

HUMAN RESOURCES TAXONOMY REVISITED: CONFLICT, COLLABORATION, AND ORGANIZATIONAL IMPLICATIONS

Evan H. Offstein, Frostburg State University
eoffstein@frostburg.edu

Gloria Harrell-Cook, Frostburg State University
gharrell-cook@frostburg.edu

J. Stephen Childers, Jr., Radford University
jchilders2@radford.edu

Jeff McClellan, Frostburg State University
jlmcclellan@frostburg.edu

ABSTRACT

In the mid-1990s, theoretical and empirical research emerged that separated human resources (HR) systems into two camps: control- or commitment-oriented systems. These advances regarding HR taxonomies held particular appeal, as HR system type correlated with several dimensions of organizational performance. Surprisingly, little theoretical or empirical research since has sought to advance new conceptualizations of these systems. We address this scholarly shortcoming by extending a different, but related, taxonomy of HR systems. Specifically, we argue that HR systems are beyond control or commitment. Rather, systems may be classified as conflict-oriented or collaborative in form and function. Importantly, we build theory on conflict-oriented and collaborative HR systems and suggest that how these systems are bundled may impact, as most do, an organization's culture. In particular, we investigate various HR functions with a particular emphasis on compensation policies to formulate a theoretical rationale as to how the design and delivery of HR functions can either produce a conflict-oriented organizational culture or a collaborative one.

HUMAN RESOURCES TAXONOMY REVISITED

HR systems, created to manage the employment relationship between employees and the organization, influence organizational performance through its impact on employee behaviors and attitudes at work (Arthur, 1994; Guest, 1997, 2002; Huselid, 1995; Paauwe, 2009). However, theoretical and empirical work suggests that HR systems differ fundamentally in their orientation and do not all return equal performance results. As a result, HR researchers struggle to define the HR- performance link and a plethora of human resource management (HRM) processes can be

found in practice (Boselie, Dietz & Boon, 2005; Paauwe & Boselie, 2005). Arthur (1994) developed one of the first taxonomies of HR systems. In this seminal work, Arthur (1994) identified HR systems as either control or commitment oriented. Control systems were categorized as those HR systems created with a goal, either implicitly or explicitly, towards improving efficiency; while commitment oriented systems are intended to produce an alignment of organizational and employee goals (Arthur, 1994, p. 672). Arthur found that the commitment based HR systems had a greater impact on several dimensions of firm performance, including productivity, reduced waste, and lower turnover rates.

Almost two decades later, while much work has been conducted and more complex models have been offered, “much work is still needed to be done in terms of theorizing the HRM-Performance relationship” (Paauwe, 2009). Put simply, other HR taxonomies, which can be supported with theoretical logic and applied evidence, are likely to exist. Like Arthur (1992; 1994) and others (Guest, 1997; Paauwe & Richardson, 1997), we embrace the notion that HR systems hold considerable influence over the organization, particularly its culture, through HR’s coordinated impact on the behaviors and attitudes of the work force to include both labor and management. Our contribution is to offer some conceptual grounding and theoretic logic to an alternative, and maybe complimentary, taxonomy to the decades old notion of control versus commitment orientation. In particular, we suggest that HR systems can further be classified as conflict/competitive or collaborative in nature. Importantly, the orientation of HR systems is likely the result of how different HR sub-systems are bundled (Ichniowski, Shah & Prensushi, 1997); the purposeful and intentional bundling of HR systems is likely to have considerable bearing on organizational culture, firm performance, and, ultimately, could lead to a firm competitive advantage. Our initial theory building, then, offers a finer-grained analysis of organizing taxonomies to HR theory that answers the call for additional complex theorizing around the multi-level impact of HRM practices (Paauwe, 2009). We accomplish this extension by examining HR functions to build theoretic logic on how the design and delivery of these functions can either assume a conflict or collaborative orientation and how this orientation may result in a concomitant culture that reflects a conflict/competitive or collaborative grounding.

Acknowledging the bundling and the systems approach to HR, in the spirit of parsimony, we begin this intellectual and theoretical exercise by examining several HR functions in isolation with a particular focus on compensation policies and practice. However, the appropriate launching point is to understand the linking construct—the theoretical scaffolding that underpins the body of this manuscript. Hence, we begin by specifying the construct of conflict and collaboration along with the associated theoretical boundaries.

CONFLICT AND COOPERATION

Specific factors within any organization contribute to either conflict/competitive or collaborative relationships between its members (Rousseau, Sitkin, Burt & Camerer, 1998; Smith, 1966; Thomas, 1976). Several factors are likely influenced by institutions and systems such as HR

structures. However, it is important to note that both practitioners and scholars “must develop a mosaic of theories relevant to the specific situation of interest, rather than relying on any single one” (Deutsch, 2006, p. 32) as it applies to the constructs of conflict and collaboration. The construct of conflict is incredibly expansive and not confined to any single domain, discipline, or even unit of analysis. Conflict is an internal, intra-personal, interpersonal, dyadic, group, department, organizational, and, even nation-state phenomena (Deutsch, 2006). This threading through several levels of analysis makes the dissection of conflict difficult; its spanning of levels of analysis is matched only by the multi-disciplinary interest on the topic. Indeed, psychology, communication studies, sociology, political science, economics, anthropology, history, sociology, socio-biology, biology, and religion all have contributed to the understanding of conflict (Deutsch, 2006).

With a myriad of definitions, we return to one of the foundational: “the process which begins when one party has perceived that another has frustrated, or is about to frustrate, some concern of his” (Thomas, 1976, p. 891). It is important to note that many scholars struggle with the theoretical divide between conflict and competition (Chen, 1996). Given the close nomological distance between these two concepts, we do, as other scholars do and collapse them into a single construct of conflict/competition (Deutsch, 2006). We chose this interpretation due to its non-recursive properties; it defines conflict/competition but also spells out the factors that influence its existence.

