers of internal vertical fit are and what the influence is of various stakeholders as top managers and line managers.

It does so by interviewing both these top managers and line managers. In semi structured interviews, policies and practices (which are divided into three policy domains) are either identified as part of a control or commitment based HRM system. This allows this research to identify an internal vertical fit.

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Keywords

HRM internal vertical fit, control based HRM system, commitment based HRM system, HRM policies, HRM practices, health care

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1. INTRODUCTION

Over the years, different types of internal fit within the HRM system have been studied. However, most of this research was focused on internal horizontal fit. According to Boon (2008), horizontal fit focuses on ‘the relationship between the separate HR practices’. Other than internal horizontal fit, there is also the phenomenon known as internal vertical fit. This seems quite interesting, since aligning the different levels of abstraction is (by some) considered to be a key element in successfully incorporating HRM into any organization. Kepes & Delery (2007) were one of the first to extensively explore internal vertical fit. Besides internal vertical fit, they also discussed three other types of fit in their paper. However, this paper will strongly focus on internal vertical fit, since it is the fit that has not received much interest.

But what is internal vertical fit (also called within-HRM system vertical fit)? The concept of internal vertical fit (Kepes & Delery, 2007) ‘refers to the degree of fit between different HRM activities on diverse levels of abstraction’, as can be seen in figure 1. So in order to explain what internal vertical fit is, the different levels of abstraction need to be clear. There are four levels of abstraction: philosophies, policies, practices and processes. The degree to which they are all aligned could determine an organization’s effectiveness (Banks & Kepes, 2015).

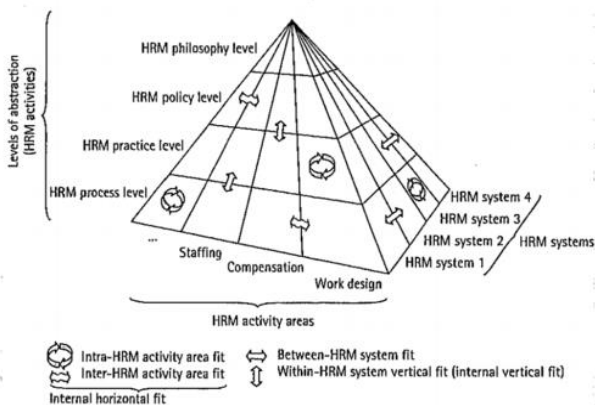


Figure 1

The highest level of abstraction is the philosophy level, which ‘refers to the guiding principles that identify and characterize the value and treatment of employees covered within a particular HRM system’ (Kepes & Delery, 2007). Schuler (1992), saw the philosophy level as 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’. The philosophy level can be regarded as somewhat abstract. Therefore, second level of abstraction, known as the policy level, translates the philosophy level into guidelines for HRM activities. According to Schuler & Jackson (2014), policies are ‘statements of the organization’s intent, serving to direct and partially constrain the behavior of employees and their relationship to the employer’. The third level, called HRM system practices ‘ensure the implementation of the HRM policies’ (Kepes & Delery, 2007). There is an enormous variety of practices, such as behavioral interviews or hourly pay. The last level of abstraction is described as the HRM system processes, which are ‘detailed explanations of how the HRM practices are executed’ (Kepes and Delery, 2007). There is not much research done towards HRM processes. According to Monks et al (2014), that is ‘perhaps

because they are the least tangible aspect of the HR system, and cannot easily be identified and measured as HR practices’. As all the various levels of abstraction are briefly discussed, it should be clear that internal vertical fit is the alignment of different levels of abstraction. Given the fact that the culture of an organization ‘reflects deeply embedded values and beliefs, which are conceptually related to HRM philosophies’ (Bowen & Ostroff, 2004), the philosophy should be the starting point.

Among the researchers that have studied the effects of internal vertical fit, there does seem to be some consensus. Most researchers have approved on a positive relationship between internal vertical fit and an organization’s performance. Kepes and Delery (2007) argued that the consequences of vertical internal fit ‘are rarely explored in the literature although it is often indirectly acknowledged’. A good example would be the study of Simons & Roberson (2003), which found that dysfunctional behavior, would appear because of perceptions of injustice. These perceptions were triggered by a misalignment of policies and processes. There has however, not been much published regarding this phenomenon. Banks and Kepes (2015) remarked that if HRM activities are internally aligned within a system, they can be responsible for ‘positive effects that are not possible with any individual HRM activity’. Furthermore, they identify the possibility of a positive synergistic effect. When multiple activities are combined, they would lead to ‘something greater and more positive than by simply adding the effects’. Banks and Kepes (2015) also identified a negative aspect of this synergistic effect, derived by simple logic. When for example HRM practices do not support HRM policies (misaligned HRM activities), performance on various levels may suffer and an organization may lose its chance it would have creating a sustainable competitive advantage.

There is a lot still that remains unknown about the internal vertical fit. The most pressing issue would be that there is not much known about the drivers of internal fit. Whether internal fit would have either a positive or negative effect, it would be wise to try to unravel what causes internal fit since it seems to have an effect. What makes internal vertical alignment so interesting is that we do know that misalignment causes hazards for an organization. It could therefore be that HRM should have a much more dominant presence within the structure of organizations in general. An interesting question would be why this internal vertical alignment would be hard to establish. This question would obviously be easier to answer if the drivers of internal vertical fit were known. What we do know, however, is that different stakeholders such as line managers and top managers could have some influence on the degree of internal vertical fit. Top managers might, for example, think more along the lines of financial management (Could we hire more employees?), where line managers would want to perform and merely produce a high quality product or service. This potential conflict could arise for example from the difference in HRM systems. It is however safe to assume that different stakeholders might have different interests along the line of strategic alignment.

This research aims to link the different stakeholders that represent quality & costs to the different strategy levels that exist as described by Kepes and Delery (2007). The different characteristics that exist within the different HRM systems such as the quality strategy and the cost reduction strategy will help to link the stakeholders to the different HRM systems. By doing this, the research should be able to not only identify whether there is an internal vertical fit present, but also develop an understanding towards the influence that different stakeholders can have on the alignment of the internal vertical fit and see

how different HRM systems can have an effect on internal vertical fit.

