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Abstract

Purpose – The purpose of this paper is to investigate the mediating role of perceived organizational support (POS) in the relationship between employee participation and organizational commitment, and the moderating role of organizational strategy in those relationships.

Design/methodology/approach – The proposed hypotheses were tested by multilevel analyses with data from surveys of 1,105 employees and 49 managers in 49 companies located throughout South Korea.

Findings – The results demonstrated that POS mediated the relationship between employee participation and organizational commitment, and that participation practices were related more strongly to POS and organizational commitment in companies with a prospector or analyzer strategy than in companies with a defender strategy.

Research limitations/implications – Organizational-level variables were measured by one manager in each company. This study provides important implications regarding the fit between participation practices and organizational strategy.

Practical implications – Managers in prospector or the most innovative companies should provide employees with more opportunities to make decisions and to receive financial incentives for their contributions.

Originality/value – This study is unique in that it simultaneously examined the horizontal fit and the vertical fit while focussing on individual employees' outcomes rather than organizational performance.

Keywords Organizational commitment, Participation, Perceived organizational support, Exchange theory, Organizational strategy

Paper type Research paper

Introduction

Over the last few decades, most of the literature on strategic human resource management (SHRM) has focussed on whether organizational strategy moderates the relationship between HR practices and organizational performance (e.g. Cooke and Saini, 2010; Delery and Doty, 1996; Neal *et al.*, 2005; Pena and Villasalero, 2010; Snow and Hrebiniak, 1980; Youndt *et al.*, 1996), but the moderating role of organizational strategy in the relationships between HR practices and individual employees' attitudes has received little attention. Given that not all employees in an organization are involved in certain HR practices, research focussing on organizational performance might underestimate the effectiveness of HR practices. Moreover, even individual employees with in the same organization may experience and interpret their HR practices differently (Liao *et al.*, 2009). Similarly, an organizational strategy can have different impacts on each employee. Although employee attitudes toward the organization's strategy are an important factor in the success of an organizational strategy (Choi and Price, 2005; Richard *et al.*, 2003), previous studies on SHRM have largely overlooked individual employees' responses in this regard. Thus, further research is needed to examine the role of organizational strategy in the relationships between HR practices and individual employees' attitudes.

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Another purpose of this study is to develop an internally consistent employee participation index. Previous studies that have used a high-performance work practices (HPWPs) index (e.g. Huselid, 1995; Liao *et al.*, 2009; Neal *et al.*, 2005) have included so many practices in the index that some practices had no effects on outcome variables, and some practices even had conflicting effects with other practices. For example, Cappelli and Neumark (2001) found that, while self-managing teams and profit-sharing programs had a positive effect on productivity, job rotation had a negative effect on that outcome. Therefore, there is a need to develop an internally consistent index. In this study, employee participation practices were selected among a variety of HR practices because they have been identified as having high internal consistency by many previous studies on HPWPs (e.g. Cappelli and Neumark, 2001; Huselid, 1995). Another reason that participation practices were selected is because they are conceptually consistent: participation practices provide employees with opportunities to participate in company performance procedurally or financially. Following the concept adopted by Bakan *et al.* (2004), employee participation in this study refers to the combination of decision-making participation and financial participation. Decision-making participation (or employee involvement) includes HR practices through which employees are able to provide input into decisions regarding how job-related work is performed. Financial participation practices (or pay-for-performance practices) refer to payment based on individual or group performance.

After developing an internally consistent employee participation index, this study investigates how this index is related to organizational commitment. It has been widely accepted that participation practices are a key component of high-commitment HR practices (Cox *et al.*, 2009; Walton, 1985). Then, this study examines whether perceived organizational support (POS) mediates the relationship between participation practices and organizational commitment, because POS has been considered to be a key variable that influences employee attitudes (Eisenberger *et al.*, 1999; Rhoades and Eisenberger, 2002). Finally, the study investigates the interaction effects of employee participation and organizational strategy on individual employees' outcomes, which has not been examined in previous studies. The interaction analysis helps determine which of the organizational strategies in Miles and Snow's (1984) typology fits best with participation practices.

This study extends the extant research and provides important contributions to research on participation practices. First, this study proposes, using exchange theory, a mechanism through which participation practices may affect organizational commitment. Second, this study investigates the horizontal fit (or internal fit) among participation practices and the vertical fit (or external fit) between participation practices and organizational strategies while focussing on individual employees' outcomes rather than organizational performance. Finally, this study provides an implication that both decision-making and financial participation may fit well with innovative organizational strategy in contrast with results reported in some previous studies.

Theory and hypotheses

Participation practices

The adoption of participation practices implies that the organization values its employees' input and recognizes their contribution to achieving company goals. Specifically, decision-making participation provides employees with more opportunities to utilize their human capital, which signals that the organization values the creative input of its employees (Allen *et al.*, 2003), which in turn is associated with positive evaluations of organizational support (VanYperen *et al.*, 1999). If the organization introduces a financial participation practice, its employees are likely to perceive that the organization is willing to recognize their contribution to its goal accomplishment (Allen *et al.*, 2003; Park *et al.*, 2010). Favorable opportunities for rewards, such as financial incentives, signal a positive valuation of employees' contributions (Bayo-Moriones and Larraza-Kintana, 2009; Rhoades *et al.*, 2001).