Conflict/competition induces and is induced by use of the tactics of coercion, threat, or deception; attempts to enhance the power differences between oneself and the other; poor communication; minimization of the awareness of similarities in values and increased sensitivity to opposed interests; suspicions and hostile attitudes; the rigidity, and size of issues in conflict, and so on. (Deutsch, 2006, p. 30)

In choosing how to integrate conflict constructs into our HR taxonomy and, related, assertions, we purposefully and intentionally chose conflict constructs that were “received” across as many disciplines as possible. Put differently, we sought conflict theory that appeared to have some level of convergent validity across domains. Toward that end, we examine and link conflict with HR design and delivery along several micro themes embedded in the larger construct of conflict and collaboration. These include: *goal interdependence* and its relation to conflict, *justice theory* and *fairness* and its impact on conflict or collaboration, *economics* and theories of scarcity on the conditions that lead to conflict or collaboration, *power* and its impact on conflict or collaboration, and the pervasive notion of *trust* that is often tied to conflict, collaboration, and cooperation. Unlike the other constructs, trust is a *meso* construct that likely “fits” somewhere between the more micro concepts noted above and the larger *meta* construct of conflict.

Based on this definition, we juxtapose conflict/competition oriented behaviors with those characterized by cooperation or collaboration. This is consistent with the work of various scholars who see collaboration and competition as distinct approaches to conflict based on whether the intent and/or focus of the individuals is on mutual interests and cooperation or self-

interest and personal assertiveness (Rahim, 1983; Thomas, 1992; Thomas & Kilmann, 2002). From this perspective, collaboration is defined as occurring when parties “surface their differences (get them out in the open) and then work on the problem until they have attained mutually satisfactory solutions” (Derr, 1984, pp. 294-295). This approach minimizes the issues of power, politics, and structural limitations and emphasizes the power of procedural approaches in relation to managing conflict (Thomas, 1992). It also assumes that the purpose of conflict is to achieve resolution.

While some have argued that collaboration is inherently better than competition, others suggest a contingency approach to conflict that recognizes that the best approach is based on the needs of the situation (Bass & Riggio, 2006; Thomas, 1992). Thus, the extent to which conflict/competition and collaboration either benefit or harm organizational success is likely based on other factors. The research suggests that these factors include the extent to which conflict is focused on the task or process differences as opposed to personal or relational concerns (Jehn, 1997; Jehn & Chatman, 2000; Jehn & Mannix, 2001; Jehn, Northcraft & Neale, 1999) as well as cognitive problem solving versus emotionally charged adversarial behaviors (Amason & Mooney, 1999). While one could suggest that the factor that most contributes to whether or not conflict negatively impacts performance is the extent to which personalization versus depersonalization of the conflict occurs, we suggest that another factor is more likely the source of determining the normative value of conflict.

In order to better address this issue of positive versus negative conflict, it is valuable to recognize that conflict occurs at four levels of analysis within organizations: intrapersonal, interpersonal, and group/organizational and intergroup/organizational (Jehn, 1995; LeBaron, 2003). Furthermore, each of these levels is dependent upon the existence of conflict at the previous level, with the likely exception of group versus intergroup conflict. Thus, interpersonal conflict is unlikely to occur in the absence of intrapersonal conflict (i.e., an individual must be dissatisfied with something before he or she is likely to enter a dispute about it with another person). Consequently, conflict is ultimately rooted in the intrapersonal processes associated with perception of and response to a source of threat or concern. Conflicts that are never perceived, therefore, cannot result in a dispute that would require either competition or collaboration.

What matters then is how an individual responds to a conflict when it occurs. Research suggests that conflicts that are perceived as threatening are more likely to induce affective, competitive responses as opposed to those that are perceived as significant, but not necessarily personally threatening (McClellan, 2005; Thomas, 1984). Therefore, one might propose that negative competition is characterized by a highly personalized perception of threat. The mediation and negotiation literature suggests that progress in conflict resolution occurs when an individual's focus shifts to solving the problem as opposed to pursuing personal interests (Fisher, Ury & Patton, 1991; Tjosvold, 1993). Likewise, individuals are less likely to perceive stressors as threatening and to experience strain when they demonstrate a sense of commitment (Maddi, 2002). Finally, superordinate, or shared, overarching, goals have been found to diminish felt conflict even when the actual conflict conditions remain (Hunger & Stern, 1976). As a result,

individuals are more likely to engage in dispassionate, productive competition or to shift to a collaborative approach when they are focused on a superordinate, shared goal. Indeed, competitive behaviors may be required in these conditions (Bass & Riggio, 2006, p. 69).

Negative collaboration is fundamentally different from negative competition in that it is characterized by cooperative efforts that ultimately interfere with the ability of the organization or group to accomplish mutually agreed upon performance objectives in ethically appropriate ways. This could include both intentionally negative collaborative efforts such as sabotage, as well as unintentional efforts such as group think or escalation of commitment (Staw, 1976). Once again, however, the issue at stake is the extent to which the approach to conflict promotes or detracts from the pursuit of a shared, superordinate, and ethical goal. This is consistent with the research related to superordinate or shared goals and conflict resolution and leadership (Bass & Riggio, 2006; Hunger & Stern, 1976; Litterer, 1966; Sherif, 1958). However, the impact of superordinate goals on conflict resolution is dependent upon participants' commitment to these goals as the existence of a superordinate goal does not in and of itself lead to positive outcomes in conflict, particularly when the goal is introduced primarily as a means to resolve the conflict.