To not make this research too broad, it is of vital importance that it is limited to several stakeholders. Of course, there are more stakeholders that the research could take into account. However, that would threaten the possible success of the goals the research aims at. Therefore, the focus is put on the top managers within the organization and the line managers that work there. By focusing on these different stakeholders, it is expected that there are (at least 2, but possibly) 3 different levels of abstraction present in the research, exploring the possible fit regarding the internal vertical structure and the influence the different stakeholders may have on this fit.

The research will be done within the health care sector. It is a sector where quality should be the biggest priority. At the same time, the health care sector is getting increasingly more expensive. Therefore it is interesting to see how the quality orientated HRM system and the cost reduction orientated HRM systems could potentially work together. This all leads to the following research question:

In which way does vertical internal HRM system fit get influenced by different stakeholders in the health care sector regarding the dilemma of quality versus costs?

2. THEORETICAL FRAMEWORK

2.1. Internal vertical fit and the four levels of abstraction

Internal vertical fit was named Within-HRM system vertical fit by Kepes and Delery (2007). This brings up the question of what an HRM system is. An HRM system consists of a number of features that have already been introduced in this paper. In fact, 'there is a general acceptance that HR systems comprise a number of different levels (Becker and Gerhart, 1996; Boxall and Macky, 2009; Jiang et al, 2012; Monks et al, 2013) that, at a minimum, they consist of HR policies, practices and processes (Schuler, 1992; Monks and McMackin, 2001; Kepes and Delery, 2007; Monks et al, 2013). This description does not include the philosophy level of abstraction. However, it is important to note that Kepes and Delery (2007), do in fact value this level as significant given their statement that the philosophy gives guiding principles regarding the HRM system. Furthermore, in their model they present in their paper, Jackson et al (2014) have named philosophies, policies, practices and processes as elements of the HRM system.

In fact, according to Jackson et al (2014), 'The primary elements comprising an HRM system include (a) overarching HRM philosophies, which specify the values that inform an organization's management approach; (b) formal HRM policies, which are statements of the organization's intent, serving to direct and partially constrain the behavior of employees and their relationship to the employer; (c) actual HRM practices, which are the daily enactment of HR philosophies and policies, and (d) the associated technological and social processes through which HRM philosophies, policies, and practices are established, modified and terminated (cf. Schuler, 1992)'.

Another much used definition regarding what an HRM system is, is that 'HRM systems are bundles of HRM practices intended to achieve the objectives of organizations' (Wright & McMahan, 1992; Jiang et al, 2012). What we can draw from that statement is that in order to understand the HRM system that is present in an organization, the objectives of that organization would have to be clear. After establishing the objectives, an HRM system could be implemented that would

best suit the possible achievement of the before mentioned objectives. Therefore, implementing the right HRM system is vital for the strength of an HRM system. According to Bowen and Ostroff (2004, p. 206), a strong HRM system would have to be a 'linking mechanism that builds shared, collective perceptions, attitudes and behaviors among employees'.

Now that it is clear what an HRM system is, it would be wise to once more look back on the definition of internal vertical fit. Kepes and Delery's (2007) definition was that it 'refers to the degree of fit between different HRM activities on diverse levels of abstraction'. Do the different levels actually work together? The different levels of abstraction are, however, elements of the HRM system within an organization. The HRM system is the key factor regarding the question which practices would be implemented by the organization. It would therefore be very important which HRM system would be implemented within an organization, since it would be a key determining factor regarding the existence of internal vertical fit within an organization. Ideally, there would be one HRM system within an organization; however, it could occur that there are two or more different HRM systems present. In fact, Schuler (1992) described that it does not only exist that there are two different HRM systems present in an organization. He also described that different sets of practices (which would be HRM systems) should even be used for different groups of employees. In conclusion, internal vertical fit refers to the degree of collaboration –and the absence of counter productiveness– between the different levels of abstraction within an HRM system.

2.2. The control system and the commitment system and the four levels of abstraction

There are a large amount of HRM systems and even more names that are used for these same systems. According to Jackson et al (2014), a common-made distinction is made between control versus commitment HRM systems. In fact, according to multiple researchers, among Arthur (1994), Lepak & Snell (2002) and Walton (1985), the control and commitment systems are the most prominent, as well as the most radical distinction there can be made in HRM systems. As Lepak et al. (2007) put it, 'HR systems are either oriented toward high performance through investment in employees or toward a more administrative or controlling approach to managing employees'. This will become even clearer as the two systems will be described.

According to Arthur (1994), 'the goal of *control human resource systems* is to reduce direct labor costs, or improve efficiency, by enforcing employee rewards on some measurable output criteria'. Generally, it would be fair to state that the general idea of the control system would be to work on reducing costs. According to Guthrie (2003), the control system contains separating the thinking and controlling of the work from the doing of the work. Generally, it would be fair to state that the general idea of the control system would be to work on reducing costs by monitoring the employees. This would enhance efficiency.

At the other side of the 'system-spectrum', the commitment system can be found. Arthur (1994) described it as followed: 'commitment human resource systems shape desired employee behaviors and attitudes by forging psychological links between organizational and employee goals'. He later reformulated this by stating that the intention of the commitment system is to create employees that can be trusted in doing independent tasks that serve the organization's goals. This could of course lead to

more innovation because of the independence by employees. This was also the conclusion of Ceylan (2013), who found ‘support for the argument that commitment-based HRM systems improve firm performance by promoting product-, process-, and organization-focused innovation activities’.

Over the years, a number of researchers found some characteristics that could be found within an organization that had either adopted a commitment HRM system or a control HRM system. It was Arthur (1992) that described some characteristics of commitment systems, where other researchers as Eisenhardt (1985), Ouchi (1979), Snell (1992) and (again) Arthur (1994) described some characteristics of commitment systems. In table 1, these characteristics will be given.

As can be seen in this table, there are a few major differences between a commitment based system and a control based system. Where the commitment based system is focusing on the long term, the control system has a short term focus. This does correspond to the previously discussed commitment to employees and the desire to keep talented employees within the organization for a longer period of time by paying more salary for example. Another difference would be the degree of cooperative and interdependent behavior on the commitment based side, versus the primarily autonomous and individual activities that exist within the control based system. This does make sense, given that it would be much easier to monitor performance within the control based system when employees are working individually.