When organizations offer employees opportunities to participate in decision-making or financial results, the employees might interpret these organizational actions as indicative of the company's commitment to them (Allen *et al.*, 2003; Eisenberger *et al.*, 2001; Rhoades and Eisenberger, 2002). This dynamic is generally referred to as POS. POS is defined as the extent to which employees perceive that the organization values their contributions and cares about their well-being (Eisenberger *et al.*, 1986).

Exchange theory predicts that employees will feel an obligation to reciprocate the organization's support, and thus be committed to the organization (Rhoades and Eisenberger, 2002; Suliman and Kathairi, 2013). Organizational commitment refers to the individual's psychological attachment to the organization (Allen and Meyer, 1996; Torka *et al.*, 2010). Employees who perceive organizational support demonstrate more commitment to their company to maintain a balance in their exchange relationship with the organization (Baran *et al.*, 2012; Eisenberger *et al.*, 2001; Park *et al.*, 2010; Rhoades *et al.*, 2001). A meta-analysis by Riggle *et al.* (2009) confirmed that POS was a significant antecedent of organizational commitment. Taken together, decision-making and financial participation practices are positively related to POS, which in turn is associated with improved organizational commitment.

Over the past few decades, numerous studies have found that decision-making participation has positive impacts on individual employees' attitudes. Researchers have examined the effectiveness of decision-making participation by a variety of methods, including whether employees are involved in a specific practice, such as self-managing teams and quality circles (QCs), and the extent to which employees are allowed to make work-related decisions. As an example of the former, participation in self-managing teams has been found to have a positive relationship with organizational commitment (Kirkman and Rosen, 1997; Park, 2012). Pereira and Osburn (2007) found that QCs had a positive relationship with organizational commitment. As an example of the latter, Erturk (2014) found in a study of IT professionals in Turkey that participation in decision making was positively related to POS. Allen *et al.*'s (2003) analysis revealed that decision-making participation had a positive impact on organizational commitment through improved POS. These studies support decision-making participation's positive relationships with POS and organizational commitment.

Studies on financial participation have also provided support for the positive relationship with employee attitudes. Some scholars have focussed on group incentives, such as profit-sharing and gain-sharing programs, and others have examined individual incentives, such as piecework rates and merit pay (Gerhart and Rynes, 2003). Kwon *et al.*'s (2008) analysis indicated that gain-sharing practices had a significant impact on organizational commitment. Bayo-Moriones and Larraza-Kintana (2009) discovered a positive relationship between adoption of profit-sharing plans and affective commitment in a Spanish representative sample. Chang (2006) noted that individual incentives heighten work effort. Specifically, she argued that because employees' incomes are relevant to their performance, individual incentives can improve employees' attitudes toward their tasks.

Exchange theory, along with the empirical evidence reviewed above, suggests that both types of participation practices (decision making and financial) will be positively associated with POS, and that POS will be positively related to organizational commitment. The specific hypothesis is as follows:

H1. POS will mediate the relationship between employee participation and organizational commitment.

Organizational strategy as a moderator

The SHRM literature has posited that HR practices should play an important role in supporting the organization's strategy (Delery and Doty, 1996; Youndt *et al.*, 1996). This argument implies that when HR practices fit well with a particular organizational strategy, the effects of those practices may be amplified, which is consistent with a contingency perspective. This perspective asserts that an organization's HR practices are more effective when they are consistent with other characteristics of the organization, such as a strategic position (Cappelli and Neumark, 2001; Colbert, 2004; Delery and Doty, 1996; Gomez-Mejia and Balkin, 1992; Neal *et al.*, 2005; Pena and Villasalero, 2010; Schuler and Jackson, 1987; Youndt *et al.*, 1996). Therefore, a contingency perspective implies that organizational strategy may moderate the relationships of employee participation with POS and organizational commitment.

Although some previous studies (e.g. Cooke and Saini, 2010; Neal *et al.*, 2005; Youndt *et al.*, 1996) have examined which organizational strategy fits best with HR practices, including participation practices, their outcome variables fell mainly into the area of organizational performance. To date, no study has investigated the organizational strategies with which participation practices fit best in improving individual employees' attitudes. Given that not all employees in an organization are involved in participation practices, research restricted to organizational performance might underestimate the effectiveness of those practices. Likewise, organizational strategies might affect individual employees differently. Therefore, more research is needed to examine the interaction between participation practices and organizational strategy while focussing on individual employees' attitudes.

Miles and Snow (1984) suggested three types of organizational strategy: defender, prospector, and analyzer. They contended that "defenders have narrow and relatively stable product-market domains" (p. 37). These organizations focus on improving the efficiency of existing operations rather than on seeking innovative technology, structure, or methods of operation. In contrast, prospectors continually seek new product markets and set the pace for change (Miles *et al.*, 1978). These organizations should be innovators in product or service markets in order to gain a competitive advantage over other organizations. On the other hand, analyzers fall somewhere between defenders and prospectors. These organizations maintain a balance between the two extremes. They respond quickly to the lead of prospectors while maintaining efficiency in existing stable markets. "[Analyzers] make fewer and slower product/market changes than do prospectors, and they are less committed to stability and efficiency than are defenders" (Hambrick, 1983, p. 6).