In summary, we propose that conflict can be categorized within organizations in relation to HR systems based on two axes. The first is the extent to which those engaged in conflict utilize competition as opposed to collaboration. The second is the extent to which individuals or groups are committed to pursuing mutually agreed upon and ethical superordinate organizational objectives as opposed to personal or group agendas that detract from achieving such goals (See FIGURE 1). It is worth noting, however, that even when such commitment exists there may still exist the potential for groupthink to occur (Johnson & Lewicki, 1969). As identified in Figure 1, we propose that HR systems that influence and that are influenced by shared objectives have better organizational performance outcomes than those HR systems that influence and that are influenced by individual personal goals and agendas; regardless of conflict type.



FIGURE 1 CONFLICT AND COMMITMENT

COMPENSATION AND CONFLICT OR COLLABORATION

We begin our investigation of the relationship between HR systems and conflict/collaboration by examining the controversial (and potentially unintended) consequences of compensation. Our theory building follows a systematic process. First, we offer a brief description of the HR function. Then, we examine how either the content/design or the process/delivery/execution of the HR function impacts one or more of the following: goal interdependence, justice theory and principles of fairness, economics and scarcity, and power. Leveraging arguments that either posit collaboration or competition along with an identification with either an individual or shared goal, we situate the specific HR function or practice within a given quadrant that speaks to firm performance.

Compensation's influence over organizational performance is debatable with conflicting research suggesting everything from strong to weak to deleterious and negative to non-existent effects of compensation policies on organizational performance or firm financial performance (Carlson, Upton & Seaman, 2006; Collins & Clark, 2003; Deci, Koestner & Ryan, 1999; Gerhart & Milkovich, 1990; Gomez-Mejia, 1992; Kim & Gong, 2009; Lawler, 1981; Miner, 1980). Here, we possibly inform some of these contradictions through a nuanced view of compensation systems and the delivery of those systems in building a collaboration or conflict orientation within an organization.

Piecowork

Piecowork, a system that pays employees according to the number of units they produce, is among the simplest, and oldest, variants of compensation systems. Remarkably, while its overall use is declining, the piecowork system is still in relatively high use today (e.g., Lincoln Electric's use of piecowork as described in Siegel & Larson, 2009). Piecowork is often practiced or executed along two lines—straight piecowork as mentioned above or piecowork that involves base pay plus pay for number of units produced above a given standard. The theoretical rationale or content embedded within piecowork is a significant lack of trust between management and leadership and its labor force. Specifically, the theoretical content of piecowork is anchored on an assumption that employees will perform at a level below capabilities. It suggests without a quantity incentive goal, employees will loaf and under-produce (Lazear, 2000). Moving beyond content, the process or execution of piecowork also signals a lack of value for teamwork and collaboration especially if straight piecowork or a Taylor-like plan paying differential rates for higher production are employed (Taylor, 1914). Another way of examining this last imperative is that piecowork tends to favor and positively affect the individual as opposed to the collaborative tendencies of a team.

As a consequence and referring back to our theoretical rationale, it appears that piecowork is a low *trust* activity with low *goal interdependence*, which impacts more heavily self-interested

goals as opposed to team or superordinate goals. Thus, we suggest that piecework is a negative driver of organizational performance since it drives competition anchored on low goal interdependence and low trust with the domination of a personal agenda. Ironically, some arguments could also be made toward negative collaboration in regards to piecework. In particular, there is some evidence that piecework could, indeed, lead to collaboration, but collaboration based on individual agendas—not that of a superordinate goal. Specifically, workers may collaborate to restrict and dampen output to keep standards artificially low (Lawler, 1981). In other words, high performers may succumb to peer-pressure and social *power* to restrict production, even though producing more is in their best interest. Interestingly, this dysfunctional collaboration to “game” the system and to make it easier to “hit” targets may result in subdued or latent conflict. Remarkably, a type of dissonance could occur where the individual subjugates a personal agenda that could pay himself more to a negative collaboration where he is paid less, but the “team” is paid more. This of course, could also result in feelings of *unfairness* at the intra and interpersonal levels.

In either scenario, though, collaboration or competition is rooted in personal agendas—not an organizational or superordinate goal. Thus, piecework likely exerts downward pressures on firm or organizational performance through its role in building conflict and cooperation that hurt, not help, organizational priorities. Generally, piecework’s negative impact on goal interdependence, fairness along with creating power differentials suggest that piecework cannot positively impact collaboration, conflict, and, as such, organizational performance.

Commission

Popular in a variety of industries, this variant of compensation tends almost exclusively to be linked with sales professionals. Indeed, sales commission remains the dominant logic in such industries as pharmaceuticals, stock and financial services, and employee and executive placement/talent. Clearly, with the adoption of sales commission by so many firms in a variety of industries suggests high efficacy and promise. However, sales commission, as a practice, often fails to deliver as predicted and is a focal point of derision and consternation by employees and managers alike (Gomez-Mejia & Balkin, 1992).

Like piecework, sales commission, in its purest form, is remarkably simple. Sales commission pay systems involve paying individuals a certain amount of money based on the level of sales she achieves. Straight commission systems involve no base salary with all compensation based on direct ties to the amount of sales a person can obtain. Hybrid systems involve a base salary with a commission component.

Whether in its straight or hybrid forms, sales commission systems suffer some of the same maladies of piecework, but for different reasons. Typically, commission systems, like piecework, involve little goal interdependence. Where commission systems, however, tend to gravitate

towards competition with negative performance outcomes is in the area of justice and fairness arguments. Interestingly, this differs from piecework typically used in manufacturing environments where workers tend to work under the same or similar conditions with equal opportunity to produce. This is often untrue in the sales field or sales situations. Thus, the theoretical content and logic is often pure and should, by extension, produce positive competition or, put differently, competition that positively impacts organizational performance. Namely, pay for performance, on its face, seems commonsensical and infallible in its logic. However, it is in the delivery, the execution, or the unfolding of the process that commission systems divert towards negative competition. We explain below.

