HR Differentiation Between Professional and Managerial Employees: Broadening and Integrating Theoretical Perspectives

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Abstract

Recent HR differentiation research has been concerned with HRM differences within job groups (such as between more and less talented managerial employees) and HRM differences between job groups of different strategic value (such as knowledge and manual workers). Less attention has been paid to HR differentiation among strategically valuable job groups. This paper reviews literature relevant to the question whether (and how) firms should differentiate their HRM systems between professional and managerial job groups. Four broad theoretical perspectives are adopted, including firm-level economic ("macro"), psychological ("micro"), institutional, and technical-feasibility perspectives. Psychological, institutional, and technical-feasibility perspectives are argued to favor a two-pronged approach, whereby professional HRM systems are nested within firm-level managerial HRM systems (while being subject to influence by field-level institutions). The economic (resource-based) perspective, by contrast, implies HR homogenization across the two job groups. Integrating the four perspectives, the paper points to potential longer-term negative effects of trends toward HR homogenization on professional skill standards and dedication to higher-order professional goals.

Keywords: HR differentiation, strategic HRM, HR architecture, HRM systems, HRM configurations, professional employees, managers, professionalism

1. Introduction

HR differentiation research is concerned with differences in HRM practices and their effects across employees within the organization. This includes the talent management literature, which studies HR differentiation *within* a given job group (such as between more and less talented managerial employees) (e.g., Collings, Scullion, & Vaiman, 2015). And it includes literature concerned with HR differentiation *across* job groups, such as managerial and professional employees (Krausert, 2014), semi-professional and clerical employees (McClean & Collins, 2011), and knowledge and manual workers (Yan, Peng, & Francesco, 2011). Literature on job-level HR differentiation has typically adopted a firm-level economic ("macro") perspective. For example, building on the resource-based view of the firm, it has examined differences in HRM effects on firm performance depending on the strategic value of the job (Becker & Huselid, 2006; Huselid & Becker, 2011; Lepak & Snell, 1999; 2002; McClean & Collins, 2011; Melián-González & Verano-Tacorante, 2004). And it has studied how the strategic value of the job affects the adoption of HRM practices (Kinnie, Hutchinson, Purcell, Rayton, & Swart, 2005; Lepak & Snell, 2002). Differences in HRM effects across job groups were also studied from a human-capital- and transaction-cost-theoretical perspective (Lepak & Snell, 1999, 2002; Williamson, 1981) and from an organizational-control-theoretical perspective (Krausert, 2014). Psychological ("micro") perspectives on job-level HR differentiation have been adopted to a lesser extent, for example examining differences in individual-level (attitudinal and behavioral) responses to HRM practices across job groups (Clinton & Guest, 2013; Kinnie et al., 2005; Yan et al., 2011). The psychology-based literature on HR differentiation also includes research concerned with injustice perceptions among employees subject to lower levels of HRM investment (Marescaux, De Winne, & Sels, 2013).

Professional employees are employees performing jobs requiring a high degree of technical specialization (such as lawyers, accountants, engineers, and medical doctors). They are distinguished from *managerial employees* in that their expertise is more defined and specialized, their education and qualification more standardized (taking place in professional qualification institutions), and in that their job requires a greater degree of autonomy (e.g., Barker, 2010; Freidson, 1986, 2001; Krausert, 2014). Professional and managerial employees both perform jobs of high strategic value to the firm (Lepak & Snell, 2002). A high strategic value of the job, however, was argued to warrant firm investments in the tailoring of HRM systems to the specific demands of the job (Becker & Huselid, 2006; Huselid & Becker, 2011). Thus, the question needs to be asked whether the demands on HRM differ and whether, consequently, firms should differentiate systems of HRM practices across these two job groups—or whether both job groups should be subject to the same HRM systems (such as a high-involvement HR system or a high-performance work system, which are commonly argued to have positive effects on firm performance in the strategic HRM literature) (e.g., Jackson, Schuler, & Jiang, 2014).