Many previous studies have distinguished these three organizational strategies by the extent of product, service, or market innovation (Gimenez, 2000; Hambrick, 1983; Laugen *et al.*, 2006; Zajac and Shortell, 1989). Highly innovative organizations are considered prospectors, moderately innovative organizations are considered analyzers, and rarely innovative organizations are considered defenders (Delery and Doty, 1996). In other words, innovativeness has been considered an essential dimension for classifying organizational strategies in Miles and Snow's (1984) typology.

Given that employee participation practices are HR schemes designed to motivate employees and to utilize their human capital by providing them with decision-making and financial opportunities, these practices seem to fit with an innovative organizational climate (Damanpour, 1991; Miles and Snow, 1984). Since innovative organizations rely on employees' creativity, they encourage employees to take creative approaches to problem solving (Richard *et al.*, 2003). To stimulate creative and innovative activities, innovative organizations often bring together individuals with diverse knowledge, skills, and abilities into work teams and provide them with freedom and discretion in work-related decisions (Amabile *et al.*, 1996). Also, innovative organizations often pay financial incentives to encourage employees to reach their potential and increase their work effort. For instance, Delery and Doty (1996) found that profit-sharing was more frequently adopted in innovative companies (or prospectors). Park and Kruse (2014) found group incentives to be significantly correlated with innovation.

Because creative ideas and knowledge are so important to innovative organizations, it is likely that employees in such organizations have more opportunities to make productive and effective input or suggestions when the organization has decision-making participation practices in place. In contrast, stable organizations tend not to need as much innovative input from their employees, who therefore will have fewer opportunities to make productive and effective suggestions. Consequently, when the opportunities to make work-related decisions are granted to employees in innovative companies, they are more likely to appreciate those opportunities and to perceive organizational support than their counterparts in less innovative companies. In turn, they are more likely to feel an obligation to reciprocate the organizational support, and thus to be committed to their companies.

Employees in an innovative organization might expect more rewards if financial incentives are given for innovative activities (Park and Kruse, 2014). Because they expect more performance-based rewards, they should have higher POS (Eisenberger *et al.*, 1999). On the other hand, employees in stable organizations are likely to expect relatively few rewards because they do not have many opportunities to perform innovative activities, even when the organization has a financial participation practice. Thus, employees in more innovative companies are more likely to appreciate favorable opportunities for rewards and to perceive organizational support than their counterparts in less innovative companies. Consequently, they will be more committed to their organization due to an obligation to reciprocate the organizational support.

As a result, employee participation practices should have stronger relationships with POS and organizational commitment in more innovative companies (analyzers or prospectors) than in less innovative companies (defenders). Based on this logic, the following four hypotheses were made with respect to the moderating roles of organizational strategy:

H2a. Employee participation will have a stronger relationship with POS in companies with an analyzer strategy than a defender strategy.

H2b. Employee participation will have a stronger relationship with POS in companies with a prospector strategy than a defender strategy.

H3a. Employee participation will have a stronger relationship with organizational commitment in companies with an analyzer strategy than a defender strategy.

H3b. Employee participation will have a stronger relationship with organizational commitment in companies with a prospector strategy than a defender strategy.

Methods

Sample and procedure

The present study used data from a survey conducted in companies located throughout Seoul, South Korea in 2008. The survey was developed by the author to investigate a broad range of HR practices and employee attitudes. To examine cross-level interaction between employee participation and organizational strategy, the data were collected at multiple levels, i.e. from senior managers and from employees in private- and public-sector companies.

The research team contacted the managers of 97 companies and obtained consent to participate from 50 managers. Prior to the employee survey, managers answered general information questions about their organizations, such as industry, total number of employees, and organizational strategy. The employees were randomly selected by the managers, and the names of potential respondents were provided to the research team. The team distributed and collected the employee survey to minimize bias from the manager-employee relationship. In each company, a mean of 26 employees, with a range of 13-36, were surveyed in their workplaces after assuring that participation was voluntary and that responses would remain confidential. The employee survey took an average of 30 minutes to complete. Usable data were collected from 1,105 employees, with a return rate of 73.7 percent.

In total, 43 percent of the employee respondents were in managerial or administrative occupations, 13 percent were in production or engineering occupations, 10 percent were in research and development (R&D) occupations, and 34 percent were in sales or service occupations. Approximately three-quarters (74 percent) of employees had full-time jobs, 60 percent were male, and 18 percent were organized by unions. In terms of highest level of education attainted, 8 percent of the respondents had graduate degrees, 71 percent had bachelor degrees, and 19 percent had high school diplomas. Their average age was 34, and the average employee earned approximately US$25,000 per year and had worked for her or his current employer for five years. The manufacturing industry accounted for more than half (53 percent) of the sample companies, the financial service industry accounted for 10 percent, the information technology industry accounted for 12 percent, and other service industries accounted for 24 percent.