There is high likelihood that sales professional and sales teams will resent management not because of the inherent unfairness of sales commission systems, but, rather the unfairness that emerges in the execution and delivery of sales commission plans. Borrowing from the economic literature, economic and opportunity bias suggests that achieving sales are not under the actual control of employees. Specifically, some regions or territories, by their very nature, offer more or richer opportunities. Put differently, it is practically unfeasible to design a sales commission for every possible contingency.

The HR literature seems to reinforce these economic notions. Often used in describing the adequacy or inadequacy of performance evaluation systems, the logic underpinning the phenomena of criterion contamination and criteria deficiency apply to commission systems. For instance, criterion contamination results when factors outside the control of the employee have some bearing on performance. Borrowing and linking from the economic literature just mentioned above, it is conceivable that some sales professionals could get “lucky” and receive a high growth territory while others may get territories that suffer lower rates of growth and higher levels of economic suffering such as higher unemployment and lower wage rates. These forces collide to produce feelings of distributive unfairness, which often results in a line-of-sight relationship with employee dissatisfaction. And, of course, employee dissatisfaction is significantly and meaningfully correlated with product/service quality, turnover, absenteeism, and grievance filing (Batt, 1999). Before turning our attention to criterion deficiency and more nuanced issues of cooperation, it appears that commission systems emphasize competitive, as opposed to collaborative, personal agendas vis-à-vis superordinate goals, produce little goal interdependence, feelings and perceptions of unfairness, particularly, distributive fairness, and invoke feelings of economic inequality and scarcity as some territories or regions are more “target rich” than others.

Taken at its extreme, and where practice can deviate from policy content and intent, is when sales commission systems suffer from criterion deficiencies. Criterion deficiency is when performance standards myopically focus on a few, usually one, criterion such as sales revenue while excluding other important criteria that are usually less quantifiable such as after sales customer service or referrals across units/territories. This myopic focus can create competition between employees and drive a “sell at all costs” mentality. This, in turn, will be to the detriment of positive collaboration, and potentially to organizational welfare at large. For example, this

competition could induce unethical behaviors not entirely unlike those found within the financial collapse of 2008 that centered on aggressive, sell-at-all costs, tactics in the mortgage and financial services industries (Baldwin, 2011).

There are two unique notions here that need further exploration. First, note that this type of system may invoke short term positive performance increases based on loose moral/ethical practices. However, the sustainability of these practices is exceedingly suspect as evidenced in the collapse of the mortgage securitization industry. Secondly, and not unlike the notion of piecework mentioned above, there may be some deleterious forms of collaboration that could emerge. Namely, it is conceivable that a type of passive collaboration forms as the “sell-at-all costs” drives unethical behaviors aimed at achieving outcomes via circumventing responsible processes and practices. Clearly and referring back to the financial crisis of 2008, there were enough individuals that benefited in the short term to keep quiet the pervasive unethical behavior that would, ultimately, diminish or destroy some of the largest brokerage and mortgage brokerage firms in the world (i.e., Countrywide, Bear Stearns, Lehman Brothers). Thus, we offer some rationale that commission systems may also invoke a passive collaboration where responsible processes are sacrificed for short term gains.

Either way, commission systems whether in straight or hybrid forms appear to result in unhealthy competition that negatively impact organizational performance. The mediating variables at work here are low goal interdependence, high feelings of unfairness, and feelings of economic inequality and scarcity. Moreover, and not unlike our arguments regarding piecework, collaboration may also arise, but not of the kind or manner that would produce beneficial performance outcomes. Just the opposite, like competition, the collaboration is anchored off highly self-interested personal agendas. Importantly, the mediating variables that the poor competition (or collaboration) that it drives likely exists on multiple levels (interpersonal, between territories, and between employees and management). Thus, we offer some conceptual logic on why commission systems still remain controversial and underperforming when viewed in the aggregate.

Individual Cash/Spot Bonuses

Bonuses, like commission pay systems, are meant to incent and drive behavior with direct links to performance. With a tradition rooted in both expectancy theory (Vroom, 1964) along with principles of operant conditioning and principles of reinforcement (Skinner, 1953), bonuses are highly embedded in the fabric of HR compensation systems. Unlike commission systems, bonuses are a popular incentive or reward across labor functions allowing them to be applied to classes of employees beyond sales professionals. Similarly, bonuses transcend exempt and non-exempt classifications—both labor and all levels of management are typically eligible for bonuses. In addition, bonuses can be found across industries, both nationally and internationally. These forms of incentives are also found in small businesses and entrepreneurial ventures as well as large corporate entities. Indeed, variable pay structures, of which bonuses are a popular

variant, are an ever- increasing proportion of compensation (Lemieux, MacLeod & Parent, 2007).

By definition, bonuses are inherently simple. Like commission and piece work, the theoretical and conceptual content of bonuses is straightforward. However, it is the delivery, the process, or the execution of bonuses that fosters a complexity that belies its apparent simplicity. Bonuses are incentive payments that are usually paid above and beyond the base wage. They are typically triggered by high levels of individual performance. Spot bonuses are a variant of bonus plans in which a bonus is administered “on the spot” without a specified payment schedule for unusually good performance. Related to the bonus genre are lump sum merit programs in which employees receive a year end merit payment, which is not added to their base pay. While spot bonuses are not typically tied to formal performance appraisals, year-end bonuses and lump sum merit increases are often tied to rankings of a performance appraisal system.

The process of administering bonuses and similar incentive plans are fraught with complexities that decouple the predicted theoretical outcome from its actual outcome. Said differently, the delivery of incentives to individuals causes multiple levels of the organization to move towards a competitive stance with a deleterious influence on organizational performance. We examine the episodic, unfolding nature of the bonus and incentive process similar to above; we examine this phenomenon through the lenses of goal interdependence, justice and fairness, economics and theories of scarcity, and power. By their very nature, individual bonuses are low on goal interdependence. Accordingly, we spend our conceptual efforts on the other three primary lenses.

