

# Organizational Reputation and Human Resource Evaluation From Strategic, Functional, and Workplace Perspectives

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## Abstract

*A survey of human resource (HR) managers in 82 corporations measures the importance of evaluating the HR function from strategic, functional, and workplace perspectives. These scores are correlated with Fortune's measure of organizational reputation. Results indicate significant, positive relationships between organizational reputation and the importance of evaluating HR from the strategic perspective and from the functional perspective. The positive relationship between organizational reputation and the importance of evaluating HR from the workplace perspective is insignificant. (1)*

## Introduction

By directing their efforts toward such objectives as employee attraction, retention, performance, and satisfaction, Human Resource (HR) professionals help attain such overall organizational goals as increased market share and profitability (Heneman, Schwab, Fossum, & Dyer, 1989; Milkovich & Boudreau, 1988). A stream of research has emerged on evaluating how effectively HR functions attain such goals. Some studies attempt to specify ways in which and by whom such evaluation should be done (Carroll, 1960; Petersen & Malone, 1975; Tsui, 1987; Tsui & Gomez-Mejia, 1988). Other research emphasizes the link between organizational effectiveness and HR contributions (Albert, 1985; Frohman, 1984; Gomez-Mejia, 1985; Kleiner, Block, Roomkin, & Salsburg, 1987). Most of these studies, however, are not organized around an accepted theoretical framework.

### A Three-Tiered Framework of HR

In their prize-winning book, Kochan, Katz, and McKersie (1986) have proposed a human resource/industrial relations framework. They say that the external environment impacts upon three tiers of HR activities. The top (strategic)

tier includes plant location, make versus buy, and other long term decisions. The middle (functional) tier includes traditional HR activities such as staffing, training, compensation, and labor relations. The bottom (workplace) tier covers day-to-day interactions between individual managers and employees. According to the framework, HR activities contribute to outcomes for employers, workers and unions, and society.

It is well established that HR departments serve multiple constituencies within their parent firms (Tsui, 1987). These constituents may have conflicting goals and their expectations of the HR group may be shaped by those goals (Bohlander, White & Wolfe, 1983). For example, a supervisor (workplace tier) might place a high degree of importance on expedited grievance processing, while a corporate vice president (strategic tier) might be more concerned with labor cost control. In this paper, we have categorized constituent evaluations according to Kochan et al.'s (1986) three-tiered framework.

### *Assessment from the Top (Strategic) Tier*

The pitfalls associated with short-term think-

ing have been well-documented by management literature in general (Peters & Waterman, 1982; Thurow, 1984), and by HR literature in particular (Alpander & Botter, 1981; Burack, 1985; Devanna, Fombrun, Tichy, & Warren, 1982). The strategic tier refers to long-term strategy and policy making (Kochan, et al., 1986). Such a focus is especially important to the integration of HR into the strategies of the parent organization.

Evaluation from the strategic tier is done by corporate level executives. It focuses on top management's concerns and helps ensure that HR activities are related to the organization's strategies and objectives (Gomez-Mejia, 1985). HR groups may make such contributions through the establishment of organization level HR policies.

#### *Assessment from the Middle (Functional) Tier*

The middle tier of the framework refers to such traditional HR activities as collective bargaining, wage structures, recruitment and selection, and training and development. These activities generally parallel the responsibilities of the traditional personnel/human resource department. Assessment from the middle tier is often done by HR professionals themselves.

As with individual performance assessments (Meyer, Kay, & French, 1965), evaluation of the HR department can focus on either administrative or developmental purposes. In the former case, the results of an HR audit might be used as the basis for promotion or merit increase decisions for HR department employees. In the latter case, the results could foster additional HR training or perhaps even a restructuring of the HR department to better meet the needs of employees and managers (Albert, 1985; Hercus & Oades, 1982; McAfee, 1980).

In their attempt to evaluate overall HR department effectiveness, many HR professionals assess how efficiently HR activities are performed (Carroll, 1960; Keene, 1976; Walker, 1980). Other HR professionals evaluate their performance based upon the results accomplished (Alper & Mandel, 1984; Cascio, 1982; Cheek, 1973; Christiansen, 1983; Macy & Mirvis, 1983; Misa & Stein, 1983).

