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Between Consistency and Adaptation: How Middle Managers Shape Compensation System Implementation

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ABSTRACT

The success of a human resource management (HRM) system or subsystem, such as a compensation system, hinges on its implementation—yet the microfoundations of this process remain underexplored. To address this gap, we conducted two studies. Study 1 surveyed middle managers and employees in six organizations to examine their attributions of problems with compensation systems and their perceptions of compensation system effectiveness. We found that both groups identified design problems; managers emphasized administrative problems, whereas employees focused on implementation problems. These differing attributions shaped their views of compensation system effectiveness. To further unpack the challenges middle managers face, we analyzed data from Study 2, a 6-year long in-depth case study, exploring how and why middle managers varied in their implementation strategies. We found that middle manager identification with the system and their perceived agency explained their implementation strategies, ranging from championing to compliance, and from appropriation to resignation. Together, the studies reveal persistent tensions between consistency and adaptation in HRM implementation. To address these tension, we introduce the concept of *internal flexibility*—the capacity of middle managers to adjust formal HRM practices during the implementation process to align them with their work unit's needs—as a critical yet underexplored dimension of HRM effectiveness.

1 | Introduction

A compensation system may be one of the most critical human resource management (HRM) practice areas (Fulmer and Li 2022), as it is vital to attract, motivate, and retain high-performing employees (Fulmer et al. 2023). A large body of research has focused on its design; however, the success of an HRM system or subsystem, such as a compensation system, is dependent on how it is put into practice not only by its administrators (the HRM professionals) but also by middle managers.¹ The overall process of HRM system implementation has been largely neglected in the literature, despite the noted differences between the design of HRM systems and their implementation, and eventual impact in practice (Mirfakhar et al. 2018; Paauwe and Boselie 2005; Woodrow and Guest 2014).

Conceptually, HRM systems, including compensation systems, consist of activities at three levels (e.g., Kepes and Delery 2006, 2007). At the organization level, policies define what an organization is trying to achieve. Thus, such policies may be referred to as intended practices. Their design and administration typically take place in the central HR function (influenced by the organizational context, its goals and strategy, and the labor market, among other factors). At the second level, the actual practice level, middle managers are responsible for the implementation of the intended practices (i.e., policies). The third level describes the process by which regular employees come in contact with and experience the implemented practices. This experience is influenced not only by the goals of a particular policy, its design and consistent administration, but primarily by their adaptation and enactment by their managers in local contexts (i.e., the individual work units).

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Although HRM often tends to be viewed synonymously with the HR department and official HRM policies (Gilbert et al. 2011; Purcell and Hutchinson 2007), middle managers are central players in the enactment process (Pak and Kim 2018; Sikora et al. 2015). First, middle managers may enact the practices in different ways as they may not share the principles or the stated objectives of the policies they are required to implement (Harris 2001). Second, changes to the design and administration of such systems inevitably bring about changes to the practice and process levels. The literature acknowledges the importance of the social context (including culture, climate, and political considerations) in supporting middle managers in the implementation process (Ferris et al. 1998; Kurdi-Nakra and Pak 2023; Sikora and Ferris 2014). Lacking such support, the agency of middle managers is severely limited as centralized policies conflict with everyday operational realities (Balogun and Johnson 2005; Mantere 2005, 2008; Regné 2003; Rouleau 2005).

Despite the growing theoretical work on the HRM implementation dynamics (e.g., Park and Conroy 2022; Park and Sturman 2022; van Mierlo et al. 2018) and the recent work on the sociopolitical dynamics in managers' HRM involvement (e.g., Kurdi-Nakra and Pak 2023), little empirical research on the implementation of compensation systems as a process exists. In particular, we know little about how middle managers and employees enact and/or experience the intended compensation practices (Kehoe and Han 2020; Trullen et al. 2020). To address this gap, compensation researchers have long advocated for in-depth case studies that can illuminate the relevant causal processes (e.g., Gomez-Mejia and Welbourne 1988; Heneman and Judge 2000).

To contribute to evolving processual understanding on compensation system implementation, we analyze evidence from two studies in order to deepen our understanding of the challenges involved in implementing compensation systems. Study 1 examines how middle managers and employees perceive problems with these systems, comparing their respective attributions of the sources of these challenges. Study 2 provides evidence on how and why middle managers differ in their approach to compensation system implementation. Together, these studies answer the call to broaden our understanding of the microfoundations of compensation system implementation (Fulmer and Li 2022; Shaw and Gupta 2015).

Our findings highlight a core tension in HRM implementation: the HR function tends to strive for consistency and uniformity of HRM practices across work units (Bowen and Ostroff 2004), yet organizations may also require their adaptation to local contexts and work designs (Wright and Snell 1998; Ansari et al. 2010). Middle managers sit at the center of this tension (Sikora and Ferris 2014), as they are tasked with delivering consistent signals while simultaneously addressing the unique needs of their units. Our investigation builds on this debate by examining the divergent attributions different organizational stakeholders make about compensation practices and, in particular, the problems within them, before analyzing how managers navigate the process of implementing compensation policies.

Our findings shed light on persistent debates concerning flexibility in the HRM context. Classic strategic HRM research has

highlighted the importance of external flexibility, or the capacity of HRM activities to adapt to changing competitive and institutional environments (Wright and Snell 1998; Lengnick-Hall and Lengnick-Hall 1988). More recent work emphasized the role of selective decoupling and adaptation during the implementation process (Brandl et al. 2022), as well as the translation of practices into local contexts (Ansari et al. 2010). We extend this literature by theorizing about *internal flexibility*, the ability of middle managers to adjust and reinterpret official or formal HRM practices during the implementation process to ensure alignment with their unit's work design, values, and needs. This contribution is particularly important in today's work environment, where hybrid work, fragile motivation, and fairness concerns heighten the importance of adaptive implementation.

2 | The Microfoundations of Compensation System Implementation

Research has shown that the impact of HRM activities on organizational performance relies not only on their design but also on their implementation and delivery (e.g., Bowen and Ostroff 2004; Guest and Bos-Nehles 2013; Trullen et al. 2020). This recognition has propelled scholars to investigate the microfoundations of HRM practice implementation—the individual and interpersonal mechanisms through which intended policy is transformed into actual practice (Kehoe and Han 2020; Trullen et al. 2020).

Guest and Bos-Nehles (2013) argued that this process unfolds in four stages: deciding to adopt practices, designing them, putting them into operation, and ensuring their quality. Each stage involves different actors and evaluators, ranging from HR specialists and executives to employees and their managers. The effectiveness of a new policy, such as a compensation policy, depends on its design and administration, but crucially also on how middle managers enact the associated practices on the ground. Previous work emphasized that middle managers are critical agents in the HRM delivery process (Sikora and Ferris 2014; Purcell and Hutchinson 2007), but that their capacity and motivation to implement practices vary, with profound consequences for outcomes (Woodrow and Guest 2014; Trullen et al. 2020).

Why does the capacity and motivation of operating (line or) middle managers vary? Manager motivation is affected by their attributions (Hewett et al. 2018) of *why* and *how* HRM practices are introduced, and where their likely problems lie. The current literature on attributions of HRM activities has focused on studying attributions of intent; how employees perceive the reasons for *why* the HRM activities or systems exist (e.g., Hewett et al. 2019; Montag-Smit and Smit 2021; Nishii et al. 2008; Sanders et al. 2021; Sanders and Yang 2016; Van De Voorde and Beijer 2015; Yang and Arthur 2021). These reasons are especially salient in the context of compensation systems, as members of an organization look to these systems to determine what is important and valued by the organization (Lawler 1990). They seek answers to questions such as: Should I focus on meeting my proximal goals, or developing potential? Are individual contributions more important than collective ones? Should we collaborate, or compete?

The HRM literature has identified distinctiveness, consistency, and consensus as important factors that enhance the clarity of interpretation of a particular HRM system or sub-system, such as a compensation system (“a strong situation”), resulting in individuals sharing a common interpretation of what behaviors are expected and rewarded (Bowen and Ostroff 2004). However, such clarity is not always achieved. Similarly, uniformity across very different work units and other entities in an organization tends to be rare. For a long time, the compensation literature has recognized the challenges in catering to the diverse aims and needs in organizations to avoid “the folly of rewarding A, while hoping for B” (Kerr 1975). Kerr famously described that organizations commonly hope for one thing but reward another, such as while hoping for long-term growth, challenging objectives, quality, and teamwork, they reward quarterly earnings, “making the numbers,” shipping on schedule, and individual effort. In recognition of these realities, recent theorizing on the implementation of compensation systems has been calling for more “complexity” and “nuance” in employee compensation research to acknowledge, for instance, the diverse needs by implementing multiple and varied metrics in pay-for-performance systems to be more representative of the overall performance domain (Park and Sturman 2022).

A new compensation system requires organizational change. While changes in an existing HRM system may not at first glance appear to represent a very dramatic form of change, from the perspective of change recipients (Balogun et al. 2015), changes in compensation cut deep, potentially challenging a foundational sense of security experienced by organizational members (Mantere 2005). Such deep change challenges the bases of individual *identification* with the organization (Alvesson and Kärreman 2007; Corley and Gioia 2004; Dutton and Dukerich 1991), as new criteria for performance alter conceptions of a “good worker” and a “good organizational citizen.” “Identification” refers to the way in which individuals define themselves in terms of their membership in a collective, and to the extent to which their values and goals are aligned with those of the organization (Ashforth et al. 2008).

Individuals who find that a new compensation system undermines the bases of their identification must reassess whether they still see their values and goals as aligned with those of the organization (Pratt 2000). That is, a compensation reform does not merely redistribute resources; it also redefines the symbolic markers of what is valued in the organization. For middle managers, such dynamics are particularly salient. Their identification is tested not only as members of the organization but also as leaders of their units; a new compensation system signals expectations about what kind of leadership is valued going forward. As a result, compensation reforms can on the one hand either reinforce or erode managers’ sense of identification, depending on whether they perceive alignment between the new system and the values, goals, and needs of the unit they are leading. On the other hand, identification with the stated objectives of a new compensation system can be expected to predict the willingness of a middle manager to prioritize its successful implementation within their organizational mandates.

The capacity of middle managers to implement a new system might also vary. Recent evidence emphasized that managers’ opportunity—measured as autonomy, task significance, and impact—is a vital condition for effective HRM system implementation (Salvador-Gómez et al. 2023). Managers are thus often portrayed as “sensegivers” who interpret and communicate the intent of HRM systems to employees, role modeling and reinforcing desired behaviors (Nishii and Paluch 2018). Yet research also highlights that striving for strict consistency in HRM implementation can conflict with the reality of practicing managers, who must balance multiple stakeholder demands (Brandl et al. 2022). The HR function often promotes fidelity to formal policies, while senior managers may support adaptations to meet operational needs (Kurdi-Nakra and Pak 2023). Middle managers navigate these competing pressures by choosing whether to comply, adapt, or even seek to replace HRM practices in their units.