The process of bonus administration is troubled by both objective and subjective vagaries. From a more fact-based, objective standpoint, bonuses are meant to vary across individuals based on performance differences. The problem, however, is that the variability of bonuses rarely reflects the true variability in performance. In addition, there is often range restriction in practice, which further complicates the delivery of individual incentives. A scenario in which this may occur is the performance of five sales professionals with the first earning sales figures of \$1,000,000 and the fifth earning \$985,000. This difference may not be significant nor meaningful. Slicing the bonus payments here to reflect the true variation of performance is complex and may be untenable.

However, it is in the realm of the subjective that bonuses and incentives truly complicate. For instance, supervisors, in completing an employee’s performance appraisal, are often the gatekeeper and hold the ultimate decision for bonus and incentive awards (Kite, Katz & Zarzeski, 1997). These supervisors, however, are often biased in their own perceptions. For instance, we know that ingratiation by subordinates works; those that engage in ingratiation behaviors often receive higher performance appraisals and greater benefits (Higgins, Judge & Ferris, 2003). Similarly, impression management and political behaviors have been known to substantially alter and influence decisions (Ferris & Kacmar, 1992; Ferris & King, 1991; Jones & Pittman, 1982). Lastly, empirical research overwhelmingly confirm the active presence of

evaluation and perceptual errors such as the halo effect, leniency and recency errors, the prior hypothesis bias, or escalation of commitment (Kondrasuk, 2011).

All of these call into question the efficacy of bonus decisions. As such, the awarding of incentives and bonuses often triggers feelings of procedural and distributive unfairness. Ironically, incentives that are meant to motivate individuals may do more harm and lead to lower levels of motivation across the board. Another way to frame this is that one or two individuals may experience the intended effects of incentives, while the majority may suffer the opposite—a lessening of motivation. Aggregating these arguments, it becomes readily apparent that perceptions of procedural and distributive unfairness and all of its deleterious consequences (i.e., lower satisfaction, lower citizenship behaviors, etc.) contribute to unhealthy competitive feelings and behaviors. These feelings of unfairness probably contribute even more to a feeling of guarding personal agendas. Together, the feelings of injustice coupled with an embrace of a personal agenda beget forms and norms of competition that hurt organizational performance.

Economics and theories of scarcity may also lead to unintended, even opposite, behavioral and performance effects. For instance, one of the theoretical and practical hurdles of incentive systems is to avoid the sentiment that bonuses are an expectation (Bewley, 1999). If and when this expectation and entitlement notion arises at the individual, team, or organizational level, the magnitude of disappointment can be incredibly high when the firm can no longer afford to offer bonus pay outs. In other words, the firm's or organization's ability to pay, not necessarily individual performance, is the prime variable explaining the presence of a bonus. Regardless of performance then, individual bonus pay outs may be more of a function of organizational and industry financial health. Of course, this scenario plays out in various forms on a regular basis—exceptional performers do not receive bonus payouts due to the overall financial condition of the organization in which they work. Indeed, research supports that morale suffers significantly as bonuses vary across time (Abelson, 2001). As a result, theories of economic scarcity dampen the predicted impact of incentives. As opposed to models of abundance, models of scarcity are predicted to drive aggressive, self-serving, and self-preserving behaviors (Pondy, 1967). Put differently, scarce resources contribute to conflict at a variety of levels from inter-personal to conflict among nation-states over scarce resources. Predictably, these forms of self-serving and self-preserving behaviors, like those predicted from the feelings of unfairness, lead to norms of competition that detract from organizational performance.

What is particularly interesting is when bonuses and incentives are threaded through the lens and notion of power and politics. As mentioned in the specification of our model above regarding conflict and competition, power differences are both a cause and consequence of conflict. An intriguing possibility exists when one considers that errors need not be intentional. Rather, ranking results and incentive payouts could result from intentional errors based on power and political forces. Indeed, some economic grounded research on tournament theory suggests that when bonus payouts are particularly large, certain individual and team behaviors result that can be best described as highly aggressive, coalition forming, politically charged, and, even, unethical (Lazear, 1999). This suggests that the higher the incentive, the more egregious the

impact on competition and organizational performance. To summarize, higher incentives may cause the formation of political alliances in an attempt to achieve the awarding of large payouts. These political alliances and the eventual identification of a winner and a loser, also a tenet of tournament theory, creates further power differentials within organizations. This type of competition is anchored on a highly personalized agenda. Consequently, organizational performance suffers.

Bonuses, lump sum merit increases, and other incentives possess certain levels of face validity. However, this validity is rooted in the conceptual content and theoretical simplicity embedded in the HR systems. Organizations are not perfect experiments and friction and tensions readily exist. It is these tensions and imperfections that make the delivery or process of this particular form of compensation from delivering predicted results. Remarkably, it is the inverse of the predicted outcomes that usually arises. In particular, the incentives systems detailed here reflect low goal interdependence, high levels of procedural and distributive unfairness, the realities of economic scarcities, and higher power differentials mean that incentives probably contribute to a self-interested competitive mindset throughout the organization that can be best described as resting on personal agendas and political coalitions. Consequently, this type of competition drives lower firm and organizational performance.

Team Based Pay—Straight or Incentive

To this point, our narrative and our corresponding examples have led primarily to conflict and conflict based on a personal, self-interested agenda. A logical question would be to investigate team based pay and incentives to see if collaboration could be achieved along with common allegiance to superordinate goal. After all, if these conditions are met, one would predict positive effects on performance.