The existing HR differentiation literature contains a limited amount of theory and evidence relevant to that question. Krausert (2014) explored differences in HRM effects across the two job groups from a firm-level economic (control-theoretical) perspective, suggesting that the economic benefits of adopting high-involvement HR systems are likely to be greater if applied to managerial compared to professional jobs. Lepak and Snell (1999) likewise adopted an economic (resource-based and human-capital-/transaction-cost-theoretical) perspective. Their model linked two dimensions of the job (its strategic value and firm specificity) to the effectiveness of different HRM systems (high-involvement, productivity-oriented, and control-oriented HR systems). Their arguments are, in principle, applicable to the distinction between professional and managerial jobs, too. However, Lepak and Snell's (2002) empirical work yielded that professional jobs do not consistently map onto the proposed categories, implying that other factors may be at play, besides the two economic dimensions covered by their model. While the HR differentiation literature includes psychological perspectives on HR differentiation between knowledge and manual workers, such perspectives have not been applied to HR differentiation among different groups of knowledge workers to date (Clinton & Guest, 2013; Kinnie et al., 2005; Yan et al., 2011). Other perspectives than firm-level economic and psychological perspectives, such as institutional perspectives, have generally not found their way into the HR differentiation literature yet.

This paper reviews a wider range of literature relevant to the question whether (and how) firms should differentiate their HRM systems between professional and managerial job groups. This includes a review of the existing HR differentiation literature in HRM as well as of sociological literature concerned with professionalism and managerialism. The focus of the literature review is on theory as opposed to methodology. The literature will be discussed from four broad theoretical perspectives, including the firm-level economic ("macro") perspective, the psychological ("micro") perspective, the institutional perspective, and the technical-feasibility perspective. It will be argued that the four perspectives are systematically interrelated in that the institutional and technical-feasibility perspectives define social and technical constraints on firm-level economic choices, respectively. While the psychological perspective is argued to inform economic choices, specifying likely (attitudinal and behavioral) employee-level responses to HRM choices.

Across the four perspectives, the literature review yields different answers to the question whether (and how) firms should differentiate HRM systems across professional and managerial employees. Institutional and technical feasibility constraints as well as psychological factors are argued to favor a two-pronged approach to HRM (whereby professional HRM systems are nested within firm-level managerial HRM systems while being subject to influence by field-level institutions). By contrast, the firm-level economic perspective includes both theory implying HR differentiation (human capital / transaction cost theory) and theory implying HR homogenization across the two groups (the resource-based view of the firm).

Building on the literature review, the paper then develops an argument to suggest that the institutional perspective may relate to the economic perspective not only in that it defines constraints on firm-level HRM choices. Field-level professional institutions may potentially also serve to enable a higher standard of professional skills and dedication to higher-order professional goals, facilitating firm competitiveness in the longer term. Thus, recent trends toward firm-level HR homogenization across professional and managerial job groups may perhaps enable a greater focus on strategic goals of the firm in the near term (from a resource-based view). However, from a functionalist institutional point of view, it might also entail a risk of lower standards of professional (technical) skill, reduced dedication to higher-order professional goals, and consequent negative effects on the international competitiveness of firms in the longer term.

The integration of multiple theoretical perspectives in this paper is consistent with recent calls for a greater integration of macro and micro perspectives on HRM (Huselid & Becker, 2011; Ployhart & Hale, 2014; Wright, Coff, & Moliterno, 2014). It goes beyond such calls in that it suggests that economic and psychological perspectives will be more relevant if they are also integrated with institutional and technical-feasibility perspectives, introducing the context that affects economic choices and influences psychological responses in practice. Finally, the scope of this paper shall be limited to HR differentiation between professional and managerial employees in *heteronomous professional organizations* (such as automobile or chemical firms). The arguments are not applicable in the same way to questions of HR differentiation in *professional organizations* (such as law or auditing firms).

2. Broadening theoretical perspectives

The existing HR differentiation literature can be classified into two broad theoretical perspectives—economic (or "macro") and psychological (or "micro") perspectives. Economic perspectives on HRM are concerned with relationships between systems (or bundles) of HRM practices and unit- or firm-level outcomes, such as firm performance or employee turnover, as well as factors in- and outside the organization that mediate and moderate these relationships. Psychological perspectives on HRM are concerned with individual (attitudinal and behavioral) responses to HRM practices, including effects on outcomes such as organizational commitment, job satisfaction, intention to quit, and individual performance (as well as mediating and moderating factors).