Measures

Participation index. Bakan *et al.* (2004) argued that employee participation could be divided into decision-making participation and financial participation. This study selected two typical practices for each type of participation: self-managing teams and QCs for decision-making participation practices, and group incentives and individual incentives for financial participation practices. These are the key (although not all) practices through which employees can participate in performance procedurally and financially. Employees were asked whether they were participating in these four different types of practices by yes/no responses. A self-managing team refers to a team that has considerable discretion and responsibility with respect to work-related decisions (Kirkman and Rosen, 1997; Park, 2012). Employees were considered to be involved in a self-managing team only when they responded affirmatively to the following two questions: "Are you involved in a formal team making joint decisions in your workplace?" and "If you are, does the team have considerable discretion and responsibility with respect to work-related decisions?" QCs consist of small groups of coworkers in similar jobs that meet regularly to resolve work-related problems (Levine and Tyson, 1990). QCs were measured by an item that asked whether the employee was involved in an off-line team to deal with work-related problems. Group incentives are group pay-for-performance practices, such as profit-sharing and gain-sharing programs. To measure this variable, employees were asked, "Are you offered financial incentives based on group or organizational performance?" Finally, individual incentives are practices in which wages are paid on the basis of individual performance, such as merit pay and piece-rate pay. This practice was measured by inquiring whether individual employees were provided with financial incentives based on their own performance. The scale reliability coefficient was 0.63, which indicates somewhat satisfactory internal consistency reliability (Malhotra and Birks, 2007). Additive indices were created from these four yes/no response variables, and thus the numbers in the participation index indicated how many participation practices an employee was involved in. The participation index ranged from zero to four, with larger numbers indicating that an employee was involved in more participation practices. The number of participation practices in which an employee was involved varied greatly from employee to employee. For example, only 25 percent of the respondents were not participating in any practices at all, and 14 percent were participating in all of the practices.

POS. This construct was measured by the employee survey. A five-item POS scale was selected from the original 36-item instrument developed by Eisenberger *et al.* (1986). The selected items were related to the organization's positive valuation of employees' contributions and care about employee well-being. A sample item is "The organization really cares about my well-being." Each item was rated on a five-point Likert-type scale ranging from 1 (strongly disagree) to 5 (strongly agree). The Cronbach's α of these items was 0.87. The five items were summed and averaged into a composite score, with higher scores indicating a stronger perception of organizational support.

Organizational commitment. Organizational commitment was also measured by the employee survey. For this construct, five items were chosen from the original 15-item instrument developed by Mowday *et al.* (1979). These items were concerned with affective organizational commitment. Because a meta-analysis by Allen and Meyer (1996) indicated that affective commitment was more strongly related to POS than were continuous commitment and normative commitment, only affective commitment was selected for this construct. A sample item is "I am proud to tell others that I am part of this organization." The Cronbach's α of these items was 0.91.

Organizational strategy. Organizational strategy was measured by asking the managers two questions. One question asked which of Miles and Snow's (1984) three typologies the organization had adopted in their product or service markets. The typologies were: the company usually develops new products or services ahead of competitors so that it plays a role as a leader in the markets; the company responds quickly to the lead of market leaders and selectively embarks upon new products or services only after their viability has been demonstrated; and the company does not actively try to develop new products or services because it already has stable markets. This measure has been widely utilized as an indicator of Miles and Snow's strategy types (e.g. Matsuno and Mentzer, 2000; Snow and Hrebiniak, 1980; Zahra and Pearce, 1990) and has been demonstrated to yield valid measures (James and Hatten, 1995; Shortell and Zajac, 1990). The responses were reverse coded, ranging from one to three. The second question was concerned with the extent of innovation in Miles and Snow's typology. Innovation has often been measured by the number of innovations adopted in a given period (Damanpour, 1996; Damanpour *et al.*, 2009). Following this approach, the survey asked the managers, "How many new products or services has your company developed in the last three years?" The responses ranged from 1 (not at all) to 5 (very many), with higher scores indicating that the organization was more innovative. The Cronbach's α of these two items was 0.83.

Control variables. The current study controlled for several variables likely to influence the dependent variables. The control variables at the individual level consisted of occupation, job status, wage, and union membership. Occupation was divided into four categories: managerial or administrative, production or engineering, R&D, and sales or service. Job status was coded 1 for a full-timer and 0 for a part-timer. Wages were coded into 11 categories, ranging from under approximately US$10,000 to more than US$100,000 per year. Union members were coded 1, and nonunion employees were coded 0. A control variable at the company level was industry. The companies were categorized into four industries: manufacturing, financial services, information technology, and other services.

Analytical procedures

To evaluate the construct validity of the three variables (participation, POS, and organizational commitment), a confirmatory factor analysis was conducted using a LISREL package, testing one-factor, two-factor, and three-factor models. The two-factor model consisted of participation on the one hand, and POS and organizational commitment on the other hand. The three-factor model fit the data better than the one-factor model and two-factor models ($\Delta\chi^2_{(3)} = 2{,}093$, $p < 0.01$; $\Delta\chi^2_{(2)} = 1{,}633$, $p < 0.01$, respectively). The goodness-of-fit-indices for the three-factor model also indicated a good fit with the data (NFI = 0.94; CFI = 0.95; SRMR = 0.05; GFI = 0.94; AGFI = 0.92). However, the one- and two-factor models showed unacceptable fit indices. These results confirmed that the three constructs were distinct from each other and that the probability of common method bias was low (Bagozzi and Yi, 1990; Iverson and Maguire, 2000).