Although HRM research often frames such deviations as misbehavior, strategy research has long recognized that managers intentionally adapt formal organizational practices to local contexts (Burgelman 1991; Floyd and Wooldridge 1992). These adaptations—sometimes called translation—enhance the fit of organizational practices with local demands (Ansari et al. 2010). In some cases, managers even seek to reshape the surrounding organizational context to make new practices workable (Canato et al. 2013). Responses vary based on acceptance (the extent to which the practice is seen as legitimate) and the degree of conscious reflection and adaptation during enactment (Gondo and Amis 2013).

Overall, the literature suggests that middle managers are not passive conduits, but exercise discretion in whether and how they implement HRM practices. They may comply with centrally designed systems, adapt them to local needs, or—in rare cases—replace them altogether. Because compensation systems embody organizational values and distribute scarce resources, they are especially prone to tensions across stakeholders and thus represent a particularly salient arena for managerial discretion and adaptive implementation.

We contribute to this literature in two ways. First, while prior research has examined employee attributions of the intent behind HRM practices, little attention has been devoted to how middle managers and employees attribute problems in the implementation process (Hewett et al. 2018). This is unfortunate because the effectiveness of HRM activities hinges not only on their intended purposes but also on how they are experienced and perceived on the ground by system operators, such as middle managers (Banks and Kepes 2015). Identifying and comparing these attributions is vital to uncover misalignments that may undermine system effectiveness. In particular, it is important to understand whether and how attributions differ between employees and their managers, since such differences may generate conflicting evaluations of the same system, limiting implementation success (Guest and Bos-Nehles 2013). Accordingly, our first research question is: *How do employees and middle managers differ in their attributions of problems in compensation systems, and how are these differences related to their perceptions of compensation system effectiveness?*

Second, we extend research on HRM system implementation by examining why and how middle managers vary in their implementation of compensation systems. Prior work often treats deviations from official or formal HRM practices as evidence of weak implementation, but we build on insights from strategic management to suggest that local adaptations may constitute purposeful and even beneficial responses to system–context misfits (Burgelman 1991; Floyd and Wooldridge 1992). By analyzing how managers' identification with the compensation system and their perceived agency shape implementation strategies, we advance theory on the microfoundations of compensation system implementation. Thus, our second research question is: *How and why do middle managers vary in their implementation strategies when enacting a new compensation system?* Finally, we develop the concept of *internal flexibility*—the ability of middle managers to adjust and reinterpret formal HRM practices during implementation to fit unit-level needs—suggesting that it is a critical yet underexplored dimension of HRM system effectiveness.

3 | Study 1

In Study 1, we use qualitative, open-ended survey responses across six organizations to examine how middle managers and employees describe problems with their compensation system. Previous research has identified that problems can be traced to the design (e.g., difficulty in creating measures), administration (e.g., limited budgets associated with such systems), and implementation (e.g., challenges in getting supervisors to provide consistent assessments of performance) of compensation systems (for reviews, see Campbell et al. 1998; Fulmer et al. 2023), which can affect their overall effectiveness. We were particularly interested in what kinds of problems middle managers and employees identified, whether they attributed these problems to similar root causes (Hewett et al. 2018), and to what degree this explained their perceptions of compensation system effectiveness—an important consideration, given that such evaluative perceptions have been linked to key outcomes (Meijerink et al. 2021). Research shows that the effectiveness of HRM practices, as judged by different organizational actors, is a key determinant of whether HRM contributes to performance (Guest and Bos-Nehles 2013).

3.1 | Method

3.1.1 | Sample

Survey data were collected from six Northern European companies (average response rate across the six firms was 60.5% for managers and 47.4% for employees). The companies operated in different industries, including food and beverage (Firm A), manufacturing (Firm B), energy (Firm C), information technology (Firm D), financial services (Firm E), and communication services (Firm F).

Although the six firms operated in different industries, their compensation systems shared a similar architecture. Each included a job-based pay component linked to a systematic job evaluation and a person-based component tied to assessments

of individual merit (e.g., skills, competencies, and performance). Middle managers were responsible for both the job evaluation and the assessment of merit (including an individual's knowledge, skills, abilities, and other competencies, as well as achievements on the job). At the same time, their administrative procedures varied. Although the companies differed in some of the specific features of their compensation systems, our analysis centers on the broad, systematic differences in the attributions of problems in the compensation systems between middle managers and their employees.

In Firms A and C, we also conducted a more detailed analysis to examine how problem attributions of managers and their employees were related to employee and manager perceptions of compensation system effectiveness to understand if there were systematic similarities and differences. Firms A and C provided the richest data and the most complete matched samples of managers and employees within work units. This allowed us to examine whether attribution alignments between managers and employees were systematically related to perceptions of compensation system effectiveness, a question that requires nested data structures.

3.1.2 | Measures

3.1.2.1 | Problems With Compensation Systems. Our main data come from survey responses to an open-ended question in the native language of the respondents: “What are the main problems with the current compensation system, if any; why might the system not work as intended?” We posed this question to middle managers and their employees. Answering this question was voluntary; 47% of the respondents (Firm A, 51%; B, 54%; C, 43%; D, 41%; E, 37%; and F, 58%) responded. Overall, 99 managerial and 641 employee responses to this question were collected.

The responses were then coded using the ATLAS.ti software program, in which we combined inductive and deductive approaches (see e.g., Bingham 2023), going back and forth between our data and the problem categories proposed in the literature. The coding started with an inductive approach using open initial coding (Charmaz 2014) to identify the various first-order problems (i.e., firm-specific problems) associated with the compensation systems mentioned by managers and employees. Then, a more deductive approach was used, wherein we ensured that previously identified types of problems with compensation systems were included in our definitions of broader second-order problem categories (i.e., more generalizable aggregations of the first-order problems).

Before the second round of coding, we developed a dictionary with definitions for each second-order problem category. The purpose of this was to condense and collapse company-specific problems into second-order problem categories within the aggregate dimensions (i.e., design, administrative, and implementation problems). This stage resulted in 15 second-order categories within three aggregate problem categories and formed the final coding structure. Finally, the coding dictionary was given to a doctoral student not familiar with the project, who used it to independently code the data. The interrater agreement between

the two coders (a doctoral student and the first author of this paper) was 94%. Each disagreement was discussed until an agreement was reached.

An average manager response contained 2.0 separate problems (199 problems/99 responses) and average employee response contained 1.2 separate distinguishable problems (641 responses contained 788 problems). To identify the most common attributions of problems by employees and managers, we calculated how often each problem category was mentioned by managers and employees in each company. Thereafter, the company-specific employee and manager profiles were averaged to fully depict the identified problems throughout the six companies (we used percentage distributions such that larger companies are not overrepresented).

3.1.2.2 | Perceptions of Compensation System Effectiveness. All employees were asked to evaluate the effectiveness of their organization's compensation system (Meijerink et al. 2021) along five dimensions: firm profitability; quality of products and services; employee development opportunities; collaboration; and work climate (Salimäki and Jämsén 2010). Employees assessed these issues on a 5-point Likert-type scale with response options ranging from -2 (very negative effect) to $+2$ (very positive effect) ($\alpha = 0.88$). There was substantial within work unit agreement: $rwg = 0.86$; $ICC1 = 0.15$ (95% CI = 0.05, 0.34). In addition, we asked middle managers one general question: "Rate on a scale ranging from -5 (greatly hinders my supervisory work) to $+5$ (extremely useful from a supervisory perspective) how useful you perceive the current compensation system from a supervisory perspective."

3.1.2.3 | Control Variables. In Firms A and C, we collected the following demographic and other information from the respondents: gender (1 = male; 2 = female); organizational tenure (years of employment); education (highest level of education); relative pay level (each employee's pay standing within their respective work unit based on archival data from company records); work unit size (number of employees); and tenure with the manager (years).

We included information on two relevant job characteristics: task interdependence and task visibility, which are important considerations in the implementation of compensation systems because they influence how performance evaluation is experienced and interpreted. Interdependence raises questions about how to account for collective versus individual contributions, while visibility affects the extent to which performance assessments are seen as transparent and credible (Park and Conroy 2022). We used the four-item, 5-point Likert-type *task interdependence* scale from Van der Vegt et al. (1998) with anchors ranging from "little if at all" (1) to "to a great extent" (5). Example items included "To what extent do you depend on your colleagues for information and advice?" and "To what extent do you depend on your colleagues for doing your work well?" ($\alpha = 0.84$). We also used a four-item, 5-point Likert-type scale to measure *task visibility* (George 1992) with anchors ranging from "completely disagree" (1) to "completely agree" (5). Example items include "My supervisor is generally aware of the amount of work I do" and "It is generally hard for my supervisor to figure out how hard I am working" (reverse-coded) ($\alpha = 0.77$).

We also collected demographic information from managerial respondents: gender (1 = male; 2 = female); organizational tenure (years of employment); education (highest level of education); and tenure as a supervisor (years).

3.1.3 | Data Analysis Approach

First, we compared the extent to which the attributions of problems with an organization's compensation system differed between managers and employees using ANOVA. To examine whether middle manager attributions were related to those of their employees, and how similarity in those attributions was related to employee perceptions of compensation system effectiveness, we used random-effects multilevel linear regression (Bliese et al. 2007; Hill and Gelman 2007), in which the employees were grouped within their respective work unit and company (Firm A or C). In this analysis, respondents were assigned a zero (i.e., 0) if they did not mention a problem in a problem category (i.e., design, administration, and implementation). Thus, the data were structured at three levels: individual (Level 1); work unit led by a middle manager (Level 2); and organization (Level 3), and two levels for managers (manager and organization). Following best practice recommendations, we allowed the standard errors to correlate within the companies (Antonakis et al. 2021).

3.2 | Findings

To examine the differences between employee and manager attributions of problems with the compensation system, we performed ANOVAs. According to our findings, managers and employees were equally concerned about design problems associated with the compensation system (see Table 1). However, whereas managers tended to highlight problems associated with the administration of the compensation system, employees' responses focused more on problems related to the implementation. Additionally, managers and employees mentioned somewhat different kinds of *specific* design, administrative, and implementation problems. We discuss these findings in more detail below.

3.2.1 | Differences Between Manager and Employee Attributions

3.2.1.1 | Design Problems. Overall, employees and middle managers mentioned design problems with very similar frequency (38.8% and 40.9%, respectively). However, our analysis of the specific design problems revealed significant differences. For instance, employees were much more likely than managers to attribute problems associated with the compensation system design to the omission of relevant performance evaluation criteria. In employee responses, 21.9% of the mentioned problems dealt with this specific issue (vs. 8.3% of the manager responses). In particular, respondents noted that some of the assessment criteria were not necessarily relevant for their jobs; that they were more descriptive of performance on some jobs than others. This highlights the challenge of fitting an overarching system to many different jobs

TABLE 1 | Employee and manager attributions of problems with the compensation system.