2.1 Economic ("macro") perspectives

Within the broader category of (firm-level) economics-based research on HR differentiation, three more specific theoretical perspectives can be distinguished: the strategic value perspective (based on the resource-based view of the firm), the human-capital-/transaction-cost-theoretical perspective, and the control-theoretical perspective. First, the strategic value perspective suggests that HRM investments create a "bigger bang for the buck" if applied to strategic jobs, that is, jobs making a bigger difference for firm performance (Becker & Huselid, 2006; Huselid & Becker, 2011; Lepak & Snell, 1999). HRM investments are typically defined in terms of the extent to which *high-involvement HR practices* (or *high-performance work practices*) are adopted, from involving and team-based forms of work organization, through selective staffing and investments in employee training and development, to employment security and incentives linked to organizational performance. Research in this vein is theoretically based on the resource-based view of the firm. That is, HRM is assumed to impact on firm performance via firm competencies (rather than just the cost-related factors dealt with by the theories discussed below). There is some empirical support for the argument that performance returns on HRM investments correlate with the strategic value of the job (Lepak & Snell, 2002; Melián-González & Verano-Tacorante, 2004; McClean & Collins, 2011). This does not necessarily imply that HRM investments should be targeted at jobs of strategic value only, however. The literature also includes arguments suggesting that an extension of the resource-based logic across the organization may entail positive synergistic effects at the firm (cross-employee-group) level: The continuous honing of a homogenous HRM system to support strategic competencies across all functions of the organization may arguably facilitate the development of a shared frame of reference, knowledge exchange among functions (such as production and marketing), innovation, flexibility, and a greater focus on the strategic goals of the firm throughout the organization (where this focus may make a smaller but positive difference in some job groups and a larger difference in others) (Chadwick & Dabu, 2009; Garaus et al., 2016; Lado & Wilson, 1994).

Second, human-capital- and transaction-cost-theoretical perspectives are concerned with choices between "making" and "buying" human capital, that is, whether firms tend to recruit employees with needed skills from the labor market or whether they tend to invest more in firm-internal skills development. The argument is essentially a cost efficiency argument: HRM systems more geared toward external recruitment are arguably more efficient given generic skill requirements of the job. HRM systems more geared toward internal skills development are arguably more efficient to the extent jobs require firm-specific skills. Human capital theory suggests that investments in internal skills development—given skill requirements are generic—may be affected by a free-rider problem (other firms may poach trained employees) and a hold-up problem (trained employees are in a position to negotiate at least the going market rate for their skills). Thus, firms investing in the internal development of generic skills will arguably incur the same wage costs as firms recruiting the skills from the labor market, plus costs associated with the development of the skills (Becker, 1964; see Campbell, Coff, & Kryscynski, 2012, for a critical discussion). According to transaction cost theory, jobs demanding firm-specific skills are associated with higher transaction costs given employee turnover (in terms of recruitment, selection, socialization, training and development, and time required until new employees perform at their regular level of productivity). Thus, firms have greater incentives to invest in retention-enhancing HRM practices (such as internal staffing, internal mobility, deferred pay, job embeddedness, and procedural justice) given skills are firm specific (Hausknecht & Trevor, 2011; Williamson, 1981). On that basis, it has been argued that jobs with more firm-specific skill requirements are matched best by a high-involvement HR system (supporting internal skills development and retention) while jobs with more generic skill requirements are matched by a productivity-oriented HR system (which is more focused on recruitment and selection and eliciting productivity from employees already possessing necessary skills) (Lepak & Snell, 1999, 2002). More recently, this perspective was, in essence, also adopted by Swart and Kinnie (2013) (building on Kang and Snell, 2009, who expanded the distinction between generic and firm-specific skills into two types of intellectual capital configuration).