Let us begin by examining the notion that self-managed work teams are normatively, by their very nature, good and that they positively impact organizational performance. To begin, autonomous work teams, created to reduce employer-employee conflict, reflect power sharing by management with employees (Lewin, 2001). Most studies conclude that autonomous work teams and employee involvement programs (EIPs) have strong positive effects on productivity and employee attitudes (Cotton, 1993). However, Cotton notes that while “empirical studies or case examples of unsuccessful EIP initiatives are few and far between, this may be due to under-reporting of such and selection bias of researchers.” Godard and Delaney (2000) found that high performance work systems heavily grounded in EIP have only weak empirical effects on business performance, and that numerous North American and European case studies reported quite limited life spans and even outright failures of these systems. Consequently, evidence on the efficacy of these programs is actually mixed (Lewin, 2001). EIPs are usually reserved for full-time core employees, not temporary, contract, or contingent employees (Lewin, 2001), so potential for conflict between employee participants and nonparticipants can arise. At a global level then, we assume a nature of social complexity within teams that may make compensation

integration, even of so-called simple pay systems, complex and prone to failure. Of course, actual group dynamics and the resulting performance indicators may be influenced by whether group membership was voluntary or involuntary (Jin, 1993).

Using the same four conceptual lenses, we begin with the notion of justice and fairness. Assessing and integrating team performance and teasing out individual contributions within a team is extremely difficult both from a research vantage but also within the practitioner realm of performance evaluation (Bamberger & Levi, 2008). Even peer evaluations are likely to miss actual performance differences within teams. Thus, assessing team performance and teasing out individual contributions within teams is likely to invoke feelings of procedural and distributive unfairness.

If we turn to notions of economics and scarcity, we arrive at classical, well-received, arguments that produce performance dampening conflict. For example, social loafing and free ridership often exist for some of the same reasons mentioned above—social loafers can “hide” better within teams. Since social loafers appropriate a piece of the team based “pie”, feelings of scarcity and unfairness increase. Furthermore, if there is no mechanism to effectively identify and weed out social loafers, more individuals are incited to become free riders. What results is a routine, practical phenomenon. Namely, few teammates work harder to support the loafers while trying to maintain appropriate levels of performance. Here, we have a tenuous version of collaboration where the personal agenda of social loafing conflicts with the shared agenda of earning team based payouts.

It is particularly interesting to view team based pay from a goal interdependence and power and politics perspective. On the face, many would believe that teams are the ideal place to house shared goals or objectives. However, even with the presence of “shared” goals, conflict can arise. Especially in diverse teams, inconsistencies between individuals’ definitions of problems retard capabilities to integrate others’ information with little misunderstanding along with the willingness to do so. In other words, representational gaps make coordination difficult by fostering inherent contradictions in how teammates believe the problem should be solved (Cronin & Weingart, 2007). In turn, this leads them to take actions that contradict or compete with each other. Not surprisingly, functional factions and political alliances can form. At its core, when team members interpret the same information differently and view solutions from a variety of angles, the team is likely to face conflict with goal interdependence unlikely.

Clearly, representational gaps, information processing, and goal conflict stems from differences in knowledge, values, experiences, cultural backgrounds (Hofstede, 1980) and personality (Rokeach, 1979). Because individuals are constrained to perceiving a problem from their own vantage, internal alignment and consistency is often difficult to obtain. Even when pay is attached to high levels of team performance, differences in goal interpretation suggest the movement towards goal conflict as opposed to goal interdependence.

Our conceptual arguments then suppose that team based pay will either result in conflict or a loose collaboration, either of which has at its core houses a self-preservation or self-interest component. Moreover, we highlight how untenable goal interdependence is, even within teams. When feelings of injustice run high, and feelings of economic scarcity are magnified, along with a politically charged environment, competition or negative collaboration is likely to result. In both cases, the current of self-interest or political factions is embedded. As a result, downward pressure is exerted on organizational and firm performance.

Selection

Our conceptual grounding, to date, suggests that compensation, in isolation, contributes to poorer organizational performance largely due to conflict/competition or collaboration anchored on self-interested agendas and personal goals. Perhaps bundling effects (Ichniowski, Shaw & Prensushi, 1997) may arrest this impact or even invert it. Put simply, HR systems may interact to lead to better, not worse, firm financial performance. In entertaining these possibilities, we offer a cursory exploration of the impact of selection, benefits, and leadership.

Part of the theoretic logic behind our compensation arguments was the notion that increased effort needed to be incentivized. However, in the practice and process of delivering compensation policies an unintended consequence often emerges. In the quest for enhanced effort and performance, self-interest, as opposed to a collective interest, also rises. Thus, the question surfaces—can HR systems interact to drive enhanced effort while simultaneously supporting team, as opposed to individual, goals.

Selection is one such place where the effects of compensation policies can be neutered or, even, reversed. There is some precedent into the value of the conscientiousness within HR systems, in general, and selection, in particular. Indeed, the personality trait of conscientiousness is most often correlated with organizational performance (Hurtz & Donovan, 2000) and positive individual and team citizenship behaviors (Taylor, Bedeian & Kluemper, 2011). Hiring conscientious employees would seem to neutralize some of the unethical tendencies and immoral behaviors that some compensation systems may drive especially when they are executed poorly, without boundaries. However, conscientious employees do not necessarily translate into an orientation where a superordinate or collective goal could prevail. Actually, the theoretical correlation would be only a spurious one. Put differently, a conscientious employee may still be highly self-interested but would be more prone to follow a personal agenda within the moral and legal confines of the rules and regulations.

In light of this notion, it is interesting to advance beyond the personality construct of conscientiousness to the economic, personality, and, even, biblical construct of stewardship. Davis and colleagues (1997) draw out marked and meaningful distinctions of steward versus

agent behavior. Using the same lenses of goal interdependence, justice and fairness, economic scarcity, and power and trust, we explore how the purposeful and intentional hiring of stewards is an HR lever for collaboration based on a shared goal. As such, we expect to such actions to have a positive affect organizational performance.