To distinguish the organizations by strategic type, a *K*-means cluster analysis (a nonhierarchical clustering technique) was conducted on the two items of organizational strategy. A *K*-means cluster analysis is an iterative partitioning method that divides the sample companies into a predetermined number of clusters (Slater and Olson, 2001), i.e. three clusters for the present study. To evaluate whether the means of the items were significantly different across the three clusters, this study used an analysis of variance (ANOVA) and Scheffe's multiple-comparison test. Table I displays the ANOVA statistics and cluster means. The three clusters were significantly different in the comparisons of both items. The first cluster was identified as defenders, the second cluster as analyzers, and the final cluster as prospectors. Defenders accounted for 27 percent ($n = 13$) of the sample companies, analyzers accounted for 27 percent ($n = 13$), and prospectors accounted for 47 percent ($n = 23$). All companies in a specific industry did not adopt the same strategy, but a variety of strategies. For example, 35 percent of manufacturing companies were identified as defenders, 23 percent were identified as analyzers, and 42 percent were identified as prospectors.

Items	*F* statistic/ cluster-comparisons	Cluster 1 (Defender, $n = 13$)	Cluster 2 (Analyzer, $n = 13$)	Cluster 3 (Prospector, $n = 23$)
Market strategy	72.56**/ 3** > 2* > 1	1.38	1.77	2.91
Innovation	77.60**/ 3** > 2** > 1	2.77	4.00	4.57

Notes: *$p < 0.10$; **$p < 0.01$

Table I. ANOVA statistics and cluster means

Because employees were nested within companies, this study utilized hierarchical linear modeling (HLM) (Bryk and Raudenbush, 1992) for the analyses. The HLM software assumes the following: level-1 residuals are independent and normally distributed; level-1 predictors are independent of level-1 residuals; the random errors at level-2 are multivariate normal; level-2 predictors are independent of every level-2 residual; and the residuals at level-1 and level-2 are independent (Hofmann, 1997; Raudenbush and Bryk, 2002). Hofmann and Gavin (1998) recommended group-mean centering when testing the hypothesis that a group-level variable moderates the relationship between individual-level variables. Following this recommendation, group-mean centering was used for all of the individual-level predictors except for the dummy variables.

The hypotheses were tested by a mediated moderation model with four conditions proposed by Muller *et al.* (2005). First, the overall effect of the independent variable on the dependent variable should depend on the moderator. Second, the effect of the independent variable on the mediator should depend on the moderator. Third, the mediator should have an effect on the dependent variable. Finally, the moderation of the residual direct effect of the independent variable should be lower than the moderation of the overall effect of the independent variable.

Results

Table II displays the descriptive statistics and the zero-order correlations at the individual and organizational level. Employee participation had high correlations with POS and organizational commitment ($r = 0.30$, $p < 0.01$; $r = 0.27$, $p < 0.01$, respectively). POS was significantly correlated with organizational commitment ($r = 0.63$, $p < 0.01$).

Preliminary analysis

A series of preliminary analyses was conducted to confirm the internal consistency among the participation practices. First, this study investigated whether each of the four participation practices had meaningful relationships with the two dependent variables (POS and organizational commitment). Each practice included in the participation index had significant relationships with POS ($b = 0.29$, $p < 0.01$ for self-managing teams; $b = 0.29$, $p < 0.01$ for QCs; $b = 0.19$, $p < 0.01$ for group incentives; $b = 0.23$, $p < 0.01$ for individual incentives) and organizational commitment ($b = 0.26$, $p < 0.01$ for self-managing teams; $b = 0.19$, $p < 0.01$ for QCs; $b = 0.15$, $p < 0.05$ for group incentives; $b = 0.18$, $p < 0.01$ for individual incentives).

Second, this study examined the complementarity between decision-making and financial participation practices. Huselid (1995) argued that the interaction or complementarity between two measures is evidence of internal fit among HR practices. Table III displays the complementarity between the two types of participation practices on POS and organizational commitment.

Decision-making participation consisted of self-managing teams and QCs, and financial participation consisted of group incentives and individual incentives, each ranging from zero to two. These equations were based on the intercepts-as-outcomes models, in which both the individual-level and company-level variables were used as predictors (Hofmann, 1997; Raudenbush and Bryk, 2002). As shown in Models 1 and 2, decision-making participation and financial participation each had a significant relationship with POS. Models 4 and 5 show that each type of practice had a significant relationship with organizational commitment. In other words, participants in each type of participation practice had higher levels of POS and organizational commitment than nonparticipants.