Problem category (and subcategories)	Employees	Managers	z-value
Design problems	38.80%	40.90%	-0.5
- Relevant criteria omitted	21.90%	8.30%	4.17***
- Overemphasis on certain criteria	11.60%	10.70%	0.33
- Appraisal scale inflexible, does not differentiate between good and bad performers	3.40%	15.90%	-6.38***
- Lack of objective measures	1.90%	5.90%	-2.95**
Administrative problems	29.70%	46.20%	-4.24***
- Rules that restrict rewarding high performers	13.80%	21.10%	-2.45*
- Unclear how pay system should work	2.50%	2.60%	-0.06
- Time-consuming process	0.80%	12.10%	-7.86***
- Pay system is modified too often	0.60%	1.30%	-1.02
- How performance appraisals are linked to pay is unclear	7.50%	1.30%	3.10**
- Limited pay budget/typical increases too small	4.50%	7.90%	-1.86
Implementation problems	31.40%	12.90%	5.01***
- Favoritism in performance appraisal	9.40%	0.40%	4.10***
- Supervisors do not have enough knowledge about employees' performance	7.40%	0.20%	3.67***
- Lack of transparency and inconsistencies in how carried out throughout organization	7.10%	7.20%	-0.04
- Supervisors' poor appraisal skills	5.70%	4.80%	0.44
- Political behavior from subordinate's side	1.90%	0.20%	1.64
Overall (frequency of categorized problems; 100%)	718	183	

Note: *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$. $N(\text{employees}) = 641$; $N(\text{managers}) = 99$.

and unique work unit contexts. For example, one respondent noted:

Responsibility, experience, carrying out tasks within a schedule in a cost-effective manner does not seem to influence pay in any way. For example, carrying out one big project that lasted for months for half the expenses did not have any effect.

Managers reported quite frequently that the designed performance appraisal scale did not allow them to differentiate between good and poor performers (15.9%; employees rarely mentioned this type of problem [3.4%]). An example of the responses from the managers was: "A four-point rating scale is too narrow. It is not possible to differentiate between high and low performers."

3.2.1.2 | Administrative Problems. Managers attributed problems much more commonly to the administration of the compensation system than employees (managers 46.2% vs. employees 29.7%). The most prevalent problem in this category concerned the rules and norms in the decision-making process, such as forced distribution or forced ranking methods, which restricted the managers' agency. Managers mentioned

this type of problem more commonly than employees (21.1% of the managers vs. 13.8% of the employees' responses dealt with this topic). Example responses from managers include: "There is a certain distribution that we need to adhere to" and "Departments' point averages are compared, and it is not possible to give as good score for high performers as one would like to." Managers also complained about time-consuming, ineffective processes (12.1% of managers vs. 0.8% of employees mentioned this issue). By contrast, employees found the link between pay and performance unclear and weak; however, managers did not mention this problem often (7.5% vs. 1.3%, respectively).

3.2.1.3 | Implementation Problems. Employees described problems related to the implementation of the compensation system much more frequently (31.4%) than managers (12.9%). The most commonly mentioned concern for employees related to favoritism in the appraisal process (9.4% vs. 0.4% of the manager responses). For example, an employee wrote: "In the end, everything is based on favoritism. If the chemistry does not work with one's manager, and he/she is an incapable leader, no advancement will occur." Although managers did not identify implementation problems as often as employees, from their perspective, the most common problem was related to the lack of transparency and inconsistencies in how performance appraisals were carried out throughout the organization.

Interestingly, employees mentioned problems in this subcategory as frequently as their managers (7.2% vs. 7.1%, respectively). An example response included “The biggest problem with the pay system is openness to various interpretations when performance is appraised.”

3.2.2 | Attributions of Problems and Their Association With the Perceptions of Compensation System Effectiveness

In Firms A and C, we analyzed the extent to which manager attributions of problems were associated with their employees' attributions of the problems, and how the manager and employee attributions related to employee perceptions of compensation system effectiveness. Table 2 shows the correlations and descriptive statistics of the relevant variables.

To examine if manager attributions were associated with their employees' attributions, we first estimated three multilevel regression models (Models 1–3) where manager attributions of problems were used to predict employee attributions of each of the problem categories: design, administration, and implementation (see Table 3). Our results indicate that managers' and their employees' attributions were related such that if the manager identified design problems, their subordinates were more likely to attribute the problems to design issues as well ($B=0.07$; $p<0.001$). Similarly, if managers attributed problems to the design of the compensation system, employees were less likely to attribute problems to the implementation of the system ($B=-0.13$; $p<0.001$). Likewise, manager attributions of administrative problems were positively related to employee attributions to those problems ($B=0.05$; $p<0.01$). Furthermore, the manager's attributions of implementation problems were positively related to employee attributions of those problems ($B=0.13$; $p<0.05$). Conversely, if managers attributed problems to implementation, employees were less likely to attribute problems to the system design ($B=-0.17$; $p<0.001$) and administration ($B=-0.16$; $p<0.001$).

Next, we examined how these attributions and their similarity between managers and employees were related to employee perceptions of compensation system effectiveness. In Model 4, we included control variables. In Model 5, we added the attributions of design, administration, and implementation problems by the employees themselves; in Model 6, we only included manager attributions of problems; in Model 7, we included both employee and manager attributions of problems. In the final model (Model 8), we included interactions between manager and employee perceptions of each problem category (design, administration, and implementation).

Our multilevel regression results indicate that when employees identified implementation problems, these attributions were negatively ($B=-0.12$; $p<0.001$) associated with perceptions of compensation system effectiveness (Model 5 in Table 3). Also, their manager's attributions of implementation ($B=-0.30$; $p<0.001$) and administration ($B=-0.14$; $p<0.01$) problems were negatively related to their compensation system effectiveness perceptions, whereas, interestingly, manager-attributed design problems were positively ($B=0.06$; $p<0.001$) related to employee perceptions of compensation system effectiveness (Model 6 in Table 3).

Furthermore, our findings suggest an interaction between employee and manager attributions of implementation problems on employee perceptions of compensation system effectiveness such that the degree of similarity in these attributions was negatively related to employee perceptions of compensation system effectiveness (Model 8 in Table 3 and Figure 1). The control variables explained 18% of the variance in employee perceptions of compensation system effectiveness (Model 4); attributions of implementation problems added an additional 7% (Models 5–8).

Finally, we also analyzed how manager attributions of problems predicted their *own* perceptions of compensation system effectiveness (see Tables 4 and 5). Our multilevel regression results (Table 5) suggest that manager attributions of design problems ($B=-0.97$; $p<0.001$) and administrative problems ($B=-0.70$; $p<0.05$) explained their perceptions of compensation system (in)effectiveness. The control variables explained 10% of the variance in manager perceptions of compensation system effectiveness (Model 1); the attributions of problems added an additional 21% (Model 2).

3.3 | Summary

Our Study 1 answers the call for more research to examine the differences between HRM policies, practices, and processes (Kepes and Delery 2007) or the intended and implemented HRM systems or subsystems (Piening et al. 2014). It offers insight into the attributions middle managers and employees make about the factors influencing the effectiveness of the compensation system. In the six companies we studied, employees and managers attributed problems affecting compensation system effectiveness to a similar extent to design-related factors. We also found that, although middle managers' and employees' attributions were related, managers were more attuned to administrative problems than employees, especially to the rules and decision-making procedures used to reward their workers, whereas employees were more likely than managers to attribute problems to the implementation of the compensation system.

This difference in focus was related to perceptions of compensation system effectiveness such that only implementation problems were related to employee perceptions of the effectiveness of the compensation system, whereas manager perceptions of compensation system effectiveness were influenced by their attributions of design and administrative problems. These differences in attribution profiles may arise as actors and observers invoke different attributions in describing causes of failure (Jones and Nisbett 1972, 1987). Importantly, however, although managers may not themselves perceive implementation as a central problem, employees clearly do, and their perceptions are strongly tied to whether they see the compensation system as being effective.

This misalignment highlights a central puzzle: if implementation issues undermine employee confidence in the compensation system, why do managers not seek to resolve them? Are they not willing or not able to do so (Greenberg 2003; Hewett and Leroy 2019)? Addressing this question requires looking beyond perceptions of problems in the processes through which managers implement compensation systems. Prior research shows that line and middle managers differ in both their willingness and ability to implement

TABLE 2 | Descriptive statistics and correlations: employee data.

Variables	Mean (SD)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(1) Gender (female)	1.7 (0.47)	1.00													
(2) Tenure	17.61 (9.72)	0.06	1.00												
(3) Education	2.59 (0.87)	-0.05	-0.26*	1.00											
(4) Relative pay level	2616 (303)	-0.18*	0.01	0.13*	1.00										
(5) Work unit size	10.95 (7.01)	0.05	-0.07	-0.21*	-0.03	1.00									
(6) Tenure with MM	4.29 (4.63)	0.04	0.15**	-0.05	0.14*	0.12	1.00								
(7) Task interdependence	2.75 (1.00)	-0.12*	0.01	0.06	0.01	-0.19*	-0.13*	1.00							
(8) Task visibility	3.08 (0.84)	0.05	0.08	0.01	0.08	-0.09	0.13*	-0.08	1.00						
(9) Design problems	0.17 (0.38)	-0.07	0.14*	-0.03	0.05	-0.11	-0.05	0.06	0.09	1.00					
(10) Administrative problems	0.27 (0.55)	0.07	-0.11	0.24*	-0.08	-0.12*	0.13*	0.08	0.00	0.06	1.00				
(11) Implementation problems	0.39 (0.67)	0.07	0.00	0.09	0.12	0.13*	-0.08	0.18*	-0.22*	0.03	-0.03	1.00			
(12) Design problems (MM)	0.26 (0.48)	0.08	-0.04	0.09	-0.03	-0.02	0.31*	-0.01	-0.05	0.02	0.08	-0.09	1.00		
(13) Administrative problems (MM)	0.38 (0.61)	0.13*	0.10	-0.05	0.05	-0.06	0.18*	-0.16*	0.01	0.04	0.07	-0.17*	-0.03	1.00	
(14) Implementation problems (MM)	0.15 (0.40)	-0.11	0.07	-0.07	-0.08	0.07	-0.11	0.05	0.04	-0.10	-0.06	0.08	0.07	-0.24*	1.00
(15) Compensation system effectiveness	0.25 (0.59)	-0.09	-0.10	-0.01	0.03	0.05	0.04	-0.03	0.37*	-0.05	0.00	-0.23*	0.00	-0.11	-0.12*

Note: N = 185. * $p < 0.05$. Relative monthly pay level reported in euros. The table also includes middle manager attributions. Abbreviation: MM = middle manager.

TABLE 3 | Employee and middle manager attributions of problems and their association with employee perceptions of compensation system effectiveness.