	Commitment system	Control system
1	Relatively repetitive & predictable behaviors	Relatively repetitive & predictable behaviors
2	Long term/intermediate focus	Short term focus
3	Modest amount of cooperative, interdependent behavior	Primarily autonomous, individual activity
4	High concern for quality	Modest concern for quality
5	Modest concern for quantity	High concern for quantity
6	High concern for the process	Primary concern for results
7	Low risk taking activity	Low risk taking activity
8	Commitment to goals of the organization	High degree of comfort with stability

Table 1

Furthermore, the commitment based system could be characterized as a system where the focus is heavily put on high quality output, where quantity is of lesser concern. This would also explain why the commitment based system is often called the quality based HRM system. The control based system on the other hand, does not so much focus on quality, as it relies on quantity. This difference is understated by the primary concern for results within the control based system, where within the commitment based system, there is a high concern for the process towards the result, instead of the result itself. The last characteristic that would create a significant difference between the two HRM systems would be the level of commitment to the goals of the organization. Not surprisingly, within the

commitment system, there would be a high level of commitment towards the goals of the organization, where within the control based system, there is high degree of comfort with stability. This could of course also be explained as not being motivated to help the organization forward. In conclusion, where the characteristics for the commitment system are aimed at involving employees in the organizations decision making process, the characteristics for the control system show factors that lead to the ability to monitor and reward (the results of the) employee behavior.

Now that it is clear what the goals and characteristics of the control system as well as the commitment system are, it would now be time to focus upon HRM philosophies, policies and practices within these systems, following the previously given definitions of what the different levels of abstraction are.

2.2.1. Policy domains

As policies and practices will be the aim of this research, since it is ideal for research done regarding top managers and line managers, the question how will they change given the different HRM systems they could be incorporated in would still be very interesting. Lepak et al (2007) argue that in general, regardless of the type of HRM system there are three distinct HRM policy domains that play in a role in the effectiveness and composition of the HRM system. These three distinct domains would be perfect to use in this research, because they would always exist, regardless of which HRM system is being used within the organization. This would be ideal for research into what drives a possible internal vertical fit, where it is not known yet which HRM system is present in the field of research. There are policies that ‘focus on employee knowledge, skills and abilities’ (1), policies that ‘focus on managing employee effort & motivation’ (2) and policies that ‘focus on employees’ opportunity to contribute’ (3). Next, according to Lepak et al (2007), ‘the policy domain objectives should vary based upon the strategic objectives of the organization’. The strategic objectives of the organization would of course be translated into the HRM system or its philosophy. Where the HRM policies are meant as guidelines for HRM activities, practices ‘ensure the implementation of the HRM policies’ (Kepes & Delery, 2007). Where Lepak et al (2007) linked the policy objectives to the organizations objectives, they do not when it comes to practices. They argue that ‘the practices are not linked to a particular HR system per se, rather, their use, in combination with other HR practices, ultimately dictates their influence on the HR policy domains’.

2.2.2. Levels of abstraction regarding the commitment and control HRM system within the three policy domains

Arthur (1994), stated that the control system could be characterized as a system that consists of rules and processes, as well as by performance evaluation and the direct monitoring of the behavior of employees. The overall philosophy, or guiding principles, of this HRM system, would then be to be in total control of the performance and behavior of the employees within the organization (table 2). Arthur (1994) also found that HRM systems that are commitment based ‘focus on developing committed employees and are characterized by higher levels of employee involvement in decision-making, formal participation programs, problem solving training and socializing activities’ (Shaozhuang et al, 2015). What could be concluded from that research by Arthur is that the philosophy of an organization that has a commitment based HRM system would be heavily directed towards preserving talented employees for the organization and is strongly focused on the long term. The

policy level, earlier referred to as the statement of the organizations intend regarding constraining the behavior and their relationship to the employer, could be split up into multiple policies within both of the two different HRM systems. Within the policy domain of employee knowledge, skills and abilities that would be recruitment, selecting and training. The policy domain of managing employee effort and motivation could then be split up into compensation & benefits and performance management. The last domain, which focusses on employees' opportunity to contribute, would then consist of the policies on job design and involvement. Of course the different HRM systems do have to be taken into account. Policies within the commitment system are not the same as in the control system.

2.2.3. Levels of abstraction regarding the commitment HRM system within the three policy domains

The policies that would represent first policy domain (employee knowledge, skills and abilities) within the commitment based HRM system would ensure that the employees would receive sufficient training to be successful at their job. New employees would receive this training and employees that already work within the organization would be receiving training when necessary. The knowledge, skills and abilities that new employees have are important, however would not be regarded as that crucial as within the control HRM system, since training would help preparing these new employees. The practices that would support these policies are diverse; organizations do –for example- ‘invest heavily in training and development, particularly in areas related to firm-specific skills’ (Lepak & Snell 2002). Furthermore, ‘as the importance of an employee’s ability to learn and develop firm-specific competencies increases, staffing decisions are likely to focus on aptitude rather than achievement’ (Lepak & Snell 2002). Recruitment and selecting are thus based upon what future employees could actually do, instead of what they have achieved in their career. Recruitment and selection would mostly be based upon the commitment of the future employee, since the commitment based HRM system focusses on the long term, aiming to preserve talent for the future.

The second policy domain (managing employee effort and motivation) consists of the policies regarding compensation & benefits and performance management. The policies within the commitment based HRM system would focus strongly on keeping employees with the organization. The organization would aim to do that via providing compensation & benefits that would be considered above average. Furthermore, performance management would consider that employees should receive some personal freedom to complete their tasks. Practices that would fit these policies would for example be to ‘further emphasize the importance of learning over time’, where ‘performance appraisal systems are likely to focus on development and feedback’ (Lepak & Snell, 2002; Snell & Dean, 1992; Ulrich & Lake, 1991). Organizations that work with a commitment based HRM system would also like ‘to protect their human capital investments and encourage commitment to the firm’s long-term success’. Furthermore, ‘these employees would likely receive a considerable degree of employment security’ (Koch & McGrath, 1996; Lepak & Snell 2002). Another good practice would be to ‘implement knowledge-based pay programs that reward employees for accumulating multiple skills’ (Lepak & Snell, 2002; cf. Delany & Huselid, 1996), or to pay employees in company stock.