Table II. Descriptive statistics and correlations

	Mean	SD	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Level-1											
1. Participation	1.69	1.35									
2. Managerial/administrative	0.43	0.50	−0.09**								
3. Production/engineering	0.13	0.34	−0.10**	−0.34**							
4. R&D	0.10	0.29	0.03	−0.28**	−0.13**						
5. Sales/services	0.34	0.47	0.14**	−0.63**	−0.28**	−0.23**					
6. Full-time	0.74	0.44	0.14**	0.22**	0.01	0.08*	−0.28**				
7. Wage	3.69	1.62	0.27**	0.13**	−0.04	0.01	−0.12**	0.33**			
8. Union	0.18	0.38	0.09**	−0.03	0.11**	−0.07*	0.00	0.18**	0.30**		
9. POS	2.79	0.70	0.30**	−0.03	0.02	0.10**	−0.04	0.10**	0.21**	0.11**	
10. Commitment	3.02	0.79	0.27**	0.03	−0.05	0.05	−0.02	0.11**	0.30**	0.19**	0.63**
Level-2											
1. Defender	0.27	0.45									
2. Analyzer	0.27	0.45	−0.36*								
3. Prospector	0.47	0.50	−0.57**	−0.57**							
4. Manufacturing	0.53	0.50	0.19	−0.08	−0.10						
5. Finance	0.10	0.31	−0.05	−0.05	0.09	−0.36*					
6. IT	0.12	0.33	−0.08	0.20	−0.10	−0.40**	−0.13				
7. Other services	0.24	0.43	−0.13	−0.02	0.13	−0.61**	−0.19	−0.21			

Notes: $n = 49$ (org.), 1,105 (employees). $^{*}p < 0.05$; $^{**}p < 0.01$

Table III.
Interactions between each type of participation practice

	POS Model 1	POS Model 2	POS Model 3	Commitment Model 4	Commitment Model 5	Commitment Model 6
Level-1						
Constant	2.52 (0.15)**	2.50 (0.14)**	2.56 (0.14)**	2.98 (0.16)**	2.99 (0.17)**	3.03 (0.16)**
Decision-making participation	0.24 (0.03)**		0.15 (0.04)**	0.18 (0.03)**		0.07 (0.04)
Financial participation		0.13 (0.04)**	−0.02 (0.05)		0.10 (0.03)**	−0.09 (0.06)
Decision-making × financial participation			0.08 (0.03)**			0.13 (0.04)**
Level-2						
Analyzer	0.25 (0.08)**	0.24 (0.07)**	0.24 (0.07)**	0.21 (0.10)*	0.24 (0.10)*	0.22 (0.09)*
Prospector	0.21 (0.09)*	0.19 (0.08)*	0.20 (0.08)*	0.28 (0.11)*	0.29 (0.10)**	0.28 (0.10)**
Deviance	2,156	2,193	2,135	2,370	2,394	2,353

Notes: $n = 49$ (org.), 1,105 (employees); parentheses: robust standard errors. $^*p < 0.05$; $^{**}p < 0.01$

More importantly, decision-making participation and financial participation had complementary effects on POS and organizational commitment. As shown in Models 3 and 6, employees had the highest levels of POS and organizational commitment when they were involved in both types of participation practices. These results confirm the complementarity between decision-making and financial participation practices. These findings indicated the validity of using a participation index comprised of these four participation practices, and thus this index was used in the analyses that follow.

Hypotheses test

Table IV presents the HLM results to examine the mediated moderation hypotheses. These equations are the slopes-as-outcomes models, in which cross-level interaction terms, as well as the individual and organizational levels of variables, were included as predictors (Hofmann, 1997; Raudenbush and Bryk, 2002).

Table IV.
HLM Results to test the mediated moderation model

	POS Model 1	Commitment Model 2	Commitment Model 3
Level-1			
Constant	2.50 (0.15)**	3.00 (0.17)**	3.05 (0.14)**
Participation	0.09 (0.03)**	0.04 (0.03)	−0.02 (0.02)
POS			0.61 (0.03)**
Level-2			
Analyzer	0.28 (0.07)**	0.26 (0.10)*	0.25 (0.10)*
Prospector	0.24 (0.08)**	0.30 (0.11)**	0.30 (0.12)*
Interactions			
Participation × analyzer	0.06 (0.06)	0.12 (0.05)*	0.08 (0.03)*
Participation × prospector	0.08 (0.04)*	0.08 (0.04)*	0.03 (0.03)
Deviance	2,172	2,419	1,995

Notes: $n = 49$ (org.), 1,105 (employees); parentheses: robust standard errors. $^*p < 0.05$; $^{**}p < 0.01$

Model 1 investigated the moderating role of organizational strategies in the relationship between employee participation and POS. The interaction term between employee participation and an analyzer strategy was not significant, which does not support *H2a*. On the other hand, the interaction term between employee participation and a prospector strategy was significant ($b = 0.08$, $p < 0.05$), which supports *H2b*. This result indicates that companies with a prospector strategy obtain more benefits from providing more participation practices than do companies with a defender strategy.

Model 2 examined the moderating role of organizational strategies in the relationship between employee participation and organizational commitment. The interaction term between employee participation and an analyzer strategy had a significant coefficient ($b = 0.12$, $p < 0.05$), which supports *H3a*. Similarly, the interaction term between employee participation and a prospector strategy had a significant coefficient ($b = 0.08$, $p < 0.05$), which supports *H3b*. These results indicate that employee participation had a stronger relationship with organizational commitment for employees in companies with a prospector or an analyzer strategy than for employees in companies with a defender strategy.