Variables	Design	Admin	Implementation	Effectiveness				
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Gender (female)	-0.08** (0.03)	0.08*** (0.01)	0.23*** (0.01)	-0.13* (0.06)	-0.12* (0.05)	-0.14** (0.06)	-0.13** (0.05)	-0.12** (0.04)
Tenure	0.01*** (0.00)	-0.01*** (0.00)	0.00*** (0.00)	-0.01*** (0.00)	-0.01*** (0.00)	-0.01** (0.00)	-0.01+ (0.00)	-0.01** (0.00)
Education	-0.02 (0.01)	0.15*** (0.01)	0.10*** (0.00)	-0.05*** (0.01)	-0.03** (0.01)	-0.05*** (0.00)	-0.04*** (0.01)	-0.04*** (0.01)
Relative pay level	0.22*** (0.05)	-1.03*** (0.28)	1.60* (0.63)	-0.14 (0.32)	0.06 (0.30)	-0.16 (0.39)	0.07 (0.38)	0.10 (0.25)
Work unit size	-0.00 (0.00)	-0.01 (0.00)	0.01*** (0.00)	0.01 (0.01)	0.01 (0.01)	0.01* (0.00)	0.01*** (0.00)	0.01*** (0.00)
Tenure with MM	-0.01+ (0.01)	0.03+ (0.02)	-0.00 (0.01)	-0.00 (0.01)	-0.00+ (0.00)	-0.00 (0.01)	-0.01 (0.01)	-0.00 (0.01)
Task interdependence	0.02 (0.03)	0.05*** (0.01)	0.11*** (0.01)	0.00 (0.02)	0.02 (0.02)	-0.00 (0.02)	0.01 (0.01)	0.01 (0.01)
Task visibility	0.05*** (0.01)	-0.01 (0.02)	-0.18*** (0.02)	0.28*** (0.00)	0.26*** (0.00)	0.29*** (0.01)	0.27*** (0.02)	0.26*** (0.01)
Design problems (employee)					-0.09 (0.07)		-0.13 (0.08)	-0.12 (0.08)
Design problems (MM)	0.07*** (0.02)	-0.02 (0.05)	-0.17*** (0.05)			0.06*** (0.01)	0.04*** (0.00)	0.03+ (0.02)
Design problems (employee) × (MM)								0.03 (0.07)
Administrative problems (employee)					0.02 (0.02)		0.02 (0.04)	-0.02*** (0.01)
Administrative problems (MM)	0.02 (0.01)	0.05** (0.02)	-0.16*** (0.00)			-0.14** (0.04)	-0.15*** (0.04)	-0.18* (0.07)
Admin problems (employee) × (MM)								0.09 (0.09)
Implementation problems (employee)					-0.12*** (0.01)		-0.13*** (0.01)	-0.09*** (0.00)
Implementation problems (MM)	-0.13*** (0.01)	-0.01 (0.12)	0.13* (0.07)			-0.30*** (0.02)	-0.29*** (0.02)	-0.19*** (0.01)
Implementation problems (employee) × (MM)								-0.19** (0.06)
Constant	0.02 (0.09)	0.01 (0.18)	0.77*** (0.07)	2.44*** (0.08)	2.53*** (0.06)	2.54*** (0.10)	2.64*** (0.08)	2.65*** (0.08)
R ² (MVP)	0.07	0.13	0.18	0.18	0.19	0.22	0.25	0.25

Note: N = 185. Robust standard errors in parentheses. ***p < 0.001, **p < 0.01, *p < 0.05, +p < 0.10. R² (MVP) is calculated following the multilevel variance partitioning method (Nakagawa and Schielzeth 2013).

Abbreviation: MM = middle manager.

HRM practices (Guest and Bos-Nehles 2013), making it crucial to examine how such variation shapes their approach to implementation. For this reason, Study 2 investigates how and why middle managers vary in their implementation strategies.

4 | Study 2

In Study 1, managers and employees across six organizations reported multiple types of problems associated with their organization's compensation systems. Middle managers tended to be attuned to problems related to the design and administration of their respective compensation systems. Further, although employees and managers identified design problems to a similar extent, employee perceptions of compensation system effectiveness were only affected by problems related to the implementation of the system. As middle managers play a key role in this implementation process (Kehoe and Han 2020; Sikora and Ferris 2014; Vermeeren 2014), these findings pose the question of how and why middle managers vary in their implementation approaches. How and why might some managers discover and exert agency to circumvent design and administrative issues they find problematic

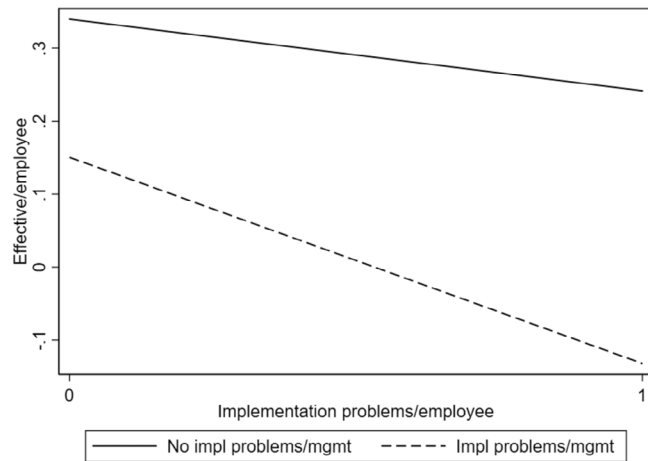


FIGURE 1 | Similarity in employee and manager attributions and perceptions of compensation system effectiveness.

while others do not? To address these and related questions, we analyzed data from an in-depth case study that allowed us to focus on the dynamics underlying middle manager implementation strategies when a new compensation system was introduced.

4.1 | Method

4.1.1 | Research Setting

The data for Study 2 were collected in a context that can be considered “an extreme case” of a change in an organization's compensation system, as it was a complete redesign that dramatically altered the authority of middle managers. Before the introduction of the new compensation system at a public university in a Northern European country, middle managers (department chairs, research unit heads) had little authority over how their subordinates were compensated. In the old compensation system, a regulatory framework set the pay at the job level, essentially paying all jobs within certain categories (e.g., program coordinator, postdoctoral researcher, assistant professor, and full professor) the same; only seniority made a difference in the pay employees in the same job category received. At the outset, the new compensation system provided managers with much more agency. The new design divided an employee's total pay into two parts: a job- and a person-related part, which meant that, theoretically, middle managers² had substantial influence over the pay their employees received, both through the performance appraisal process as well as in the way the jobs were designed.

4.1.2 | Data Collection

In order to explore the evolving dynamics and build theory, we conducted an in-depth case study focusing on middle managers but also incorporated data from two other levels of the organization: key organizational-level representatives (e.g., senior leaders, including those from the HR function) and the subordinates of the interviewed middle managers. Incorporating data from organization- and employee-level constituents allowed us to contextualize the findings. The first set of interviews was carried out

TABLE 4 | Descriptive statistics and correlations: middle manager data.

Variables	Mean (SD)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) Gender (female)	1.2 (0.42)	1.00								
(2) Age	48.3 (9.36)	-0.06	1.00							
(3) Education	3.54 (1.04)	0.05	-0.02	1.00						
(4) Tenure	17.41 (11.1)	-0.06	0.57*	-0.07	1.00					
(5) Tenure as a supervisor	13.9 (11.0)	-0.17*	0.50*	-0.03	0.65*	1.00				
(6) Design problems	0.32 (0.52)	0.07	-0.33*	0.01	-0.19*	-0.21*	1.00			
(7) Administrative problems	0.33 (0.60)	0.21*	-0.26*	0.02	-0.26*	-0.18	0.15	1.00		
(8) Implementation problems	0.06 (0.25)	-0.02	-0.02	-0.04	-0.22*	0.01	0.14	-0.15	1.00	
(15) Compensation system effectiveness	2.77 (1.96)	0.19*	0.04	-0.07	0.07	0.09	-0.21*	-0.22*	-0.10	1.00

Note: $N = 78$. * $p < 0.05$.

TABLE 5 | Middle manager attributions of problems and their association with their perceptions of compensation system effectiveness.

Variables	Model 1	Model 2
	Effectiveness	
Gender (female)	0.49* (0.24)	1.02*** (0.27)
Age	0.00 (0.01)	0.01 (0.01)
Education	-0.12+ (0.07)	-0.10 (0.17)
Tenure in the organization	0.03 (0.02)	0.05*** (0.01)
Tenure as a supervisor	0.02 (0.00)	-0.01 (0.00)
Design problems (MM)		-0.97*** (0.07)
Administrative problems (MM)		-0.70* (0.29)
Implementation problems (MM)		-0.05 (0.19)
Constant	7.96*** (0.75)	6.67*** (0.72)
R ² (MVP)	0.10	0.31

Note: $N = 78$. Robust standard errors in parentheses. *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, + $p < 0.10$. R^2 (MVP) is calculated following the multilevel variance partitioning method (Nakagawa and Schielzeth 2013).

when the compensation system was being developed; then, two and four years thereafter, when the first payments were made under the new system, and two years after the implementation was completed. Our data consists of (a) 38 middle-manager interviews (13 middle managers three times over six years; one manager was not available for the third interview), (b) 21 employee interviews (seven members of the managers' work units), and (c) seven organization-level interviews (e.g., the HR function, the president of the university, and labor union representatives). Altogether, 67 about 1-h long interviews took place over the course of six years: 27 while the new compensation system was being developed; 20 at the time of the initial implementation; and 19 two years thereafter (for data description, see Appendix A). In addition, key documents of various kinds were gathered, such as piloting memos, meeting memos, and internal bulletins.

All interviewees had been employed by the university for several years. We strived to maximize the diversity in the interviewee pool to capture different elements of the organizational context. This was done with the help of the HR department. All interviews were conducted in person and followed a semi-structured interview protocol. The interviewees were allowed to describe their views and experiences as freely as possible; however, there were several questions that guided the flow of the interview. The

questions focused on: (a) the interviewee's role in the organization (e.g., Why are you working here? Has there been a change in your role/expectations recently? If so, why?); (b) the interviewee's experiences with the compensation system reform (e.g., Do you think there is/was a need for a new system, why? What do you think the aims of the reform are/were? What has happened so far? What actions have you taken?); and (c) the interviewee's view on the overall impact of the system, especially with regard to their own work unit (e.g., What do you think will be the outcome of the reform? Thus far, what are the advantages and disadvantages of the new system?). This approach allowed us to explore in detail the dynamics related to the design, administration, and implementation of the new compensation system.

4.1.3 | Data Analysis Approach

The interviews were recorded with the approval of the interviewees and transcribed verbatim in the language of the interview. The data were analyzed using an iterative theory-building approach (Patton 2014), moving back and forth between the data and theory, using theoretical concepts to inform our analysis, aimed at elaborating theory (Lee et al. 1999). We began with a microanalysis (Strauss and Corbin 1990) of the data. We focused on middle managers' experiences during the reform, using open coding to understand how they experienced the compensation system reform as well as the tensions embedded in their interpretations. Second, we focused on identifying the different strategies middle managers used to implement the new compensation system. There were often significant differences between middle managers' experiences, which allowed us to distinguish different patterns of implementation strategies. Furthermore, over time, there were substantial changes between the managers' situations and their interpretation of it as the implementation process unfolded, which allowed us to tap into the factors affecting their implementation strategies over time. During our analysis, we went back and forth between data and theory, using theoretical concepts to inform our analysis. After isolating the relevant sequences of text within our data, we proceeded with open coding, followed by axial and selective coding, which resulted in a hierarchical data structure (Strauss and Corbin 1990): first-order concepts; second-order themes; and aggregate dimensions.