A third, less frequently adopted perspective is organizational control theory. This perspective is concerned with choices among three approaches to employee coordination ("control")—behavior (or process) control, output control, and clan (or input) control (Ouchi, 1977, 1979; Snell, 1992). The choice is argued to hinge on *costs of administrative information*, which, in turn, depend on the uncertainty and complexity of the task. Given low levels of task complexity, the work process can be structured—behavior/process control can be adopted relatively easily. Given low levels of task uncertainty, it is feasible to define, and evaluate the achievement of, *crystallized* output goals—output control can be adopted relatively easily. Given high task uncertainty and high task complexity, neither behavior/process nor output control is feasible. What is always feasible is input/clan control—not a form of top-down control but informal coordination among skilled and motivated employees. On that basis, Krausert (2014) categorized jobs of top managers, middle managers, and professional employees according to their task uncertainty and complexity to match them with different modes of coordination (where input/clan control was associated with a high-involvement HR system, output control with a productivity-oriented HR system, and behavior/process control with a control-oriented HR system, encompassing narrow job definitions, close monitoring, and compensation based on hourly wages).

2.2 Psychological ("micro") perspectives

Several papers within the psychology-based literature on HR differentiation have been adopting an organizational justice perspective (e.g., Björkman et al., 2013; Malik & Singh, 2014; Marescaux et al., 2013). Similar to the strategic value perspective in the economics-based literature, HR differentiation is defined in quantitative terms: The concern is with differences in the *extent* of adoption of a single, broad range of HRM practices (such as high-involvement HR or high-performance work practices)—as opposed to the adoption of "qualitatively" different

HRM systems across employee groups. The results of this research generally support that HR differentiation has negative effects on the attitudes of employee groups subject to lower levels of HRM investment (e.g., on organizational commitment) (Marescaux et al., 2013). Apart from the organizational justice perspective, research has also examined (direct) effects of HR differentiation on organizational commitment, intention to quit, and employee wellbeing (Clinton & Guest, 2013; Kinnie et al., 2005).

It can be argued that there is scope for the adoption of a wider range of psychology-based perspectives in the HR differentiation literature. For example, a psychology-based perspective that has been commonly adopted in the strategic HRM literature is social exchange theory. According to that, employees perceive certain HRM practices (such as socialization practices, investments in training and development, career opportunities in the organization, and generous pay and benefits) to be discretionary (in other words, employers are perceived to provide benefits beyond what they would have to provide in a purely market-based exchange). And this leads the employees to reciprocate by displaying discretionary attitudes and behaviors on their part (such as organizational commitment, effort, and extra-role behavior) (e.g., Blau, 1964; Kehoe & Wright, 2013). While commonly adopted in the strategic HRM literature, this perspective has barely been used in the HR differentiation literature. McClean and Collins (2011) made some references to social exchange theory, arguing that it explains HRM effects on individual performance. However, when it came to explaining their finding of differential HRM effects on company performance across job groups, they resorted to the strategic value perspective. Similarly, Ang, Bartram, McNeil, Leggat, and Stanton (2013) made (more extensive) references to social exchange theory, however, did not develop much of a theoretical argument as to why social exchange theoretical effects should differ across job groups either. Future research could, for instance, examine differences in value attributed by employees to HRM practices across job groups (such as due to differences in employment opportunities in the external labor market) and whether this leads to differences in the extent to which different employee groups reciprocate by displaying discretionary attitudes and behavior.

2.3 Technical-feasibility perspectives

The human-capital-/transaction-cost-theoretical perspective encompasses, as presented in the strategic HRM literature, two different arguments (which are sometimes confounded). One argument relates to generic, transferable skills, which can be either developed internally or recruited from the external labor market. The argument in relation to such skills is that they are more cost efficiently recruited from the external labor market than developed internally (Becker, 1964; Campbell et al., 2012). The other argument is that firm-specific skills—which, by definition, *necessarily* have to be developed internally—require greater investments to be developed, entailing that costs of turnover are higher and, consequently, that it pays for the firm to protect respective investments by embedding employees with firm-specific skills in the organization (Hausknecht & Trevor, 2011; Williamson, 1981). Generic and firm-specific skill requirements should not be viewed as ends on a continuum: The extent to which a job requires firm-specific skills is independent from the extent to which it requires generic skills (firm-specific and generic skill requirements may, potentially, be both high or both low) (Campbell et al., 2012).