Consequently, these results support the moderating roles of organizational strategy. In particular, companies with a prospector strategy consistently received benefits from providing more participation practices. These findings suggest that participation practices fit best with a prospector strategy, which thrives on employees' creative problem-solving abilities and continuous innovation activities.

Model 3 in Table IV presents the results of HLM analyses to examine a mediating role of POS. POS was significantly related to organizational commitment ($b = 0.61$, $p < 0.01$), after controlling for the interaction terms between participation and strategy. Finally, the interaction terms were reduced when POS was controlled (in Model 3 as compared with in Model 2). A Sobel test ascertained that this reduction was significant ($z = 1.99$, $p < 0.05$). These results confirm that POS mediated the relationship between employee participation and organizational commitment, which supports *H1*.

The interactions between employee participation and organizational strategies are illustrated in Figures 1 and 2. Employees were divided into less (mean – one SD) and

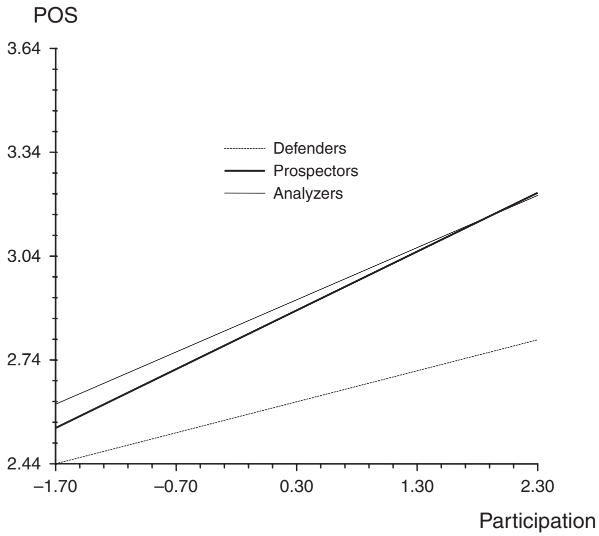

Figure 1.
Moderating role of organizational strategy on POS

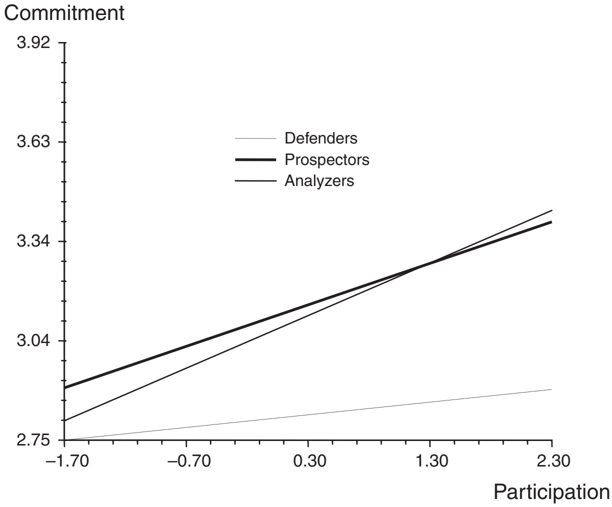

Figure 2.
Moderating role of organizational strategy on organizational commitment

more (mean + one SD) participative groups (Aiken and West, 1991). As shown in Figure 1, employee participation generally had a positive association with POS regardless of organizational strategy. When employees were involved in more participation practices, however, the increase in POS was more significant in companies with a prospector strategy than in companies with a defender strategy.

Figure 2 displays the moderating role of organizational strategies in the relationship between employee participation and organizational commitment. Participation had a positive association with organizational commitment regardless of organizational strategy. When employees were involved in more participation practices, however, the increase in organizational commitment was more significant in companies with a prospector or an analyzer strategy than in companies with a defender strategy.

Supplemental analysis

Still, the unresolved issue in the above analyses was whether the relationships of participation with POS and organizational commitment are also significant in companies with an analyzer or defender strategy. To answer this question, this study examined the significance of the simple slopes of those relationships in only analyzer or defender companies. In analyzer companies, employee participation was significantly related to both POS ($b = 0.14$, $p < 0.01$) and organizational commitment ($b = 0.15$, $p < 0.01$). In defender companies, employee participation had a significant relationship with POS ($b = 0.07$, $p < 0.05$), but no relationship with organizational commitment ($b = 0.03$, $p > 0.10$). As a result, employee *p*articipation was significantly associated with POS in all companies regardless of organizational strategy, but its relationship with organizational commitment was significant only in prospector and analyzer companies.

Although participation practices had a generally significant association with organizational commitment at first glance, these results were due primarily to the large influence in companies with an analyzer or prospector strategy. These supplemental analyses suggest that it is misleading to conclude that participation practices constitute a best practice for all companies.

Discussion

Implications

This study found that employees who were involved in more participation practices had higher levels of POS and organizational commitment. POS played a role as a mediator in the participation-commitment relationship. At the same time, the relationships between employee participation and employee outcomes varied significantly by the strategy that a company implemented. As expected, participation practices generally fit best with a prospector strategy.