4.2 | Findings

4.2.1 | Compensation System Design

The new compensation system was based on the internal worth of a job (job evaluations) and employee performance assessed through appraisals (i.e., merit pay, which could add up to a maximum of 46% on top of job-based pay). Whereas in the previous compensation system, pay was based on job titles and seniority, the new system was intended to be more equitable, basing pay on job demands and the merit of the employees themselves. More precisely, the stated aim was to "promote fair salaries, to improve salary competitiveness, to support personnel in developing their skills and in seeking more demanding tasks, to encourage personnel to perform better and to develop, and invest in leadership" (internal documentation).

As the new compensation system was partly based on the evaluation of job demands, employees completed their job descriptions and discussed them with their managers. For many employees, this was the first time they completed a job description, participated in developmental discussions, and received performance appraisal ratings. Most importantly, the new system gave managers an impetus and mandate to affect the compensation of the employees in their unit. For the first time, managers were responsible for reviewing job descriptions, conducting performance appraisals of their employees, and discussing developmental opportunities with them. Naturally, this fundamental change greatly affected the role of middle managers who had previously limited opportunities to use pay to incentivize and reward their employees.

4.2.2 | Compensation System Administration

The university established an assessment group consisting of HR representatives and employee union members. The assessment group was responsible for ensuring that the system was applied to all employees (and their jobs) in a *consistent manner*. To ensure this, the assessment group followed a standardization process in which it reviewed the job evaluations and related documentation from all work units. Further, the merit pay pools were restricted at the work unit level for budgeting reasons. To ensure acceptance of the new compensation system, the pay levels of the old system were guaranteed, and potential pay increases based on the documented job demands and employee merit were paid gradually during a 3-year transition period.

4.2.3 | Compensation System Implementation

As a new compensation system with its policies and practices will ultimately change what is valued in an organization, middle managers' interpretations were focused on the alignment or fit between the new compensation system and the goals, needs, and values of the unit they managed. Essentially, we found that the new compensation system challenged the bases of identification of the managers in their work units: their values, goals, and beliefs about the purpose of the organization, including their work unit; why it exists, what the organization, especially their work unit, is there to accomplish. Identification embeds an individual in the relevant identities that provide contextually appropriate answers to the question "Who am I?" or "Who are we?" (Ashforth et al. 2008). This identification also had an impact on the managers' agency beliefs (Hewett and Leroy 2019; Mantere 2008; McDermott et al. 2013) in the context of the compensation reform, whether they felt they had the capacity to implement the compensation system's policies. Together, middle managers' identification and agency beliefs resulted in different implementation strategies: championing, compliance, appropriation, or resignation (Figure 2). The findings, as summarized in Table 6, show that managers differed markedly in how they implemented the new system. Next, we describe this process and illustrate how their identification and agency resulted in different implementation strategies.

4.2.3.1 | Positive Identification. Managers with a positive identification toward the new system agreed with its stated goals and the idea that paying more for employee abilities

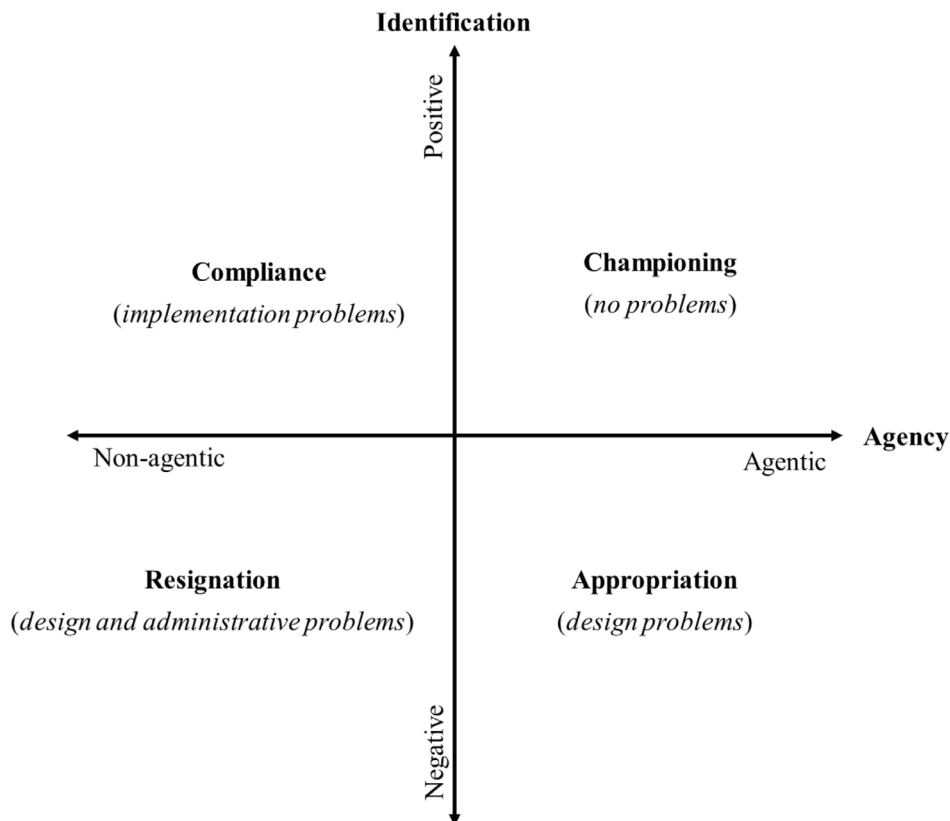


FIGURE 2 | Middle manager identification, agency, and implementation strategy. Middle manager attributions of problems in parentheses.

and performance was equitable and fair. They described an identity fit with the ideals and/or similar systems in other organizational contexts, and with the goals, needs, and values of their work units. One manager explained: “I had a positive attitude towards it; I had been in industry, and I had had an even tougher system in the USA.”

Managers with this positive identification described being enabled, for the first time, to attract and motivate top talent, empowered to have structured conversations about expectations and goals with their employees, including periodic assessments of achievements and overall merit, and felt positive about affecting the careers of their employees. For example, one manager said: “A good tool in the sense that it makes managers think about the whole career development.”

4.2.3.2 | Negative Identification. However, some managers had major concerns about the new compensation system and did not believe that it would be good, equitable, or fair. These managers were worried that the new system would not align or fit with the goals, needs, and values of their work units and/or that relevant performance criteria were missing in the compensation system’s design (e.g., problem-solving skills or creativity) that are relevant for their “unique” work unit’s context. Some thought the new compensation system did not take into account strategically important competencies or an individual employee’s potential. Therefore, these managers believed “gifted” employees that are “different” from the “norm” might suffer. Some experienced the new system as overly bureaucratic and inflexible. Further, the new system did not automatically consider local labor market information when setting pay levels. As such, several managers feared that they could lose employees to other organizations, such as applied researchers to consultancies. Some also were afraid that the climate for teamwork would be adversely affected because of the potential for competition between individual employees. As one manager put it: “The system must fit (serve) so many different needs, so it of course raises the need to then have their own explanations, that we should consider certain criteria more.”

4.2.3.3 | Positive Agency Beliefs. In addition to the effect of identification on implementation strategies and tactics, managers agency beliefs affect their implementation approach. First, many managers could concretely envision that the new compensation system will support their agency in helping them lead their units and realize their goals. For example, one manager said:

Pay is one of the most central tools for leadership in this type of public sector organization. We now have to look at the job descriptions, demands, and competencies. Even in a possible case where the system might not be implemented “properly,” we [unit heads] have to take a stance on these issues, and therefore the system will have a positive impact on leadership in this organization.

Even if their employees had concerns about how the new compensation system would serve the needs of their work units

and were afraid of potential negative consequences, they often believed that their manager could resolve potential issues, for example:

“[...] good leaders can probably make this work, like is the case with any system” and “This is as great a tool as the managers who are using it. A compensation system is not an automation, but dependent on people resolving these issues.”

4.2.3.4 | Negative Agency Beliefs. Even while the compensation system was being developed, the managers differed greatly in their beliefs about the extent to which the system would enable their agency in a positive way. Several managers were afraid that the new administrative decision-making structure of the compensation system would weaken their position. These managers provided numerous examples of situations where they would agree with an employee on the assessment of the job demands only to have the assessment group reject it. Thus, these managers were afraid that their status and authority would be contested by the new compensation system administration, which indeed happened later in many cases. As one unit head put it, some managers experienced that the new compensation system led to a “weakening of the authority of middle managers.”

One manager in another part of the organization went so far as to suspect whether any organization-level systems and processes brought by the compensation system reform could add value to their “*little enterprise*,” as they called their work unit, which had historically operated rather autonomously in conducting applied research. This manager was explicitly problematizing the assessment group’s involvement in determining what activities or qualities are valued: “[it will be problematic] if some bureaucrats start deciding on the direction, and throw stones at ‘prophets,’” as he/she called the individuals in his/her work unit who lead research projects. The manager worried that the project leaders would not get the recognition they deserved.

4.2.4 | Middle Manager Implementation Strategies

Based on their identification (positive/negative) and agency beliefs (positive/negative, or agentic/non-agentic), middle managers selected one of four main implementation strategies.

4.2.4.1 | Championing. Some middle managers were champions of the compensation system reform, as shown by their sensegiving processes, explaining what the reform and assessment criteria meant in their particular context, their work unit, showing an example, and using a collaborative approach, active calibration of job levels within their work unit and other units, monitoring the overall approach to the implementation, actively managing consistency in assessments, managing pay raise expectations and their budget, and an overall belief in practical solutions; thus, making adjustments to how they implemented the compensation system and/or their work unit. As such, some middle managers championed the new system, actively changing the way their work unit operates.

TABLE 6 | Middle manager identification, agency, and compensation system implementation strategies.