#### *Assessment from the Bottom (Workplace) Tier*

The framework's third tier represents the workplace environment, how work is organized, the motivation of individuals or work groups, and respect for individual rights. Primary responsibility for these issues rests with operating managers and supervisors. Thus, supervisors and managers across all departments of a facility need appropriate human resource management skills and information to manage employees autonomously and in an enlightened fashion (Briggs, 1981; Osterman, 1979). When they evaluate the HR department, supervisors and managers will do so in light of their own human resource needs and responsibilities.

Employees themselves and, where they are organized, their union representatives can also evaluate the HR department. Their evaluations will no doubt be influenced by how well their managers treat them in the workplace (Tsui, 1984). Since the E.E.O.C. and the O.S.H.A. are concerned with the protection of individual employee rights, their evaluations of HR performance often take the workplace perspective (Kochan et al., 1986).

#### *Hypotheses*

This research focuses on evaluating the HR function. When that function is assessed, it can be evaluated in light of (1) its strategic or corporate-oriented responsibilities, (2) its own departmental level responsibilities, or (3) its service to workplace managers and supervisors. Given the importance placed upon each of these tiers by Kochan, et al. (1986), we expect that an organization's reputation is positively related to HR evaluation from the strategic, functional, and workplace perspectives. Organizational reputation is defined as "a set of attributes ascribed to a firm, inferred from the firm's past actions" (Weigelt & Camerer, 1988).

Therefore, we predict: (1) a positive relationship between organizational reputation and the importance placed by the organization on assessing HR from a strategic perspective; (2) a positive relationship between organizational reputation and the importance placed by the organization on assessing HR from a functional perspective; (3) a positive relationship between organizational reputation and the importance placed by the organization on assessing HR from a work

place perspective.

## Method

### Measures

This research occurred in two stages. First, semi-structured interviews were conducted with sixteen human resource managers from ten different industries. Their respective organizations ranged in size from 170 to 10,000 employees. Responses were content analyzed to identify how the organizations evaluated HR effectiveness.

Second, these responses along with our literature review helped us write questionnaire items to measure the importance of assessing HR from the top (strategic), middle (functional), and bottom (workplace) tiers' perspectives. Those items were pre-tested on the sixteen human resource managers and then slightly revised. (Complete scales are available from the authors.)

The importance of assessing HR from a strategic perspective was measured by a nine item scale (coefficient alpha = 0.62). For example, the respondents were asked:

How important is each of the following in your organization's assessment of the HR function? (1 = no importance, 7 = extreme importance)

1. Performing the assessment to help insure that HR activities are related to achieving the organization's strategies and objectives.
2. Corporate executives' assessment of the HR function.
3. Longer-term (i.e., more than one year) indicators of HR function effectiveness.

The importance of assessing HR from a functional perspective was measured by a nineteen item scale (coefficient alpha = 0.85). For example:

How important is each of the following in your organization's assessment of the HR function?

1. Performing the assessment to help justify the HR function's existence and help formulate/-

defend its budget.

2. Your own [the responding HR person's] assessment of the HR function.

3. Using criteria designed to determine whether the HR department is performing its activities in a correct manner (e.g., accurately evaluating jobs for pay purposes).

4. Using criteria designed to determine whether the HR department's activities produce departmental results (e.g., recruiting activities produce qualified applicants).

The importance of assessing from the bottom (workplace) tier was measured by a twelve item scale (coefficient alpha = 0.75). For example:

How important is each of the following in your organization's assessment of the HR function?

1. Operating managers' assessments of the HR function.

2. Supervisors' assessments of the HR function.

3. Using criteria designed to determine whether operating managers perform their human resource management activities in a correct way (e.g., following HR policies and procedures).

4. Using criteria designed to determine whether the operating managers produce human resource results (e.g., meeting affirmative action goals, improving the grievance rate, controlling turnover).

*Fortune* magazine's rating of the most and least admired U.S. corporations was used as the measure of organizational reputation (Hutton, 1986). *Fortune* obtained the scores by asking executives of the ten largest companies in each of thirty-one industries to rate the companies in their own industry from one (low) to ten (high) on eight characteristics (i.e., innovativeness; ability to attract, develop and keep key people; quality of management; long-term investment value; community and environmental responsibility; quality of products or services; financial soundness; and use of corporate assets). *Fortune* does not supply the eight individual scores for each company, only an average of the eight

items.