There are several themes embedded within the notion of stewards. Intersecting biblical and economic literatures (Davis et al., 1997), stewardship is about managing resources for sustainability. Stewards also tend to favor the collective and shy away from self-serving, agent behavior. Instead, there is an element of stewardship that emphasizes personal sacrifice, so the larger entity can grow and exist long after the steward departs. Related to this point, power tends not to be an individual construct through the lens of the steward. Rather, power is shared among a congregation or group of members. Also threaded throughout the discussion of stewardship is a unique temporal perspective. In particular, stewards tend to view performance over a longer term as compared to agents who are often described as more short sighted in adopting performance views. Linking these descriptions of stewards and stewardship together, we can see that the probability of goal interdependence is greater with more stewards as opposed to fewer as they naturally view collective goals as more important. The very essence of stewards is to subjugate their personal agendas for interdependent, collective goals. Second, we also see how power differences decrease and trust increases with adherence to a stewardship mentality that places the collective power of the organization or congregation above that of the individual. Similarly, stewards are more apt to see economic abundance over time as opposed to economic scarcity. Feeling less threatened by individual preferences of justice and fairness, stewards seem more likely to view justice through a belief system of what is fair, and best for the organization.

As a result of this reasoning, we feel that the hiring of stewards is one of the most impactful HR drivers to secure a collaborative culture with alignment and focus behind superordinate goals. Remember, it is precisely these forces which we predict lead to positive organizational performance. At the very least, the hiring of stewards, while difficult in practice, may neutralize some of the dangerous, unintended, consequences of compensation delivery. At its best, though, it may interact with compensation practices and policies to produce a synergistic uptick in performance. This is because the content of HR compensation practices are often pure and economic in nature. They are so simple that we are often surprised when pay systems often fail to work as predicted. The root of this dysfunction, however, probably rests in the delivery or process of HR compensation practices by agents. It is agents that disrupt the purity of the content and convolute the theoretical intent in its delivery. Thus, stewards may adhere more closely to the conceptual purity and intent of compensation practices and policies. As a result, compensation practices will be more likely to deliver predicted effects.

Benefits

A central theme to our arguments is that HR systems, both coupled and in isolation, should try to influence shared commitment behind a superordinate and collective goal. Seemingly, without

this collective or superordinate goal, it is unlikely that any HR function, whether in isolation or bundled/coupled, can positively impact organizational culture and performance. The readiness and willingness for employees to commit to a collective goal orientation is largely predicated on the perception regarding whether senior leaders truly value human resources and human capital. Put differently, employees are more apt to move beyond self-interest and possess a positive organization-based self-esteem when they perceive and witness senior leaders investing time, attention, and resources in its people (Ferris, Brown & Heller, 2009; Pierce, Gardner, Cummings & Dunham, 1989). Basic norms of reciprocity dictate that this commitment will be reciprocated.

A current day exemplar of such a leader-workforce relationship is SAS. Consistently recognized as one of the world's best employers, SAS enjoys superior Human Capital metrics such as voluntary turnover. Arguably, the driver of these Human Capital metrics and world class performance are tied rather tightly to the way this organization embraces and satisfies its talented work force. Of particular note, perception of value seems at least partially explained by how well the organization signals this sentiment to its workforce. Namely, signaling and cues are important as managers and labor assign meaning and interpret whether or not senior leaders and the organization value employee contributions.

While benefits have long received scant, or at most, cursory analysis compared to other HR functions, we question the veracity of such arguments. In particular, benefits have long been viewed, especially by practitioners, as a cost to be managed as opposed to a driver of competitive advantage (Pfeffer, 1996; Wang, He & Mahoney, 2007). Even well received conceptual arguments seem to dismiss the power of employee benefits. For instance, Herzberg's theory of motivation is often brought to bear regarding dialogue on the efficacy of the benefits. Under Herzberg's conceptual umbrella, benefits are seen as a source of dissatisfaction—never a source of satisfaction. Said differently, benefits will never directly lead to employee satisfaction and commitment. Instead, *not* having them can only lead to job dissatisfaction and lower employee commitment.

Perhaps the single greatest collective signal or cue senior leaders and an organization can make regarding the value of its Human Capital is through the provision of generous employee benefits. Because benefits are usually equally applied across a workforce, there are relatively few opportunities for perceptions of procedural and distributive unfairness to arise. Rather, we believe that the provision of generous benefits is a visible signal and cue that senior leaders and top organizational leadership values its employees. Research on HR and firm performance would support this inference as firms that invest more in HR tend to exhibit higher performance (Becker & Gerhart, 1996). We suggest that the provision of better than average benefits garners greater commitment to the organization and to the superordinate goals that filter through an organization. This outward manifestation of a valued workforce, we believe, creates less self-interest and adoption of personalized agendas and creates more commitment to collective goals. In organizations where management does not hold reverence for its employees or does not share an employee's first philosophy, employees will more than likely act in their own self-interest and be more prone to manipulate systems to the detriment of the organization.

At the meta and global levels, it would seem that the provision of benefits creates a context in which other HR functions bundle, intersect, and work. When HR functions situate in a benefit context that demonstrates and signals low value for its employees, we would expect the delivery and function of HR systems to drift towards conflict and competition or negative collaboration around a personalized agenda. Conversely, when HR functions and systems situate in a benefit culture and context that signals and cues high regard for its employees and workforce, it is likely that HR function will gravitate toward healthy competition and performance enhancing collaboration based on shared, superordinate goals. As a consequence, the provision of benefits could be viewed not as a cost containment arena, but a source of competitive advantage due to its signaling properties and its direct and indirect influence on the conflict/collaboration operation of other HR functions.

Leadership

Lastly, we examine how organizational leadership behaviors can work along with compensation to achieve a system that fosters a healthy commitment to superordinate goals, and in turn, increased organization performance. In particular, we will examine firm efforts at creating and fostering transformational leadership styles.