Representative quotes	First-order concepts	Second-order themes	Aggregate dimensions
<p>“Fairness, I think it is perhaps the most descriptive word, that if you do a demanding job and perform it well, then you get better pay than if you have entered a certain position and the salary improves with seniority. Many times, here have been examples, I think, of such a pattern, that there is a demanding position that is placed in a fairly high on the scale, there are people who either cannot do the job well or are not motivated, but the work performance is deteriorating and deteriorating every year, such that when the tasks must be transferred to someone else. After some years, the person is in a high position with high pay does not do more than quite modest job and little work.”</p> <p>“For young people, this is a good system. This age allowance system will be removed, which means that now we can make competitive offers for young people.”</p> <p>“Of course, there are these researchers who are researchers in spirit and blood, who don’t care what the salary is. There may not be as many of them as before. There will be such career-conscious people and of course we want them. These should also be given some sort of opportunity to advance here.”</p> <p>“A camel is a horse designed by the committee, as is the case with these labor market organizations and others...the goal was good in itself, but I do have my doubts at times about what will really become of this.”</p> <p>“Very few criteria refer to creativity and problem-solving ability and it was difficult for me, the fact that you do similar tasks, and their complexity increases, I missed precisely such things.”</p> <p>“I’m around these kinds of people who are different. And it is on the basis of these different people that the university can function in an essential way. I see all the most talented and sometimes a little strange people and they are going to suffer.”</p> <p>“If individuals will be compensated differently within a research team, that will destroy all our collaboration projects and openness that we have had and have worked well for now. That will give rise to internal conflicts.”</p> <p>“The internal orientation is in conflict with this market process.”</p> <p>“A bad superior can misuse the provided tools and the horror pictures they paint in the national newspapers and the university can come true, but also if these are used sensibly, the supervisors are decent, so this is a good tool, that is, it is completely up to the people, it’s not automation, neither was the current one.”</p> <p>“It was clarified that people know what is expected of them and the supervisor, the supervisor’s work is also sharpened, he knows what is expected of him and that he is expected to know the job descriptions of the persons and what he can demand.”</p>	<p>Belief in the goals of the system and that it will be/is fair:</p> <ul style="list-style-type: none"> – Performance-based pay motivates – Easier to attract young talent – Positive impact on recruitment and career management – Structured conversations about expectations and goals – Periodic assessment of achievement 	<p>Positive identification</p>	<p>Identification</p>
<p>Not believing that the reform will be/is good and fair:</p> <ul style="list-style-type: none"> – Criteria not fitting (e.g., problem-solving skills or creativity missing) – Bureaucratic system, inflexible – Does not take dynamically into account all strategically important competencies or potential – Gifted employees that are different, suffer – The system does not take into account market pay (pay differences in different areas, e.g., applied research with companies) – Fear of losing climate for teamwork because of competition 	<p>Not believing that the reform will be/is good and fair:</p> <ul style="list-style-type: none"> – Criteria not fitting (e.g., problem-solving skills or creativity missing) – Bureaucratic system, inflexible – Does not take dynamically into account all strategically important competencies or potential – Gifted employees that are different, suffer – The system does not take into account market pay (pay differences in different areas, e.g., applied research with companies) – Fear of losing climate for teamwork because of competition 	<p>Negative identification</p>	<p>Agency</p>
<p>Managers have authority:</p> <ul style="list-style-type: none"> – Belief in agency and the capabilities of the managers (as good as the manager) – Implementation process enables the managers – Forces superiors to manage performance (sorting and incentive effects) 	<p>Managers have authority:</p> <ul style="list-style-type: none"> – Belief in agency and the capabilities of the managers (as good as the manager) – Implementation process enables the managers – Forces superiors to manage performance (sorting and incentive effects) 	<p>Agentic</p>	<p>Agency</p>

(Continues)

TABLE 6 | (Continued)

Representative quotes	First-order concepts	Second-order themes	Aggregate dimensions
<p>“It would be good if these salaries could be decided at the unit level, with loose, general instructions and decision-making as low as possible. This is where we have the best expertise, the people are known and the situations are known, and this is exactly the challenge, what kind of additional things the administration can give to our small corporation, negative or positive.”</p> <p>“That there is an effort to see this equality and read from the papers and don't know the people and then those decisions taste like paper and if we strongly stick to these, then it becomes tedious. We write letters and more letters and ... That's not the fundamental contradiction, especially in these special cases, if there are very talented people or different people, then they have to suffer as prophets and missionaries always do. But it is such a natural phenomenon, of course, that a prophet is stoned and a missionary is put in a cauldron and ... [laughs] There is still a crowd here, a crowd over there decides what to do with it. They don't have time to listen to what religion they are spreading.”</p>	<p>Middle managers don't have authority:</p> <ul style="list-style-type: none"> – The implementation process represents centralization of power – Decisions should be as close to the operational level, as loosely coupled system as possible – Power struggle between unions and managers (in decision making) – Budget responsibility at the department uncoupled from assessments – The assessment group (administration) and labor unions' internal equity logic vs. need for external equity – Assessments conducted without knowledge of how influences budgeting – Decisions are made on insufficient level of knowledge on tasks/performance 	<p>Non-agentic</p>	<p>Compensation system implementation strategy</p>
<p>“Through various discussions and reflections, not by any means through consensus, I have created focus areas and kept my head, I have only done and although it has taken a lot of time and discussions and reflections and various things, but I feel that it is part of management here.”</p> <p>“This must be done in such a way that this team spirit is not spoiled as individuals are made to compete against each other. Perhaps it should be emphasized that the individuals are competing against themselves, and it now depends on the skill of the supervisor how she can do it to market this system.”</p>	<p>The middle manager champions the system by changing the way their unit operates, actively “extends the fit.”</p> <ul style="list-style-type: none"> – Sensegiving: explaining what the reform and criteria meant in their context – Show example – Collaborative approach – Active calibration of job levels within own department and with other departments – Monitored the overall approach to the implementation (within their unit) – Managed consistency in assessments – Managed pay raise expectations and budgeting – Even when there are mistakes, they can be resolved with relative ease 	<p>Championing</p>	<p>Compensation system implementation strategy</p>

(Continues)

TABLE 6 | (Continued)

Representative quotes	First-order concepts	Second-order themes	Aggregate dimensions
<p>“These criteria are based on administrative-bureaucratic thinking and that was one of the things I didn’t like, well of course you could interpret it freely and that’s what you had to do ... considering the circumstances, those aren’t bad criteria, so not if you think that we would do them ourselves here, then it would become clearly different, or it should become, but when it is not possible to do such a thing, it is not. That in that sense, you have to take the criticism a little bit, filtering that it’s not unusable by any means, it just had to be applied a little.”</p>	<p>The middle manager appropriates the guidelines when implementing the system in trying to “make it fit:”</p> <ul style="list-style-type: none"> – Having discussions within department of the goals that could be advanced (with pay reform) – Belief in more flexibility in pay structure – Contextualizing the criteria – Applied criteria in the context of the unit – Used own data to evaluate their personnel’s performance – Tried to make it fit the context – Liking discussion to strengths and development areas of personnel (not strictly the criteria) 	<p>Appropriation</p>	
<p>“The first hour was spent on whether the task description is now correct and some things might have been forgotten, that the starting point was that the person himself had made the first description of it and someone had done very precise work and the other wrote very broadly so that important things had been left out, so it was then reviewed and it was agreed that he would then make the corrections, changes and additions to it and then deliver it again by email and only after that, or maybe the task description was reviewed once more with someone, but for most it was enough the fact that it was one round and then I realized that now it looks balanced and good, I’ll push it forward like this.”</p>	<p>The middle manager implements the compensation practice, complying with the instructions given, believing the system “fits:”</p> <ul style="list-style-type: none"> – Strictly following the guidelines given – Not questioning the criteria and structure of the system – Experiencing a fit with job context – Adjusted own assessments based on employee input – Job descriptions an important tool to talk about work (work design) 	<p>Compliance</p>	
<p>“What I didn’t know was that they make wrong decisions. [laughs] That’s not what I was taught, that they’re going to make the wrong decisions. In my department, the vast majority of these things have been taken care of quite lavishly. And then those where there are disagreements, there have been about ten or something like that, and that’s a small number now. And that’s why it’s not worth making such a big fuss about what’s going on here. On the other hand, but then just when the long ones are cut off, the bridge has to be riotous.” [Original language: mut sitten just kun pitkiä katkotaan, niin sillen kyllä pitää riehuaikin.]</p>	<p>Middle manager explicitly explains how they resist the new practices, as they believe the system is a “misfit:”</p> <ul style="list-style-type: none"> – Repeating old system – Did not use certain types (e.g., teaching evaluation) data in performance assessments – Did not constrain assessments within departments and units – Avoiding their responsibility over pay decisions – Allowing inflated assessments – Academic freedom requires “weak” management – Market-based pay for gifted, unique individuals – Fighting bureaucrats is time consuming – Trying to resist/fight “unfair” decisions from administration 	<p>Resignation</p>	

Even when a “championing” manager was later disappointed about being put in a situation where they could not fully explain their final pay decisions, they continued to feel enabled by the situation. The main reason for this was the fundamental belief in the fairness and feasibility of the new system, that is, their identification with the principles of the system: “I think the system is fairer for employees and managers as it is based on appraisal of the demands of the job and performance in it. Over time, I have become more convinced about it.” If there were problems and challenges, these managers had creatively searched for and implemented solutions. The enabling sentiment was evident in the comment: “We are constantly learning as we are using this system.” Thus, championing managers did not experience major problems with the new compensation system. There is also evidence that the championing strategy affected how employees experienced the new compensation system, as one employee described:

Currently, I’m happy with the actions of the unit head and the way the unit head is leading the department ... it is easy for me to perceive this [the new compensation system] as a positive opportunity, although surely this sentiment is not shared throughout the organization [in other departments].

4.2.4.2 | Compliance. Some middle managers experienced the new compensation system and its related practices as feasible. As a result, they implemented the system by focusing on the provided instructions. In other words, they accepted the new compensation system, including its structure and criteria, and strictly followed the newly developed rules and guidelines to assess the job demands and employee merits.

In this type of work unit, managing a person means getting that person to do certain things in a certain way and now we have this job description requirement and through that the discussion of what is the part of the job [and what not] and then there is the performance evaluation [on the job]. Now the tool must be implemented.

When they heard about or saw implementation problems from other units, they wondered why those managers were trying to deviate from the official rules and guidelines. Essentially, these managers believed that managerial agency *should* be restricted by the administration of the new compensation system.

Well, the biggest threat I see is the growing discord, both within the unit and between units, depending on how this process is handled. Between units, I mean, for example, that right now, I personally feel that one unit has clearly overshot everything—exaggerated their descriptions—and if that goes through as it is, I see it as a failure and unfair. It feels like things have been consistently inflated compared to what the actual roles are. And similarly, let’s say, at the planner level or the department secretary level—if they later find

out that people doing equivalent work in another unit have been placed in higher categories, or vice versa, then that kind of disparity is problematic. There’s definitely the potential for a sense of unfairness, and we all know that it eats away at motivation. For the staff, this could easily become a lasting source of conflict and resentment, which would damage the atmosphere—or at least carries a high risk of doing so—once people start comparing: ‘Why did they get that rating, and I only got this one?’

4.2.4.3 | Appropriation. Managers of some work units experienced problems with the design of the new system. These managers felt that the job evaluation and performance assessment criteria were not applicable to the kind of work their employees were carrying out. Furthermore, the managers feared that either their compensation budget would not sustain the pay levels determined by the new system or, alternatively, that they would no longer be able to recruit the right people. Therefore, these managers adopted an appropriation strategy. As one of the managers put it: “The criteria in the system did not match our realities in terms of the [applied] research we do here, and therefore we used the system as a basis and applied it to our situation.” One of their employees echoed these sentiments:

On the idea level, the system could be useful. I think it was useful to write job descriptions, receive feedback on performance and plan career progression. However, the process is too laborious. Since the unit head is responsible for the budgeting of this unit, the decision-making about compensation levels should stop there.