The third policy domain (opportunity to contribute) would deal with job design and the involvement of employees. Policies

would of course try to ensure that jobs would not be standardized within the commitment system, to make room for personal freedom and to make sure that employees have the power to make their own decisions. This would also be a good policy to ensure that employees are involved. Practices that aim to reach that goal would for example be ‘to structure knowledge work to allow for flexibility, change, and adaptation’ (Lepak & Snell, 2002). Another practice offered by Lepak & Snell (2002) would be ‘to empower these workers, encouraging participation in decision making and discretion on the job’, in order to maximize employee contribution.

2.2.4. Levels of abstraction regarding the control HRM system within the three policy domains

The first policy domain within the control based HRM system would be characterized by the ‘make or buy decision for human capital’ (Lepak & Snell, 2002). Where the commitment system chooses to carefully train its employees, the control system chooses to recruit and select new employees by the simple question whether they could do the job or not, strengthened by the fact that training is not an essential element within the policies of control HRM systems. In fact, ‘rather than developing generic skills, firms are more likely to acquire individuals who already possess the needed skills’ (Lepak & Snell, 2002; cf. Koch & McGrath, 1996; Snell & Dean, 1992; Tsui et al., 1995). Since the control system is focusing on the short term, it would not make sense to train (new) employees, since employees are replaceable. Firms do simply not think it is worth the investment. Arthur (1992) stated that an employee with a ‘minimum amount of training could perform these tasks’. According to him, ‘no experience was necessary, so wages, selection, employee search and training could be minimized’.

The policies that represent the second policy domain would be policies regarding compensation & benefits and performance management. The performance management policies would try to ensure that employees get monitored so the organization knows how they function, since the compensation could depend on that within the control HRM system. As opposed to the commitment based system, ‘rather than focusing on developmental performance appraisals, firms would more likely adopt a short-term orientation with a results oriented component’ (Snell, 1992; Snell & Youndt, 1995). A much used practice regarding compensation & benefits are incentives. Lepak & Snell (2002) argue that ‘they –incentives- are likely to focus on near-term productivity targets. On the contrary, there is less job security for employees. In fact, Arthur (1992) states that ‘employee attachment is dysfunctional since compensation for senior employees is generally higher than for new employees’.

The third policy domain consists of the policies regarding job design and the involvement of employees. Policies within the control HRM system would consist of statements that would try to make job design quite accurate and make jobs standardized. According to Arthur (1992), jobs within the control system are ‘simple, well defined job tasks’. Lepak & Snell noted that ‘managers are likely to standardize jobs to facilitate more rapid replacement’. In fact, ‘their –employees- participation is likely to be limited to the boundaries of their jobs’ (Lepak & Snell, 2002). Employees are thus not involved apart from their job within the control system. The reason might be found in the work of Arthur (1992), who noted that ‘top managers have little incentive to try to minimize turnover through HR policies & policies designed to increase employee commitment or attachment’ within the control system. This could be explained by the short term thinking within the control system, because ‘since their human capital is transferable, firms are likely to

establish a shorter time horizon for ensuring their productivity’ (Lepak & Snell, 2002).

2.3. Different stakeholders within the HRM system

Now that it is clear what HRM systems are, that there are different systems and that this has its influence on HRM activities, it is time to look into some of the actors that would have to deal with the HRM system that is in play, since there are multiple stakeholders that could be influenced by the HRM system or that could influence the HRM system. The actors could be either cost orientated (control HRM system), or focusing on quality (commitment HRM system). It is interesting to look into this matter, simply because different levels within the organization could have different ideas about the existence of either one of the systems within the organization. This research makes a distinction between top managers and line managers, which could be explained as two different levels within the organization. Generally speaking, it is possible to state that top managers deal with two of the levels of abstraction, the philosophy level and the policy level, and that line managers deal with the practice level and the processes level. This is because top managers develop guiding principles regarding the HRM existing HRM system (the philosophy) and are responsible for statements of the organizations intend regarding constraining the behavior and relationship towards the employer by employees (policies). Line managers on the other hand carry out the daily enactment of these philosophies and policies (practices & to some extent processes). To provide a full understanding to what that means in terms of HRM, a good example was given by Lepak et al (2006). They concluded that ‘selective staffing is an HR policy which informs HR managers and line managers the organization’s guiding principle when hiring employees’. In other words, the HR policies that were designed by top managers are being carried out by HR managers and line managers, as they handle HR practices and HR processes. The difficulty is of course to have both the top managers as well as the line managers on the same page. According to Gilbert et al. (2015), the task of top managers is to ‘design strong HRM processes’, so that line managers will correctly implement HRM within the organization. This is where the intention of the managers aligns with the actual execution of line managers. What can be concluded from this statement is that in order to follow the organization’s HRM intensions, HRM processes (or practices, depending of the level of abstraction), need to be well-designed. According to that same research it is vital to design strong HRM processes, because it will increase the chance of execution by line managers when there is a conflict of interest. The core principle in the research of Nishi et al (2008) was that employees respond attitudinally and behaviorally to HR practices based on the attributions they make about management’s purpose in implementing the actual HR practices’. It seems that when top managers do not communicate why they do what they do, problems could arise. Such a conflict of interest in the health sector is not hard to find. Where line managers (such as nurses) are investing their time and efforts into the quality of the care they are providing, top managers (for example the general manager of a hospital) would be interested in sticking to the budget. An example for HRM would be that there are not enough nurses working in the hospital, causing them to work to many hours per week. Therefore, they cannot function properly and as a result, the quality of the health care could be in hazard. It would therefore be in their (line managers) best interest to hire more people. However, top management could disagree due to the fact that it could be too expensive to hire more staff. As Nishi et al (2008)

stated: ‘we can expect that not all employees will interpret HR systems similarly’.

The last example illustrates that it would be in the best interest of an HRM architecture to have (at least) some (but ideally total) consensus regarding the interests of the different stakeholders, which are line managers and top managers. The example also links line managers to quality and top managers to costs. Furthermore, it would be possible to link quality to the commitment HRM system, as we have seen during the description of this system. It could also be possible to link costs to the control system, as could be seen in the lengthy discussion regarding this HRM system in this paper. There is also a link established between top managers to policies and line managers to practices. This was possible since top managers develop policies which have to be executed by line managers in the form of practices. However, figure 2 also shows four question marks. Could the practices be linked to the commitment system? Or could the policies be linked to the control system? Ideally, both policies and practices could be linked to the same HRM system. This would increase the chances of an internal vertical fit, since policies and practices would then probably complement each other.