It may then be argued that, to the extent a job requires generic skills, firms may make economic choices (based on cost efficiency considerations) about either recruiting these skills from the external labor market or developing them internally. By contrast, to the extent a job requires firm-specific skills, external recruitment is not a feasible option. Firms must adopt the internal development approach for reasons of technical feasibility (rather than cost efficiency). This distinction between feasibility and cost efficiency reasoning should be especially relevant when it comes to the HR differentiation debate: If some job categories of the organization require high levels of firm-specific skills while other job categories do not, the firm must necessarily adopt an HRM system supporting internal skill development for the former job categories. If the firm wanted to adopt a homogenous HRM system for the entire organization, theoretically, it would not have any options but to extend the HRM system geared toward internal skill development to all employees. Alternatively, the HRM system would need to be differentiated within the organization.

A similar argument may be made in relation to the earlier presented control-theoretical perspective on HR differentiation. Given high levels of task complexity, the argument is that firms should adopt output and/or clan modes of coordination—essentially because behavior (process) control is not feasible: High levels of task complexity imply that managers do not have a sufficiently detailed knowledge of cause-effect relations to design and monitor a highly structured work process. By contrast, given high levels of task uncertainty, the argument is that firms should adopt behavior and/or clan modes of coordination—essentially because it is not clear ex ante what kind of results will need to be delivered (output control is not feasible). Clan control is always feasible—and the only feasible option to the extent both task complexity and task uncertainty are high: Regardless of the availability of administrative information, firms can always ensure that employees are recruited, selected, trained, and developed to meet high standards of skill, that they are socialized and rewarded to ensure that they understand, and are committed to, organizational goals, and that (involving) work designs allow skilled and motivated employees to make a difference to the performance of the organization.

Again, these arguments are particularly relevant in the context of the HR differentiation debate. If an organization includes some job categories characterized by high levels of task complexity, the firm's choices with regard to modes of employee coordination should be more skewed toward output and clan control for these job categories. If the organization simultaneously employs job categories characterized by high levels of task uncertainty, the feasible choices should be more skewed toward behavior and clan control for those categories. This does not rule out a homogenous HRM system for the entire organization. However, if the HRM system is to be homogenous, the implication is that it would have to be an HRM system encompassing substantial elements of clan control.

2.4 Institutional perspectives

Apart from technical-feasibility constraints, firm-level choices of HRM systems may also be constrained by institutions, constituting "non-technological constraints on human interactions" (Greif, 1994, p. 943). Institutions can be defined as sets of formal rules (e.g., labor laws, collective agreements), informal rules or norms (e.g., industry standards), and cognitions (established ways of thinking) (DiMaggio & Powell, 1983; Scott, 1995). An example is the German apprenticeship system, which prescribes precareer vocational qualification practices via laws, informal pressures from various stakeholder groups (such as works councils, chambers of commerce, and the media), and expectations (cognitions) about appropriate practices for precareer vocational qualification (e.g., Finegold & Wagner, 2002). Companies comply with institutions to gain legitimacy, securing the good will of stakeholders they depend on, including employers and industry associations, professional associations, the media, customers, investors, financial institutions, employees, job applicants, trade unions, works councils, suppliers, and government agencies. Due to institutions, firms become more similar to one another—both as a result of deliberate compliance with norms and rules and as a result of inadvertent participation in the currents and trends of the industry (Oliver, 1991). Institutional theory distinguishes three causes of convergence (*isomorphism*) among firms: coercive isomorphism (resulting from laws and political influence), normative isomorphism (resulting from influence of professional associations, education, and qualification institutions), and mimetic isomorphism (imitation among competitors given uncertainty about the effectiveness of different practices) (Scott, 1995).