4.2.4.4 | Resignation. Some middle managers explained that they resisted the new compensation system as they believed the system was fundamentally a “misfit” for their work unit. These managers also experienced that the compensation system was administered in a way that would restrict their personal agency. Thus, these managers would rather continue as if the new system did not exist, believing that academic freedom requires a “weak” central administration, including the one of the new compensation system. As such, these managers did not use available data and tools to assess and determine the demands of their employees’ jobs or their respective merit. They explicitly noted why they would not calibrate the performance assessments within their respective work units and, thus, allowed their employees to provide inflated assessments of their job demands and merit. These managers shunned their responsibility, arguing that fighting bureaucrats would be too time consuming, and, instead, complained about “unfair” decisions from the administrators of the compensation system. Beliefs of the compensation system being “a misfit” were driven by the view that their work unit should be treated as “a corporation with light administration,” and the compensation decisions should be taken as close to people as possible “where situations and people are known.” One such manager explained:

This implementation process brings forth a contradiction in power. I would trust the decentralized decision-makers that are close to unique, talented, sometimes peculiar people that are key to the functioning of our university. These people tend to suffer, like prophets and missionaries tend to. Prophets get stoned and missionaries are put in pots. The decision-makers higher up in the organization do not have time to listen to what religion they are preaching.

4.2.5 | Tensions Between Compensation System Administration and Implementation

As the compensation reform was taking place, the agency of some middle managers became contested, as the assessment group did not approve some of their job evaluations. Many managers perceived the assessment group's decisions as somewhat unpredictable and indicated that the “black box decisions” of this group had challenged their reputation and authority among their employees. As one manager noted after the first standardization process of the assessment group was completed: “If there are some ranges for pay levels of individuals with certain job titles, we should have been informed about them. The lack of transparency is causing feelings of distrust and disrespect.”

The contradictions between the system's administration and implementation were especially present in work units where managers would have liked to compensate individual employees for “special” or “unique” skills as well as their perceived “future potential.” However, this was not possible, as the organization-level assessment group focused on other, more generalizable factors when standardizing the pay levels across the organization. One unit head described their frustration:

I still find the ideal of the system good; that we could pay for individual merit. However, the implementation of the system is extremely problematic because managers have been stripped of their power and authority in pay decisions. The decision-making has been relocated to a “faceless and anonymous” committee. I find this extremely problematic, as the managers have become “fake” superiors. What is a fake superior good for? Nothing.

These feelings were typically arising from situations where employees had been informed about their final pay decision by the assessment group prior to informing their work unit head about the decision. Thus, these managers (and their employees) were completely blindsided and surprised. This general sentiment was described by an employee as follows:

The compensation system implementation process has been (re)labeled as a “savings operation,” which contradicts the strategic rhetoric of wanting to attract top contributors. Of course, it is good from the perspective of the government that money is

saved, but if I think about applied research with companies, and [the need for] competent experts in certain areas; we have lost competitiveness as an employer; we can't attract the people we would like to recruit.

Consequently, some managers gave up trying to work within the new system. As one manager put it: “We are just laughing that there is no use [trying], business as usual. As the system has no real impact; it will die away.”

Our findings revealed tensions between the administration of the compensation system by the HR department and other central entities (e.g., the assessment group) and the implementation at the managerial level. The tensions between administration and implementation were largely driven by different conceptions of fairness; when managers felt that the design of the new system was unfair to their subordinates, they often tried to make the system fit using their agency. The assessment group operated from a different approach to fairness; their main interest was that the system was consistently implemented across the organization (“as designed”). This resulted in restricting the agency of some managers, who believed they could appropriate the system to fit their work-unit contexts.

4.3 | Summary

In this study, we qualitatively explored the processes through which an organization rolls out a new compensation system. We uncovered how middle managers interact with the intended compensation system and deal with the conflicting demands imposed by the intended system and the realities on the ground. In other words, middle managers had to take their work unit's goals, needs, and values into consideration when implementing the newly designed system. Based on their identification and agency, managers selected one of four strategies to implement the new compensation system (see Figure 2).

The more the managers identified with the system and the more agency they believed they had (or should have), the better they were able to implement the system in their work units. However, the new compensation system created several problems, which were especially severe for managers who did not experience identity fit and felt non-agentic. In other words, middle managers who experienced positive identification and had positive agency beliefs and thus displayed a championing strategy when implementing the new compensation system were much more successful than other managers. The least successful managers were those who displayed a resignation strategy (driven by negative identification and non-agency). Next, we discuss the findings *in toto* across the two studies.

5 | Discussion

Compensation systems might be the most important HRM activity area due to their sorting and motivating effects as well as their economic costs (Fulmer and Li 2022; Gerhart and Rynes 2003; Montemayor 1996). Unfortunately, the intended

compensation system often differs substantially from the realized one. In this set of studies, we sought to unpack how middle managers and employees experience and enact the intended practices (Kehoe and Han 2020; Trullen et al. 2020). First, in Study 1, we took a step back and asked in an open-ended manner what kinds of problems associated with a compensation system managers and employees may identify. This study extends the existing attributions research, which tends to focus on attributions of intent—*why* HRM practices exist and what goals they pursue (e.g., Hewett et al. 2018). By contrast, in our study, we examined attributions of problems associated with an HRM system, a less explored but equally consequential dimension of sensemaking that reveals *how* employees and managers explain why HRM systems may not function as intended.

We found that managers and employees attributed problems with the compensation system to its design to an equal extent. However, whereas managers also tended to focus on administrative problems, employees attributed problems more to the implementation of the system. Although their attributions regarding the system's problems (i.e., design, administration, and implementation) were related, we found that employee perceptions of compensation system effectiveness were mainly driven by their attributions of implementation problems.

In Study 2, we delved one step deeper and advanced HRM implementation research by explaining heterogeneity in middle manager implementation strategies. Given that employees were most attuned to the implementation problems and that the success of any HRM system, including a compensation system, hinges upon its successful implementation, we wanted to better understand *how* middle managers are implementing such a system. To do so, we analyzed data from an in-depth case study (Study 2) in a public university and qualitatively explored how and why middle managers varied in how they implemented a newly designed compensation system. We found that, during the implementation process, middle managers navigated a complex set of tensions from various constituencies, from high-level decision-makers to the employees in their work units, which affected their identification and agency, whether they felt willing or able to implement the intended practice (Greenberg 2003; Hewett and Leroy 2019). In essence, we identified tensions between the design, administration, and implementation processes of the compensation system.

Findings from Study 2 deepen our understanding of why middle managers do not always deliver and implement HRM systems as intended and designed. We found that middle managers' implementation strategies varied depending on their identification (Ashforth et al. 2008) and agency (Mantere 2008; McDermott et al. 2013). Here, *identification* refers to the alignment between the system and managers' values as well as their sense of their role as leaders within the context where they operated, rather than just whether they viewed the system positively. *Agency* refers to the degree to which they believed that the new system enabled them to lead their units and realize their goals. These two factors determined a manager's implementation strategy: championing, appropriation, compliance, or resignation. Positive middle manager identification with the compensation system and its fit with their work unit's goals, needs, and values resulted in championing behaviors (Mantere 2005) when the managers felt agentic. At the other side of the spectrum,

however, some managers felt the system conflicted with their unit's goals, needs, and values. Notably, when they also believed that their agency over the implementation of the compensation system was restricted, the experienced design and administration problems led to the resignation of some managers as active operators of the system.

Our findings imply that the introduction of a new compensation system challenges the basis of manager identification: values, goals, and beliefs about the purpose of the organization, including their work unit, why it exists; what the organization, especially their work unit, is there to accomplish. Alvesson and Kärreman (2007) argued that an HRM system is a meaning-creating device for identity construction, where identity is often defined as a self-referential description that provides contextually appropriate answers to the question “Who am I?” or “Who are we?” (Ashforth et al. 2008). In contrast to Alvesson and Kärreman's study of a management consulting firm, the managers at the university we studied varied substantially in the extent to which they ascribed positive meanings to the new compensation system.

Some managers experienced the new system as strongly aligned with their work unit's goals, needs, and values; others perceived varying degrees of misalignment. At one more positive extreme, some managers experienced such a strong identification with the new compensation system and its purposes that they were championing the system and took a proactive, hands-on role in its implementation. In essence, they would adjust the way in which they implemented the compensation system or the way that they managed and organized their work unit. As such, they provided a new basis of identification to their work unit members and eventually changed the context, that is, their own work unit itself (Canato et al. 2013). However, a championing strategy was also based on the experienced degree of agency of the managers; without a strong sense of agency, managers did not follow this implementation strategy.

The adoption of the new compensation system fundamentally altered the roles and responsibilities of middle managers by introducing new assessment practices and decision-making procedures. Under the previous system, their influence over pay decisions was minimal; compensation was largely determined by centrally set rules. By contrast, the new system explicitly positioned middle managers as key actors in assessing job demands and individual merit. This shift required them to reinterpret their role and make sense of newly granted authority—what they were allowed, expected, or able to do within the boundaries of the system. In other words, they were trying to make sense of the boundaries around their agency in light of the compensation system reform. However, this agency was not uniformly experienced. Managers' perceptions and responses were shaped by broader organizational structures, including procedural rules, oversight mechanisms, and administrative constraints (Burgelman 1991). The extent to which middle managers could act strategically depended not only on the formal delegation of responsibilities but also on how role expectations were interpreted and enacted in practice—underscoring that role expectations have the potential to enable and constrain middle manager strategic agency (Mantere 2008).

Strategy research has established that middle managers often form their own perceptions of the demands of their organization's

environment and can be proactive and agentic by facilitating the adaptability of official policies and practices in the pursuit of autonomous strategic initiatives at the local level (Floyd and Wooldridge 1992). Similarly, when managers at the university did not experience an alignment with the compensation system and their unit's goals, needs, and values, we found that several believed they could appropriate the compensation system and essentially translate the practices to fit their work unit. In this context, translation denotes the adaptation of a practice by a manager to enhance the alignment with their work unit (Ansari et al. 2010). However, in the context of our study, this strategy was not always well received by the system administrators who were concerned with the consistency of the system across the work units within the organization.

The tensions between compensation system design, administration, and implementation are problematic, as middle managers need to make sense of and give sense to the compensation system (Nishii and Paluch 2018) by collapsing ambiguities into coherent narratives that make sense in their work unit. Such coherence is necessary as a compensation system needs to be transparent and fair (Marasi and Bennett 2016). Thus, telling multiple overlapping stories to retain the open-endedness of change is not an option (Chreim 2005; Sonenshein 2010). In the university we studied, middle managers staked their authority on the coherence of narratives that they ultimately could not control, as final decisions were out of their hands. These were made by high-level decision-makers and administrators whose reasoning (with an intent of enhancing consistency; Park and Conroy 2022) often diverged from that of the unit managers. These effects were, in part, adverse and unintended (Giddens 1984; Merton 1936), highlighting persistent tensions between different aims of the organizational actors (Kurdi-Nakra and Pak 2023).