Transformational leaders are considered to be those leaders that create some greater outcome from followers than those leaders that merely expect and seek an exchange of inputs for desired outcomes (Burns, 1978). These transformational leaders demonstrate to members of an organization the importance of an organization's goals and objectives and shepherd an alignment of the member's own values with those of the organization (Bass, 1985). The transformational leader accomplishes this goal re-alignment through a combination of earned trust and charismatic behavior (Jung & Avolio, 2000).

The alignment of individual goals with the firm's superordinate goals by the transformational leader goes beyond the "contingent reinforcement" utilized by the transactional leader (Bass, 1985, p. 121). The transactional leader's focus on an exchange of services for rewards does not involve deep commitment between the leader and the follower, and as such, does not create a bond of trust and ties between the employee and the organization (Jung & Avolio, 2000; Podsakoff, MacKenzie, Moorman & Fetter, 1990). The higher level commitment to the organization created by the transformational leader can lead to, in terms of short term measurable results, increased job performance, citizenship, reduced absenteeism, and lower turnover rates (Becker, 1992; Herold, Fedor, Caldwell & Liu, 2008; Maertz, Mosley & Alford, 2002; Mowday, Steers & Porter, 1979). In the long run the creation of a culture of transformational leadership can impact organization change when necessary (Burke, 2002; Herold, Fedor, Caldwell & Liu, 2008; Groves, 2005).

Through the bundling of multiple HR practices, to include compensation, selection, benefits, and leadership behavior, the goals and objectives of organizational members can be aligned with the superordinate goals of the organization (Ichniowski, Shaw & Prennushi, 1997). As a result, this properly aligned integrated system can induce the appropriate use of conflict and collaboration behaviors to direct the organization towards a competitive advantage and greater performance.

CONCLUSION

This manuscript signals the revival of the importance of taxonomies as substantive organizing structures within the HR literature. Given the wide spread recognition and acceptance of the initial taxonomies offered by Arthur (1994), it is surprising additional dialogue regarding alternative taxonomies have not surfaced. This manuscript takes an initial, but important step, in reviving discussion.

As such, we hope that we offer a noteworthy advancement in theory regarding the nature of various HR systems. We propose a new, but most likely, complimentary taxonomy to that of Arthur (1992; 1994). That is to say, while the outcomes of this taxonomy differ from those of Arthur, we see strong parallels between the relationships we propose and those proffered by his works. To explain, if we view compensation as control mechanisms, our theoretical analysis makes it clear that they are mechanisms that may be readily manipulated to result in unintended consequences and detrimental effects on the performance of the organization. In addition, we propose that it is primarily wholesale commitment to superordinate goals or to the overarching objectives of the firm that moderates the relationship between these HR practices and organizational outcomes.

A contribution to theory which we feel is of particular note is that, to the best of our knowledge, we advance only the second HR taxonomy in the literature, and the first in the almost two decades since Arthur's (1992; 1994) control and commitment model. We think, then, that this manuscript has significant implications for academic exploration, but also important considerations regarding HR formulation and implementation for practitioners as well.

Theory building involves creating boundaries (Pedhazur & Schmelkin, 1991). We offer some "greenshoots" of theory building but considerably more explication and model specification is required. For instance, we touch on a precious few HR functions. Clearly, performance evaluation, training and development, and employee discipline are all worthy HR areas that could be more fully explored in the conflict and collaboration context we offer here. Indeed, we see this as an important step in further research.

At the meta-level, we propose theoretical relationships. The next logical step is empirical work to examine the validity of those propositions. This requires hypothesis testing and construct and

measure specification similar to that of Arthur's work (1994). Further, all meaningful theory building requires that the constructs be operationalized. In his seminal entry into organizing taxonomies, Arthur operationalized his control and commitment taxonomies through purposefully and intentionally choosing relevant proxies (e.g., scrap rate and turnover as measures of organizational outcomes). We fail to do this here, but hope that both future empirical and theoretical research will advance our theory building to arrive at appropriate proxies that signify cooperation or conflict. Of course, until this is done, empirical hypothesis testing is untenable.

Finally, we suggest the promise and offer the appeal of bundling, but we only do so here in a cursory, exploratory manner. Much more rigor of thought is needed to better understand how different HR functions may interact to influence cooperation or conflict. Future conceptual and empirical research may also wish to investigate how different taxonomies interact to influence organizational culture and performance. For example, scholars may want to consider the impact of bundling and combining HR taxonomies. What, for instance, would occur when control and collaboration taxonomies are combined? How is that different from control and conflict oriented taxonomies and what organizational outcomes does this interaction beget? All of these questions are intriguing and may offer greater understanding behind the HR to competitive advantage relationship.

In conclusion, HR impacts many aspects of an organization to include its culture and its performance. Our theory building here suggests the importance of purposeful and intentional HR design to more directly influence organizational culture. Rather than a haphazard approach to designing and delivering HR systems, we offer some initial conceptual linkages that suggest HR functions and systems can be purposefully designed to produce either conflict oriented or collaborative cultures. Also, we offer a moderating concept and that is of goal theory. HR functions and their conflict or collaborative orientations impact performance differently depending on whether the goal is superordinate or self-interested. Importantly, we call into questions oft maligned HR functions, such as benefits, as a source of competitive advantage. Both practitioners and scholars, alike, should agree that better understanding this phenomenon offers appeal and promise as it can inform the most important of all conceptual and empirical linkages—the link between HR and organizational performance.

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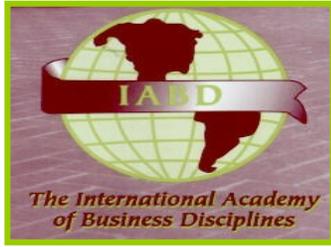
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