The institutional literature has also identified institutions and isomorphism in relation to HRM practices such as assessment centers (Delmestri & Walgenbach, 2009) and performance management systems (Decramer, Smolders, Vanderstraeten, & Christiaens, 2012). In the HRM (as opposed to institutional) literature, the institutional lens has been predominantly adopted to study international differences in HRM practices. In strategic HRM, it has scarcely played a role to date. Exceptions include Deephouse (1999) and Paauwe (2004), arguing that sustainable competitive advantage cannot be accomplished by solely focusing on economic goals while neglecting legitimacy concerns altogether. Firms must achieve a balance, they argued, between the optimization of their HRM practices in relation to economic goals (setting themselves apart from the competition) and maintaining legitimacy by conforming to professional and industry standards and societal expectations.

The institutional perspective should be particularly relevant for the study of HR differentiation. Institutions may be regarded as constraints on HRM practice choices (Greif, 1994). If institutions relating to HRM practices vary across job categories, this may be a factor necessitating HR differentiation. At the very least, institutional differences across job categories need to be understood and carefully managed, also and especially if the goal was to adopt a homogenous HRM system. Norms and collective beliefs about appropriate HRM practices were found to vary across job groups within the organization (Kehoe & Wright, 2013; Nishii & Wright, 2008). Differences in institutional influences across job groups stem from factors beyond the firm, such as professional organization: Sherer and Lee (2002) studied corporate law firms making changes to a long-established HRM system for lawyers during the 1980s. Their study shed light on the influence on HRM practices of various actors in the law profession, revealing a laborious process of lobbying and negotiation before established HRM practices could be altered legitimately. Wallace (1995) described how institutionalized HRM systems for lawyers are adopted and protected not only in corporate law firms but also in heteronomous professional firms, coexisting with (and shielded from) the bureaucratic systems applied to other employee groups in such firms.

Although institutional theory has played only a limited role in the strategic HRM literature to date, the strategic HRM literature was predated by another, institutionally based literature—the employment systems literature—which has been concerned with institutionalized HRM systems for different employee groups (e.g., Doeringer & Piore, 1971; Hendry, 2003; Osterman, 1987). The employment systems literature was more descriptive than the strategic HRM literature, depicting existing institutionalized employment systems and historical events that led to their institutionalization. It did also describe economic rationales for each HRM system, which, however, were not assumed to be subject to decision making at the firm level. New employment systems were argued to emerge during periods of major technological, economic, and societal change. During such periods, firms arguably experiment with alternative solutions to newly emerging technical and economic demands—until a fitting, more widely adopted system emerges, which subsequently becomes institutionalized. It was argued that newly emerged employment systems do not entirely replace previously institutionalized systems, but that they coexist in different segments of the workforce (Doeringer & Piore, 1971; Hendry, 2000; Lawrence, 1985). The relatively more recent publications in the employment systems literature distinguished five institutionalized employment systems: the professional/craft system, the unstructured market system, the industrial system, the career or internal labor market system, and the high-involvement HR system (or high-performance work system) as the most recently emerged paradigm (e.g., Hendry, 2003; Krausert, 2009; Lawrence, 1985; Osterman, 1987).

3. Integrating Perspectives on HR differentiation between professional and managerial employees

In this section, it shall be argued that HR differentiation research would benefit from a greater integration of multiple theoretical perspectives, including the four broad perspectives distinguished in the previous section. The argument is consistent with recent calls for a greater integration of macro and micro research in HRM (e.g., Ployhart & Hale, 2014; Wright, Coff, & Moliterno, 2014). It extends beyond such calls in that the argument does not only concern the integration of economic and psychological perspectives but also the integration of institutional and technical-feasibility perspectives. Firm-level economic choices of HRM practices are likely to be more effective if they are based on an understanding of the technical and institutional context, as much as they should benefit from the integration of insights of the psychology-based literature.