The measure is a reasonable indicator of a management perspective of organizational reputation to the extent that the characteristics are appropriate and that the respondents can evaluate the other companies on these eight key points. The organizational reputation ratings were published just before our questionnaire was administered. Of the two hundred and ninety two (292) firms rated, the most admired firm's average rating was 8.31; the least admired firm's was 3.89. The grand mean of all 292 firms was 6.24.

### Subjects

Our questionnaire and a personalized letter were sent to the highest-ranking human resource official in each of the 292 firms. Subjects were assured that individual responses would be kept confidential. The initial mailing and one follow-up mailing (to non-respondents) produced usable responses from 82 corporations for a 28 percent response rate. A t-test showed that the mean reputation score for the respondents was not significantly different from the mean reputation score of the non-respondents.

### Analyses

We separated the 31 industries into manufacturing and service firms based on *Fortune's* industry categories and calculated the mean of each variable. T-tests showed that there were no significant differences between manufacturing and service firms. Accordingly, the data were analyzed together. Pearson product moment

correlations were used to determine the relationships between the independent variables and organizational reputation.

### Results

Table 1 shows the variables' means, standard deviations, and intercorrelations. The results support hypotheses one and two (i.e., that organizational reputation scores are positively correlated with the importance of assessing HR effectiveness from the strategic perspective and from the functional perspective). Hypothesis three (that organizational reputation is positively correlated with the importance of assessing from the workplace perspective) is not supported, although the correlation is in the predicted direction.

### Discussion

These results lend some support to a proposition that respected organizations assess the HR function differently than do less respected organizations. That is, the more respected the organization, the more importance it places upon assessing HR performance from a top (strategic) tier viewpoint and from a middle (functional) tier viewpoint.

Contrary to expectations, organizational reputation is not related to our measure of the importance of assessing the HR function from a bottom (workplace) tier viewpoint. However, we did find a positive correlation between organizational reputation and the importance placed on supervisors' assessments of the HR function ( $r = 0.26, p < 0.05$ ). This may indicate that first

Table 1  
Means, Standard Deviations, and Intercorrelations.

	1	2	3	4
1 Strategic Tier	---			
2 Functional Tier	.66**	---		
3 Workplace Tier	.56**	.71**	---	
4 Organizational Reputation	.22*	.20*	.14	---
Means	4.98	5.32	4.73	6.40
Standard deviations	.70	.66	.75	.89

\*  $p < .05$   
\*\*  $p < .01$

level supervisors (and not operating managers, employees, and union stewards) should give the workplace tier perspective on evaluating the HR function. It may also reflect a feeling in respected organizations that first line supervisors greatly contribute to the achievement of such HR objectives as employee performance, satisfaction, and retention.

The importance of all these HR assessment perspectives accounts for a small (but significant) amount of the variance in organizational reputation. The small correlation is not surprising since only one of the eight *Fortune* attributes of organizational reputation refers directly to HR performance.

Notice that the three dimensions of HR evaluation are significantly correlated with each other. This suggests that the three are related, as might be expected -- organizations that place importance on evaluation of any type tend to place importance on evaluation of all types. On the other hand, there is far from perfect association; none of the associations accounts for more than 50 percent of the variation. Future research might be directed at defining more distinct scales, although zero intercorrelation is not necessarily the ideal here.

## Implications

One of Kochan's (1986) recommendations is that researchers and practitioners expand their view of the field of human resource management and industrial relations. The traditional definition of the field has centered on the middle (functional) tier. Researchers and practitioners may make greater contributions if they extend their influence into strategic and workplace issues. However, top managers and supervisors may be reluctant to let HR managers onto their turfs unless there is evidence that HR managers are effective there. Evaluating the HR function from their perspectives will help provide this evidence.

This study gives some support to the notion that it is important to evaluate the HR function from a strategic perspective and from the first level supervisors' perspective (as well as from a functional perspective). The implication is that HR managers must be concerned about all three levels when they evaluate their function. The HR function may improve its image among top management and first level supervision if it shows that it is concerned about strategic and workplace issues. This concern can then help produce actions and results for the benefit of the entire organization.

## Endnotes

- 1 An earlier version of this paper was presented at the 1988 meetings of the Industrial Relations Research Association.

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