Our findings highlight the contrast between the aims of the HR function and administrators to send clear signals to employees about expectations (Bowen and Ostroff 2004) by enhancing the system's visibility, clarity, consistency, and tight implementation (Hauff et al. 2017)—and the aims of middle managers, which are attuned to the gaps between the goals, values, and needs of their work units and the compensation system design. Therefore, there is a gap between the compensation system design and administration (HR function) and its implementation (middle managers). In essence, our findings suggest that a uniform and consistent implementation across diverse *within-organization contexts* (i.e., work units) could in some cases be undesirable. Thus, a “strong” HRM system (Bowen and Ostroff 2004), a tightly linked HRM philosophy and uniform HRM policies and practices, is not necessarily always optimal.

As part of the overall HRM architecture, a general value of appreciating and rewarding employee performance (HRM philosophy; Kepes and Delery 2007) can be formalized with different compensation policies and related practices (e.g., merit pay, commission, and piece rate system). Although the fit between the HRM activities across the different levels of the HRM architecture, the “within-HRM system vertical fit” (Kepes and Delery 2007), is important, it is only part of the equation. In addition to these fundamental considerations, our findings support the recent literature questioning the universal and tight implementation of HRM systems as the best option for organizations. For instance,

Brandl et al. (2022) argued that flexibility in implementing formal HRM practices, such as modifications and adjustments in the implementation phase, can be positive. Similarly, research in strategic HRM has emphasized the importance of HRM system flexibility (Lengnick-Hall and Lengnick-Hall 1988; Wright and Snell 1998), the ability of the system to adapt and change to various external factors (e.g., changes in the competitive landscape, technology, regulatory environment, etc.).

Contrary to this well-established notion of flexibility, which is externally oriented, we observed an internally oriented form of flexibility: the ability of middle managers to modify and adapt the intended compensation system's practices during the implementation so that they provide a better fit with their work unit. Analogous to the two major forms of fit in the HRM literature (i.e., external and internal fit; Delery 1998), there seem to be two main types of flexibility, and as with fit, its orientation can be external and internal. Whereas there is empirical evidence to support the importance of external flexibility (e.g., Lepak et al. 2003), we found that the most successful strategy to implement a compensation system was one where managers were able to make some adjustments to the intended system. This aligns with the concept of “loose coupling” (Weick 1976), the idea that components of a system should not be too tightly connected so that they are not completely dependent on one another, which allows for a degree of autonomy and flexibility. In our case, the implemented compensation practices are the components of the compensation system; they are linked, but not so tightly that there is no room for autonomy and flexibility at the work unit level. In essence, organizations need to strike a delicate balance between “construct sufficiency and system complexity” (Park and Sturman 2022, 548). Future research should explore in more detail how the balance between consistency and adaptation can be best achieved.

Furthermore, whereas the traditional focus on HRM implementation research is grounded in the assumption that middle managers have agency in enacting HRM policies (e.g., Pak and Kim 2018), viewed from the labor process theory perspective, conflict about the distribution of resources in organizations is inherent to any organization with power asymmetries (Townley 1993). Middle management is increasingly “contested terrain” of who makes what decisions (and to what ends) in organizations (Edwards 1979; Kellogg et al. 2020). More research is needed in this area, especially given the increasing use of artificial intelligence (AI) in the HRM processes, both in the form of human-AI collaboration as well as AI-executed managerial control functions (Hillebrand et al. 2025; Kadolkar et al. 2025; Nyberg et al. 2025; Van Doorn et al. 2023).

5.1 | Practical Implications

Taken together, our findings underscore the importance for HR managers to stay attuned to *not only* how the workforce perceives the reasons for *why* HRM activities have been implemented (system intent; Hewett et al. 2018) *but also* their attributions of systematic problems in the enactment of compensation systems and *how* they may be associated with perceptions of (in)effectiveness of the systems. Further, these findings indicate that more care should be devoted to seeking feedback regarding the problems in the design, administration,

and implementation of compensation systems. Kerr's (1975, 769) old warning of not ending up "rewarding A while hoping for B" is still relevant today. To survive in today's competitive environment, organizations should carefully keep adjusting their HRM systems, being open to feedback from different organizational stakeholders, especially the end users of those systems, their middle managers and employees. In order to address and, ideally, eliminate the factors contributing to poor design, administration, and implementation of an HRM system or individual activity, an organization's HR managers need to talk to middle managers and employees to get a complete picture regarding the problems they experience with the HRM system and particular activities (i.e., policies, practices, and processes).

We argue that middle managers should be able to, within boundaries, make adjustments to the system as they implement it, to better navigate the "contested terrain" between their organization and employees (Edwards 1979) and to more effectively address the needs of their work unit. This type of flexibility is needed for the work unit to be successful. Thus, in addition to external flexibility (i.e., the need for an HRM system to adapt and change due to changes in the environment), we advocate for internal flexibility; giving managers enough latitude to adjust formal HRM activities as they implement them. In practice, this means decoupling (Brandl et al. 2022). In policy-practice decoupling, purposeful flexibility is enabled through the interpretation of policies, and the role of the HR function is to equip managers with sufficient resources and help them recognize and realize the available flexibility they have to address efficiency, fairness, and other concerns. In means-end decoupling, policy goals are purposefully kept ambiguous to allow for the integration of several, potentially conflicting goals. As a result, the implementation of practices is allowed to vary in different environments (i.e., work units), and the HR function strengthens managers' sensitivity to different demands from the organization's environment.

5.2 | Limitations and Future Research

Our study is not without limitations. Study 1 was conducted across six companies with somewhat different compensation systems in distinct industries. Although we found that, in all organizations and contexts, managers and employees attributed problems with their compensation system to the design, administration, and implementation of the system, the organizational context, the labor market, how compensation systems are linked to other HRM activities, and their connection to firm strategy may have an impact on the *specific* problems managers and employees perceive. Although all six firms shared a common compensation system architecture, a job-based and person-based pay component, there was some variation in how the person-based component was operationalized (e.g., reliance on forced ranking in some firms but not others). These differences may have created distinct implementation challenges that our study did not fully disentangle. Future research could examine how specific design and architectural features affect attribution patterns. Further, the design, administration, and implementation problems of HRM activities in other functional areas (e.g., recruitment, selection, and training) may be different, which future research should explore.

Study 2 focused on exploring the strategies middle managers used to implement the newly developed compensation system. Our resulting theoretical framework aimed at analytical generalizability; empirical generalizability can be explored with further, large-scale field studies (Eisenhardt and Graebner 2007) where differences across organizational and structural factors may be better studied. Study 2 was conducted in a university setting characterized by high decentralization and significant independence of separate units. These features may have amplified the salience of the need for internal flexibility. Due to the quite different work units, ranging from research-oriented to consulting-oriented, and administrative to student-oriented, managers in different units likely had to adapt the centrally designed compensation system to their local contexts for the system to work. At the same time, universities provide a particularly relevant setting for post-pandemic compensation research because hybrid work arrangements have long been embedded in academic work, well before the pandemic. While the institutional features of universities limit generalizability, similar dynamics are likely to occur in other contexts, such as multinational corporations with semi-autonomous subsidiaries, professional service firms, and organizations with hybrid work designs. In these contexts, too, middle managers face competing demands from different stakeholders, such as central HR functions, senior leaders, and employees, and must navigate tensions between consistency and local adaptation. We therefore suggest that the mechanisms we identified—middle managers' identification and agency shape their implementation strategies—extend beyond the university context, while recognizing that their relative importance may vary depending on the degree of decentralization in an organization.

Future research is also needed to understand how organizational factors and characteristics of the middle managers influence their implementation strategies (e.g., championing vs. compliance) and how employees perceive the authenticity of those strategies. Research should address when a particular strategy may be effective, considering various potential outcomes (employee and middle manager retention, attitudes, and performance). We hope that our study will spur further research on the multifaceted, dynamic nature of HRM implementation (van Mierlo et al. 2018), especially "how new ideas, practices, or technologies are blended, modified, adapted, or reinvented by actors as they appropriate the same ideas in different contexts" (Trullen et al. 2020, 161), and when each strategy may be effective.

6 | Conclusion

The success of any HRM system or subsystem, such as a compensation system, is contingent upon the success of its implementation. Unfortunately, the microfoundations of the implementation process remain underexplored. Across two studies, this research reveals persistent tensions between the design, administration, and implementation of compensation systems. Middle managers play a pivotal role in navigating these tensions and employ four distinct implementation strategies—championing, compliance, appropriation, and resignation—shaped by their identification with the system and their sense of agency. The findings show that HRM implementation is not a neutral process of delivery but a contested and negotiated one. Introducing the concept of

internal flexibility, or the capacity of middle managers to adjust formal HRM practices during implementation to align them with local needs, the study highlights its importance as a critical yet overlooked factor in HRM system effectiveness. In doing so, we reposition HRM implementation as an arena where consistency and adaptation are continuously in tension, and where enabling flexibility at the middle management level may enhance—not undermine—the intended outcomes of HRM systems.

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Conflicts of Interest

The authors declare no conflicts of interest.

Data Availability Statement

Research data are not shared.

Endnotes

¹ Here, we define a “middle manager” as a position with a significant reporting relationship upward, combined with a managerial authority over a number of direct reports (Floyd and Wooldridge 1997; Mantere 2008).

² While the notion of a university department chair labeled as a “middle manager” may seem alien from a North American perspective, in the Northern European context, universities were for most of their histories a part of government, with university presidents reporting to the ministry of education. The compensation system to be implemented even reinforced this type of governance as all employees were required to have annual development discussions with their superiors, with direct implications to their salary. Therefore, while such actors might not self-identify as “middle managers” much more than their counterparts in, say, North American universities, their governance role does fit the description.

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Appendix A

Description of the Data Collection in Study 2

Time frame	Event history	Data
Stage 1: The compensation system planning and negotiations (pre-stage)		
T-1	Planning the compensation system reform	Documents describing the aims for the reform Two retrospective interviews with the persons who were involved in the negotiations over the system
Stage 2: Preparing for the compensation system reform (pre-stage)		
T0	The Ministry of Education negotiates the framework for the new compensation system with the employee unions First round of job descriptions and performance appraisals The assessment group goes through all job descriptions and standardizes the evaluations	25 interviews: – President of the university – HR manager – 13 middle-level managers – 7 employees (of the 13 middle-level managers) – 3 employee representatives Information bulletins and assessment group meeting memos
Stage 3: Compensation system reform (post-stage)		
T1 (T0 + 2 years)	First payments according to the system distributed Second round of performance appraisals and job evaluations The assessment group goes through all job descriptions and standardizes the evaluations	20 interviews: – 13 middle-level managers – 7 employees (of the 13 middle-level managers)
Stage 4: Compensation system reform completed (post-stage)		
T2 (T0 + 4 years)	Transfer period has ended (pay increases paid in full)	19 interviews: – 12 middle-level managers – 7 employees (of the 12 middle-level managers)