The section illustrates how the four perspectives may be integrated by applying them more specifically in the context of HR differentiation between professional and managerial employees. A comprehensive sociological literature on professionalism has been suggesting the organization and management of professionals is subject to influences from field-level institutions. This literature often contrasts professional employees with managerial employees as well as professionalism and managerialism as two alternative approaches to organization (Freidson, 1986; Wallace, 1995). At the same time, traditional professional practice (such as of law, accounting, medicine, and architecture) has been increasingly performed within the boundaries of large organizations (Muzio, Brock, & Suddaby, 2013; Wallace & Kay, 2008). New so-called organizational professions have emerged, including HRM, health and safety, and project management (Daudigeos, 2013; Muzio et al., 2013). Professional employees increasingly work alongside managerial (and other) employee groups in large organizations, while it was found that their approaches to organization continue to differ (Swart & Kinnie, 2013; Wallace, 1995). Both employee groups perform jobs of strategic value (Krausert, 2014; Lepak & Snell, 2002). Thus, according to the strategic value perspective, it should not be the question whether (or to what extent) firms invest in the two employee groups, but how to invest in, potentially, qualitatively differentiated HRM systems. HR differentiation between professional and managerial employees should provide a fertile and relevant ground to illustrate how the four broad perspectives might be applied.

This section will begin by explaining the distinction between professional and managerial employees. It will then, firstly, discuss technical-feasibility perspectives. Technical feasibility constraints on HRM practice choices are, by definition, immovable and, thus, define the broadest conceivable range of feasible HRM practices. Second, the section will discuss institutional perspectives. Institutions constitute nontechnical constraints on human interactions. Like technical feasibility, they define a space of feasible HRM practices. However, different from technical feasibility constraints, they do not constitute constraints that are entirely immovable. The rules, norms, and cognitions that constitute institutions are being evaded and violated at times, exceptions are being made, and they evolve and change over time (Oliver, 1991; Sherer &

Lee, 2002). Third, the subsection on psychological perspectives will discuss potential differences in employee responses to various HRM interventions across the two employee groups, conditioned by differences in technical-feasibility and institutional factors. Finally, the subsection on economic perspectives will examine economic choices in relation to HRM practices for the two employee groups, taking into account technical and institutional constraints as well as differences in attitudinal and behavioral responses across the two groups.

3.1 Distinguishing professional from managerial employees

Borrowed from sociology, the distinction between professional and managerial employees has recently also been adopted in the HRM and management literatures (Barker, 2010; Krausert, 2014). Both occupational groups perform highly skilled, complex jobs. However, they differ in the degree to which education, qualification, and skill requirements are standardized across firms, in the extent to which knowledge and skills are broad and generalist as opposed to in-depth and technically specialized, and in the career trajectories that are more likely to extend across organizations (in the case of professional employees) and more likely to proceed within the organization (in the case of managerial employees).

The sociological literature on professions is divided into two perspectives. First, according to the *functionalist perspective*, professions serve to ensure that functions important to society (such as law, accounting, engineering, or medicine) are performed to a high standard of quality (Freidson, 1986; Muzio et al., 2013). According to this perspective, characteristics of professions include the existence of a defined body of professional knowledge and skills, extensive precareer qualification, certification or licensing requirements, the regulation of professional qualification and certification/licensing by a professional association, autonomy of professionals in the application of professional knowledge and skills, and control over professional work via professional values and peer monitoring as opposed to bureaucratic systems of control (Muzio et al., 2013; Saporta & Farjoun, 2003; Wallace & Kay, 2008). By contrast, second, the *conflict-based perspective* on professions is concerned with collective organization among professional employees. According to that perspective, professions serve to give their members control over the professional labor supply (via control over qualification and certification/licensing procedures) and, ultimately, power over consumers of professional services and other occupational groups in the struggle for resources (Freidson, 2001; Kleiner & Krueger, 2010). This includes struggles within organizations in which professions seek “control over specific spaces, tasks, and processes within their employing organizations” (Muzio et al., 2013, p. 710).

The literature on professions often distinguishes professional employees from managerial employees (or administrators) (Barker, 2010; Saporta & Farjoun, 2003). The function of managerial employees is to allocate resources so as to support the goals of the organization and its governing board (Freidson, 1986; Krausert, 2009). Their expertise is less defined, allowing for various educational backgrounds and qualifications. Their expertise also tends to be broader, more generalist, and more firm specific: To perform their roles, they need to develop a comprehensive understanding of the specific products, services, structures, processes, routines, culture, networks, and politics of an organization (Krausert, 2014). Given the greater firm specificity of their expertise, their career opportunities are more likely to be within an organization (Kinnie et al., 2005; Saporta & Farjoun, 2003). Managers are regarded “organizational guardians” and “prototypical organization members” (Hekman, Steensma, Bigley, & Hereford, 2009, p. 1326). They represent organizational goals vis-à-vis professional employees, such as efficiency and profitability, whereas professional employees, ideal-typically, are more concerned with the higher-order goals associated with their professionalism, such as health, justice, or truth (Freidson, 2001). Goals of professions and organizations (as well as goals of professionals and managers) were argued to be, at least partially, in conflict (Aranya & Ferris, 1984; Carrington, Johansson, Johed, & Őhman, 2013; Hekman et al., 2009).