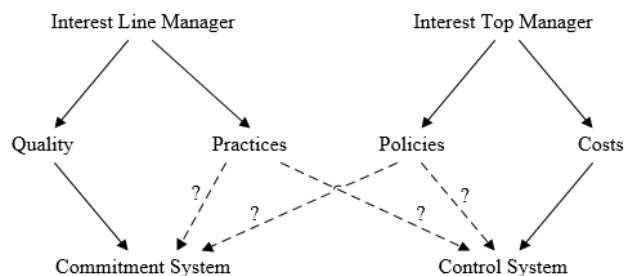


Figure 2

In conclusion, this research will focus on the ‘alignment of interests of top managers and line managers regarding quality versus costs’. This alignment (figure 3) should have a positive influence on the earlier mentioned vertical internal HRM system fit, whether that system would be a control system or commitment system or a combination of both systems

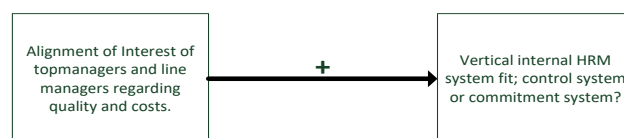


Figure 3

3. RESEARCH METHODOLOGY

This study will be done by using semi structured interviews. The choice to do so is strongly made because of the fact that investigating internal vertical fit is a complicated matter because of the different levels within an HRM system. It would therefore be easier to gain insights into the situation within the investigated organization, using interviews. Predetermined question will be asked, however, when necessary, the interviewer is able to pose another question to get all the necessary information. Respondents are free to answer as they choose. The research will thus use qualitative empirical research to be able to complete it, since interviews are used and not surveys. The aim of the study is of course to identify the drivers behind internal vertical fit as discussed earlier in this

paper. The research will be done within the Dutch health care sector, as this sector faces an ever growing pressure to cut down costs as it is one of the biggest expenses in the Netherlands, both by the government, as well as for the population itself.

3.1. Research setting

A number of top managers and a number of line managers need to be interviewed for this research. This research takes place within the health care sector. This sector is interesting because it is under a lot of pressure lately due to increasing costs and constant regulation changes. Since this research is focused upon health care (and domestic care in particular), the line managers would be three district nurses. These district nurses are line managers since they all manage their own teams within the organization. All three work in Winterswijk, a town in the east region of the Netherlands which inhibits approximately 25.000 residents, where the interviews will be held. The job of a district nurse is to lead a team of health care professionals, like nurses. Since district nurses lead teams, they work with HR practices on a daily basis and would be perfectly suited for this research. District nurses (line managers), are being supervised by regional managers (top managers). These regional managers are located in Varsseveld, another town in the east of the Netherlands, where these interviews will be held. Two regional managers would be interviewed for this research. They can be seen as top managers, since they are in charge of the policies that district nurses have to deal with. Therefore, these regional managers are a good fit for this research. Furthermore, the participants represent the entire crew for Winterswijk concerning district nurses, which means that there is no bias through selection.

3.2. Data collection

When investigating the different drivers that could affect internal vertical fit and to establish whether there even is an internal vertical fit, it would be of great significance to understand which HRM system(s) is (or are) present in an organization. Jackson et al (2014) stated that 'when measuring HRM systems, investigators typically ask HR professionals or line managers to complete surveys to describe the HRM policies or practices of their organizations. That is, respondents are asked about specific elements of an HRM system. The most commonly used surveys assess the extent to which these elements emphasize high performance, high commitment, or high involvement'. They thus state that it is important to ask HR professionals and line managers about the different elements of an HRM system (philosophies, policies, practices and processes) in order to understand what HRM system is in place. This research will limit itself to policies and practices, since line managers and top managers are in charge regarding these levels of abstraction. However, even though there are many systems that could potentially be in place within an organization, there are two HRM systems that would appear to be of significant interest to this research; the control system and the commitment system. Where Jackson et al (2014) hints towards surveys as being ideal to understand which HRM system is in play, it would not be wise to use surveys for this research, because this research needs to dig deeper than simply understanding which HRM system is present. It is aimed at understanding potential drivers beyond internal vertical fit, which makes it necessary to ask more than a survey could. Therefore, qualitative data is needed, gained by doing interviews, which will be conducted in person.

In these interviews, the questions will be aimed to be able to link policies and practices within the three policy domains that were described to either the commitment based HRM system,

or the control based HRM system. By doing so, it would be possible to establish an understanding of whether there is an internal vertical fit present, or potentially look for the drivers of this internal vertical fit and the role of the stakeholders.

3.3. Analysis

This research will use a self-developed scale that establishes every answer (to the pre-determined questions, appendix 1 & 2) to be an answer in the direction of a control HRM system, or a commitment based HRM system. At the end of every policy domain, a conclusion for this policy domain would be drawn, concerning both policies and practices within that domain to be control or commitment based. By doing this, an internal vertical fit could be established, or not. When an internal vertical fit would be present, it would be wise to look at the answers one more time to potentially identify some drivers that could be involved into creating such an internal vertical fit. Of course, when the study has found that there is no internal vertical fit present, potential drivers behind the non-fit could also potentially be exposed. The self-developed scale would simply consist of 3 different potential conclusions towards policy domain (or part of that policy domain). One conclusion could be that a commitment based HRM system is active. Another conclusion could be that a control based HRM system has been identified. The third and final option could be that the results were not conclusive regarding whether or not either of the HRM systems could be identified. Of course, the answers provided by the questioned line managers and top managers would lead to either of these conclusions. The pre-determined questions and the potential follow up questions could both be equally decisive.

4. ANALYSIS & RESULTS

4.1. Line managers' results

For each of the different policy domains, the interviews created a great insight into which HRM system was in place. Now, for each of the policy domains, the results would be discussed for each of the three interviews that were conducted with the line managers.