This study is unique in that it simultaneously examined the internal fit among participation practices and the external fit between participation practices and organizational strategies, focussing on individual employees' outcomes rather than organizational performance. The findings of this study provide some relevant implications with respect to the extant literature. First, while previous studies have measured Miles and Snow's typology by either market strategy (e.g. Snow and Hrebiniak, 1980; Vorhies and Morgan, 2003) or the degree of innovation (e.g. Delery and Doty, 1996; Hambrick, 1983; Zajac and Shortell, 1989), the current study integrated the two factors through a cluster analysis.

Second, the findings of the present study are not concordant with the results of some previous studies. For example, Bakan *et al.* (2004) found that the effect of the combination of decision-making participation and financial participation on organizational commitment was not stronger than the independent effects of decision-making participation. Bayo-Moriones and Larraza-Kintana (2009) found a negative interaction effect between the two types of participation practices on affective commitment. These findings are different from the result of the current study, which found complementarity between the two types of participation practices. While Delery and Doty (1996) asserted that decision-making participation practices fit with a defender strategy and financial participation practices fit with a prospector strategy, this study found that both decision-making participation and financial participation practices fit with a prospector strategy (or innovativeness). Delery and Doty (1996) found a negative interaction effect between decision-making participation and innovation on organizational performance, but no interaction effect between profit-sharing and innovation. Andrews *et al.* (2009) found that decision-making participation was more effective in terms of public service performance in UK local governments with defender or prospector strategies than with an analyzer strategy. These inconsistencies might have resulted from differences in how they interpreted theories and statistically tested models (Zahra and Pearce, 1990). For example, Delery and Doty (1996) analyzed the interaction effects between each HR practice and the degree of innovation on organizational performance, but the present study analyzed the interactions between a participation index and each strategy on employee attitudes. The preliminary analyses in the current study support the legitimacy of this participation index because decision-making participation practices were internally consistent with financial participation practices. However, because the findings of the current study are discrepant with the results of some previous studies, further research is needed to define participation more elaborately and to measure it more exactly based on that definition.

Third, some previous studies took into account an analyzer strategy as a hybrid of defender and prospector strategies (e.g. Delery and Doty, 1996; Shortell and Zajac, 1990). Other studies excluded the analyzer strategy from their analyses (e.g. Hambrick, 1983). The present study found that the participation-POS relationship did not differ significantly between analyzers and defenders, and that the participation-commitment relationship did not differ significantly between analyzers and prospectors. These findings suggest that an analyzer strategy should not be treated as a hybrid of defender and prospector strategies, but rather as a unique strategy.

Finally, this study provides support for a contingency perspective rather than a universalistic perspective. The supplemental analyses revealed that participation practices might not constitute a best practice for organizations with a defender strategy. Several previous studies that argued for a universalistic perspective (e.g. Huselid, 1995; Osterman, 1994) have not investigated whether their HR practices were also effective in specific situations. In that case, we cannot conclude that those HR practices are indeed best practices.

The findings of this study provide a number of practical implications. First, managers should simultaneously adopt decision-making participation and financial participation practices to improve POS and organizational commitment of their employees. As shown in Table III, employees' POS and organizational commitment can be much more enhanced when they are involved in both types of participation practices than when they are involved in only one type of practice or none at all.

Second, managers in innovative companies, in particular, should provide employees with more opportunities to make decisions and to receive financial incentives for their contributions. As shown in Table IV, companies with a prospector strategy obtained more benefits from both types of participation practices than did companies with a defender or analyzer strategy.

Finally, companies with a defender strategy should use other HR practices in addition to participation practices to improve the organizational commitment of their employees. While they may benefit from providing their employees with participation opportunities, these benefits might be limited to POS, as shown in the supplemental analysis. Managers in a defender company may consider adopting HR practices that can improve the employees' perception of justice. Meyer *et al.*'s (2002) meta-analysis confirmed that three types of justice (distributive, procedural, and interactional) are significant predictors of affective organizational commitment.

Limitations and future research

Although this study provided important findings, it has several limitations. First, because the individual-level variables were measured via self-reports, the correlations between these variables might have been overestimated. Given that there was evidence of validity of the constructs, however, self-report bias does not seem to have been a serious problem in the results. Second, organizational-level variables were measured by one manager in each company. Although the senior managers were in a position to have a general understanding of the company's strategies, more raters in each company need to be involved in the survey to improve the measurement's reliability. Third, the data set was collected in 2008 and it may be somehow outdated. Although there is not apparent evidence that the relationships between the main variables of the current study have changed over several years in South Korea, the interpretation of the findings should be conducted with caution. Finally, the generalizability of the findings may be limited because the data were collected from only 50 companies in South Korea. Additional research should be performed with data from more companies and different countries.

Given that this study is the first to investigate the moderating role of an organizational strategy in the relationship between employee participation and individual employees' outcomes, future research may explore other types of organizational strategies that influence the effects of participation practices on individual-level outcomes. For instance, Porter (1980) classified organizational strategies into cost leadership, differentiation, and focus, and other authors have proposed three different types of strategies: cost, quality, and flexibility strategies (Neal *et al.*, 2005; Youndt *et al.*, 1996).

As indicated above, because scholars disagree on which participation practices fit better with which organizational strategies, future research should investigate the strategies with which participation practices are most effective. In addition, before using an HPWP index or participation index, future research should verify whether individual practices included in the index have consistent relationships with, and complementary effects on, the dependent variable.

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