4.1.1. Employee knowledge, skills and abilities

For the first policy domain, employee knowledge, skills and abilities, the first questions were regarding recruitment & selection. The line managers do have quite an influence on that process. They are the ones that do decide whether someone gets the job or not. All three line managers did think aptitudes were more important than achievement when it comes to selecting new employees. All three said when facing the choice, they had to simply had to look at 'what a person can do', since the work within the health care sector is too important to do otherwise. Furthermore, they thought that commitment played a big enough role in the decision to hire or not hire a new employee. One of the line managers noted that this line of work is not something that you could 'do on the side'. The work itself is too important for that. The second bundle of questions, regarding training, made clear that training within the organization was mostly organized around the digital learning environment. This digital learning environment enables employees to follow training whenever they please to do so, next to their daily work. It is fully individual, where it is your own responsibility to get involved in these trainings. It would be of no surprise following that knowledge that two out of the three line managers admitted that the organization does make big investments regarding training and development of employees. The third line manager was a little more sceptic, saying that to her knowledge, people

do not really develop themselves. She also noted that the investments in training were limited to firm specific skills. The other two line managers did in fact say that there was a large variety of training available. Training would even be used for personal development of employees. A good example would be training to increase assertiveness, or Microsoft office skills training, where this would not be required to do their job. Thus, training was not only used for firm specific skills, however these skills could be used for the purposes of the job. Overall, the answers given by two out of three line managers showed a commitment based HRM system both on the field of recruitment & selection and the field of training. These results could also be found in table 2.

Results line managers			
	Line manager #1	Line manager #2	Line manager #3
<i>Policy domain #1: Employee knowledge, skills & abilities</i>			
Recruitment & selection	Commitment	Commitment	Inconclusive
Training	Inconclusive	Commitment	Commitment
<i>Policy domain #2: Employee effort and motivation</i>			
Compensation & benefits	Inconclusive	Commitment	Commitment
Performance management	Control	Inconclusive	Control
<i>Policy domain #3: Employees' opportunity to contribute</i>			
Job design	Commitment	Commitment	Commitment
Involvement	Commitment	Commitment	Commitment
<i>Stakeholders' interest regarding quality or costs</i>			
Interest	Quality (commitment)	Quality (commitment)	Quality (commitment)

Table 2

4.1.2. Employee effort and motivation

The second policy domain, managing employee effort and motivation was investigated by some questions regarding compensation & benefits and performance management. Regarding the first question about job security, all line managers gave corresponding answers. They felt that their job was very secure, simply because there are not a lot of district nurses available. For their team however, this situation could be very different. Their job is not as secure as that of the line managers. This also has to do with external factors, such as national regulations that do change quite often. However, the organization does not know short term incentives. The organization tries to be prepared on a lot of different scenarios, to ensure success on the long term. Employees do make steps in salary each year. This could be seen as a long term project to ensure competitiveness over the years. However, this is due to regulation and not a choice of the organization. One of the line managers did make a statement regarding an example of the organization trying to ensure long term success through encouraging commitment. The organization did try to look at an individual level regarding the employees that were vital to the long term success in order to make them stay. That was the only possible sign towards the organization rewarding employees for accumulating multiple skills. However, all three line managers

did state that the organization does not do that. In fact, one of them claimed that they should 'look more into the talents of its employees'. On the field of performance management, all three line managers responded the same to the question whether performance appraisal within this organization focused on development & feedback or on result. Since productivity means money, result was the key feature. One of the line managers noted that 'there was no interest in performance appraisal at all. In table 4, all the results for the policy domain are visible in a schematic overview. Overall, the answers given by two out of three line managers showed a commitment based HRM system on the field of compensation & benefits. On the field of performance management, the answers of the line managers lead to the conclusion that a control based HRM system could be identified. These results could also be found in table 2.

4.1.3. Employees' opportunity to contribute

The third policy domain, the one that dealt with employees' opportunity to contribute, was divided into the parts of job design and, lastly, involvement. One of the line managers straight away mentioned that they do get to do their jobs more and more according to their own insights, when asked for any specific practices on the field of job design. The next question was regarding to the extent which flexibility, change and adaptation were important and necessary. All three line managers responded in the same way. Since their job is constantly changing, flexibility is a necessity. Either because of changing national policies, or because of the fact that the line managers have to deal with that many aspects of their job, that it is impossible to always do the same thing. One of the line managers stated that her job had not for one year 'been the same'. 'You never get to quietly complete a task, you are always needed somewhere'. Given the answers to this question, it would make sense that their jobs are not standardized. Of course there are some boundaries in which you have to operate, though the job of line manager is not standardized. The second part of this policy domain was concerning involvement. The first thing that one of the line managers came up with, talking about involvement within the organization was that the line managers are being asked to think about things as well. Furthermore, she stated that she felt like the organization in fact listened to her. When specifically asked about the empowerment of employees to encourage participation in decision making, all three line managers responded in the same way. All three stated that there is a lot of room to make decisions and that they feel empowered. There are multiple work groups in which line managers can participate in order to be more involved in decision making. This participation should be limited by the boundaries of the job. However, the line managers do claim that it is not. They do things that are not in their job description. Overall, the answers given by the three line managers were very similar within this policy domain. In fact, both on the field of job design as well as on the field of involvement, the answers of all three line managers revealed a commitment based HRM system. These results could also be found in table 2.

The last question for all the line managers was whether they thought the organization should aim for low costs or high quality. All the line managers said that they thought the organization should aim for high quality. The reason for that was because they thought that high quality was needed to separate Sensire from the other health care providers. It would give the organization a competitive advantage and it would make clients choose for the organization.

4.2. Top managers' results

Following the line managers' results, the interview conducted with the top manager also brought some useful insights. Now, for each of the policy domains, the results would be discussed for the interview that was conducted with the top manager.

4.2.1. Employee knowledge, skills and abilities

The first policy domain, the domain regarding employee knowledge, skills and abilities was again divided into two different categories. The first one, regarding recruitment & selection made clear that the organization has a specialized department for hiring new employees. This would ensure that the organization would be more successful in acquiring new talent. Of course, there was a corporation between the line managers and the hiring department, where the line managers did have something to say still. The question whether the current skills of potential employees were considered either important or crucial, provided a clear answer. Those skills were seen as crucial within the hiring process. When there are no possibilities to try and fit within the profile of the organization on the short term, there is no chance of getting hired. This last statement is of course also related to the next part of the policy domain, training. There are policies that ensure that employees get enough training to be successful in at their job. There are systems for testing whether employees are competent in the digital learning environment. Accordingly, line managers have the responsibility to test whether or not employees are competent. Furthermore, all employees have a portfolio in which is established what they can do and what they are allowed to do. Line managers also have an individual development plan and team coaches are available. There is however, not a clear distinction between new employees and employees that have been with the organization for some time. They all get admitted to the 'training cycle' of the organization. Overall, the answers given by the top manager showed a control based HRM system on the field of employee knowledge, skills and abilities. These results could also be found in table 3.

Results top manager	
<i>Policy domain #1: Employee knowledge, skills and abilities</i>	
Recruitment & selection	Control
Training	Control
<i>Policy domain #2: Employee effort and motivation</i>	
Compensation & benefits	Control
Performance management	Inconclusive
<i>Policy domain #3: Employees' opportunity to contribute</i>	
Job design	Inconclusive
Involvement	Commitment
<i>Stakeholders' interest regarding quality or costs</i>	
Interest	Quality (commitment)

Table 3

4.2.2. Employee effort and motivation

The second policy domain, regarding managing employee effort and motivation, was divided into compensation & benefits and performance management. One of the policies of compensation & benefits was to try to compensate everyone equally (of course taken into account what their function is). Everyone gets scaled in equally to try and prevent precedents which could lead to more employees that would want more compensation. The

organization tries to ensure that good functioning employees stay with the organization by continually trying to see in which ways it could stimulate employees. This could be done by introducing them to nice projects or by giving employees responsibility. The organization also tries to give space to employees to pursue opportunities that they see within their area. Of course there are boundaries to 'what' they do. However, there is a lot of freedom concerning 'how' they do things. The answers regarding compensation & benefits strongly corresponded with the answers that were given regarding performance management. The question 'how much personal freedom do employees get to complete their tasks?' was answered. On the other hand, the organization monitors the functioning of employees by the hours that are being spent working on the clients. Teams get a number of hours that they can spend every week on health care. When these numbers do not add up, problems could arise. In table 7, all the results for the policy domain are visible in a schematic overview. Overall, the answers given by the top manager showed a control based HRM system on the field of employee effort and motivation regarding compensation & benefits. On the field of performance management, these results were mixed, which resulted in inconclusive results. These results could also be found in table 3.

4.2.3. Employees' opportunity to contribute

The third policy domain, employees' opportunity to contribute, consisted of the two parts of job design and involvement. The top manager stated that job design was quite accurate. They describe quite reasonably well what employees have to do. However, job descriptions are, of course, quite vague in general. The jobs itself are not much standardized, according to the top manager. That is because there is a lot of space to how employees deal with their tasks. Nevertheless, within the health care sector, a lot of processes and actions that employees have to deal with are in fact standardized. This is simply because of national regulations to ensure that the health care in the Netherlands is of good quality. On the topic of involvement, the top manager stated that there were no specific policies regarding employee involvement. The organization does ask about this topic when there is a survey among employees. As stated before, employees get a lot of power to make their own decisions. A good example is the budgets that line managers get to cover their teams' weekly tasks. Furthermore, line managers are influenced in the decision making process. They get involved when new things are developed. Since they are involved in that process, they have a lot of influence within that process. Overall, the answers given by the top manager showed a commitment based HRM system on the field of employees' opportunity to contribute on the field of job design. On the field on involvement, results were mixed. This resulted in a inconclusive result. These results could also be found in table 3.

As had been done for the line managers, the top manager was asked one last question as well regarding whether the organization should aim for low costs or high quality. The top manager clearly struggled with the question stating that the organization should always aim for an optimal solution in regard of the two. In the end however, the aim should be for high quality over low costs. This result is also shown in table 3.

4.3. Analysis of the results

As we take a look at the results, the interviews that have been conducted with the line managers portray quite a clear picture. The first that needs to be noticed is that there does not seem to be an internal horizontal fit. Thus, there is no consensus everywhere between the different policy domains (or parts of the policy domains) regarding what HRM system is identified.

This makes it harder to establish or identify an internal vertical fit for the all the policy domains together, or the entire organization for that matter on the field of HRM. This is why it is vital to state that there is an internal vertical fit, or not, for each policy domain.

The policy domain 'employee knowledge, skills and abilities' could clearly be characterized as influenced by the high commitment HRM system. On both the fields of recruitment & selection and training, there was a significant score to support that statement. The other interview, with the top manager, regarding policies shows a different picture. Especially on the field of recruitment & selection, there was score that shows a strong connection to a control based HRM system. When it comes to training, that connection was not as visible as it was regarding recruitment & selection. Overall, the statement that internal vertical was not present within this policy domain would be a fair one. However, there could be some underlining reasons for that, since the research was done within the health care sector. For example, since the quality of health care is of such importance, it would make sense to have policies that ensure that employees already have the necessary skills when they are hired, instead of having to train them carefully. It would simply be too much of a risk for the organization. This would explain why the organization's scores are more on the control based HRM system's side.

The second policy domain (managing employee effort and motivation) was not easy to assess, simply because of the fact that there were a lot of mixed signals to whether or not there was a control or a commitment based HRM system here. The line managers stated that there was a focus on long term success, which would fit a high commitment based HRM system, where they also stated that employees did not get rewarded for accumulating multiple skills. It is therefore impossible to give the 'compensation & benefits' part a label which either says control or commitment based. This was easier for the 'performance management' part. Here, there were clear signs of a control based HRM system. Where the results for the interviews with the line managers were both clear and unclear, the results of the interview with the top manager remained unclear on the field of performance management. The field of compensation & benefits was characterized as control based. There were thus hints that would lead to a control based HRM system based on the interview with the top manager. However, the same thing could be said towards a high commitment HRM system, based upon the interviews with the line managers. It would therefore be impossible to make a statement regarding a possible internal vertical fit between the policies and practices within this policy domain.

The third policy domain provided the research with more clear results. Especially the results from the interviews with the line managers made it quite clear that the practices were being executed working with a high commitment HRM system. On both the job design part, as the involvement part this was the case. That the job design part could be categorized as a high commitment HRM system did not seem logic at the start of this research, since within the health care sector, a lot of acts are of course bound by rules and regulation. However, there was a way in which these jobs were not standardized, simply because there were too many different tasks that had to be executed. Furthermore, the job of line manager required the line managers to be very open for change and adaptation (due to regulation changes) and very flexible, due to the many tasks. The involvement section was quite clear as well. All line managers did see plenty of opportunities to contribute, which clearly leads to the existence of a high commitment based HRM system. The interview with the top manager did not lead to the exact same

conclusions. The job design policies did not lead to either of the HRM systems in the case of job design, due to the fact that there were too many mixed signals. However, the part of involvement created the first internal vertical fit to be found. Where the practices were high commitment based, the policies followed. Policies like having lots of freedom to make own decisions with assigned budgets would be a good example. An internal vertical fit is thus established to be present within the third policy domain.

Asked for the interest of the line managers and top manager regarding the question of quality versus costs, the answers were clear. They all stated that the organization should aim for high quality over low costs. Based upon the earlier results, it could be that line managers do have quite some influence on the type of HRM system that is present within the organization, given the fact that most practices were categorized as commitment based. The top manager could then have less influence on the type of HRM system within the organization, given the results for the policies. However, another reason for this could be that the top manager does think high quality would be more important than low costs, but is restricted by budgets.

5. DISCUSSION

Over the course of this research, there were more and more external factors that were uncovered. This is due to the fact that the research was done within the health care sector. This sector is a hard sector to do research in simply because of all the everlasting ongoing changes in regulation, that make sure that external factors always play an immense role. This did in fact have an impact on the relationship of the theories as described in the theoretical framework and the results. Some of the results regarding policies that were according to the theory put into the corner of control based HRM, were simply because of the fact that budget restrictions were tightened. Furthermore, it is truly difficult to determine how much an HRM system is present. It could create a high or a low impact on the organization or the people that work within the organization. Because of this difficulty, it was relatively hard to determine whether a policy domain was either on the side of a control or commitment based HRM system. In general, theory is more all about the bigger picture, where internal vertical fit is maybe something that should be investigated on a smaller scale.

Future research should therefore be aimed at smaller parts of organizations HRM architecture. Instead of trying to grasp the entire HRM architecture and put a label on it that says: this is either a control or commitment based HRM system. Another aspect that should be considered is that it would be easier to start investigating whether there is an internal horizontal fit first. By doing that, it would be clear whether or not the policies or practices would support the same HRM system. Furthermore, it would be easier to ultimately determine whether an internal vertical fit is present or not and what the exact drivers or internal vertical fit are. Further research should probably not be done within the same organization. Ideally, it would be done in a more densely populated area within the Netherlands to see if that would deliver some different results.

The practical use for this research would be that the organization now knows how its policies and practices are designed in terms of which HRM system they would support. The organization could now check whether they actually did what they intended to do. It could also make changes if founded necessary.

6. CONCLUSION

This research of course does have some limitations. One of them is for example the small sample size. However, there was only one top manager that could have been interviewed within the organization that was in contact with the line managers regarding their daily practices. Other line managers were simply unavailable, since the organization does have the problem of being understaffed. Apart from the sample size, another limitation would be that the analysis has been done by a single person. However, I am confident that with the theoretical framework in mind and by posing the same questions, another researcher would come to the same conclusions.

The research questions that started this research was:

In which way does vertical internal HRM system fit get influenced by different stakeholders in the health care sector regarding the dilemma of quality versus costs?

What we do know now is that the vertical internal HRM system fit does get influenced by the different stakeholders, such as top managers and line managers. They do so because of their influence on either HRM practices or HRM policies. These practices and policies could be either related to a control HRM system or a commitment based HRM system, which themselves are related to costs and quality. Regarding the dilemma quality versus costs, this could mean that stakeholders do have a direct influence on the potential presence of an internal vertical fit, simply by the policies and practices that they use.

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8. APPENDIX

Operationalization of the interviews for line managers		
Employee knowledge, skills and abilities	Managing employee effort and motivation	Employees' opportunity to contribute
<i>Recruitment & selection</i>	<i>Compensation & benefits</i>	<i>Job design</i>
1. Do you have specific practices on the field of recruitment and selection? 2. Are new employees selected more on aptitudes or achievement? 3. Do you think potential commitment to the organization plays an important (enough) role?	7. How do you feel about the job security within the organization? 8. Is there a focus on short term incentives or is commitment encouraged to ensure long term success of the organization? 9. Does the organization reward employees for accumulating multiple skills?	12. Do you have specific practices on the field of job design? 13. Is your work structured to allow for flexibility, change & adaptation? 14. To what extent are jobs standardized within the organization?
<i>Training</i>	<i>Performance management</i>	<i>Involvement</i>
4. Do you have specific practices on the field of training? 5. Do you think big investments are being made regarding training and development of employees? 6. Are these investments mostly regarding firm specific skills?	10. Do you have specific practices on the field of performance management? 11. Is performance appraisal within this organization focusing on development & feedback or primarily on result?	15. Do you have specific practices on the field of employee involvement? 16. Are employees empowered to encourage participation in decision making and discretion? 17. Is this participation limited by the boundaries of the job? In other words, there is no participation, apart from the job itself?
18. Do you think the organization should aim for low costs or high quality?		
19. What do you think the organization does right now?		

Operationalization of the interviews for top managers		
Employee knowledge, skills and abilities	Managing employee effort and motivation	Employees' opportunity to contribute
<i>Recruitment & selection</i>	<i>Compensation & benefits</i>	<i>Job design</i>
1. Do you have specific policies on the field of recruitment and selection? 2. Would you say that the skills of potential employees are important or crucial?	6. Do you have specific policies on the field of compensation & benefits? 7. How do you ensure good employees stay with the company? 8. Is the compensation that employees above average?	12. Do you have specific policies on the field of job design? 13. How accurate is your job design? 14. Do you think a lot of the jobs are standardized?
<i>Training</i>	<i>Performance management</i>	<i>Involvement</i>
3. How do you ensure that employees get enough training to be successful at their job? 4. How do you handle training of new employees? 5. Is that any different from the training current employees get?	9. Do you have specific policies on the field of performance management? 10. Do you monitor how employees function and how? 11. How much personal freedom do employees get to complete their tasks?	15. Do you have specific policies on the field of employee involvement? 16. Do employees get the power to make their own decisions? 17. Are they influenced in the decision making process?
18. Do you think the organization should aim for low costs or high quality?		
19. What do you think the organization does right now?		