The distinction between managerial and professional employees is not always clear cut. Gouldner (1957, 1958) distinguished between local and cosmopolitan role orientations, where professionals are more embedded in their specific organization given a local role orientation while the focus of their identification is more on the profession (beyond specific employing organizations) given a cosmopolitan orientation. Another type of professional at the intersection of professionalism and managerialism is the principal (or boundary-spanning professional)—a senior professional who represents professional interests vis-à-vis the employing organization (Freidson, 1986; Kohli & Kettinger, 2004). The principal is still a professional and considered *primus inter pares,* that is, speaking on behalf of professional interests in a flat professional hierarchy. This contrasts with the former professional who has become a manager. This person is no longer treated as a member of the profession and may even be seen to have betrayed professional ideals by changing sides and by developing the type of generalist skills that enable control over resources rather than the pursuit of higher-order professional goals (Hekman et al., 2009; Larson, 1977). Finally, it is being debated to what extent professional employees in large organizations have become subject to the same pressures and management approaches as other employee groups. In professional organizations (law firms), it was found that the traditional ideals of professionalism are most likely to apply to partners and solo practitioners and, to a lesser degree, to associates (employed lawyers) (Wallace & Kay, 2008). In heteronomous professional organizations, it was found that (law) professionals manage to separate their department organizationally from the rest of the organization, enabling them to adhere to professional principles while adapting them, to some extent, to the (bureaucratic) organizing principles of the employing organization (Wallace, 1995).

3.2 Technical-feasibility perspectives

The standardization of education, qualification, and knowledge and skills across firms is a central defining characteristic of professionalism, enabling certification or licensing at the occupational level (securing high standards of professional service quality, from a functionalist perspective) as well as collective organization (enabling professional control over the professional skill supply, from a conflict-based perspective) (Freidson, 2001; Muzio et al., 2013). It might potentially be argued that this standardization is, in some professions, the result of social conventions and collective action, rather than the result of technical constraints: The enactment, enforcement of, and compliance with laws (or accounting rules) might be argued to be the result of social action—and, thus, a phenomenon in the realm of institutions—while it would be less debatable to refer to the "laws" of engineering as technical constraints. Nevertheless, from an HRM perspective, it will hopefully be acceptable to treat the standardization and general applicability of laws and accounting rules (as well as laws of engineering) as a given. In other words, it shall be assumed that firms are not in a position to develop their own, firm-specific approach to law or accounting and that knowledge and skill requirements are generic (defined by the technicalities of law, accounting, or engineering). This does not preclude that professional employees must also develop *some* firm-specific knowledge, such as of products, services, and social connections in a firm. Despite that, the assumption that firm-specific skills are relatively less critical for professional jobs is common in the literature (e.g., Barker, 2010; Krausert, 2014).

This contrasts with managerial jobs, which require knowledge and skills having to do less with the technicalities of one particular function and more with the integration of different functions in the structures, processes, and routines of the firm, so as to facilitate a viable and differentiated business strategy (Drucker, 1977; Freidson, 2001; Krausert, 2009). These structures, processes, and routines differ from firm to firm, driven by the (unique) value propositions made by firms in their product markets (Boudreau & Lawler, 2014; Jackson et al., 2014). They also differ because they are path dependent and, thus, contingent on the unique histories of firms (Barney & Wright, 1998; Wright, McMahan, & McWilliams, 1994). Thus, the function of managers can be defined as obtaining, allocating, and utilizing resources so as to balance the interests of the stakeholders of the firm—against the backdrop of its unique market and historical context (see also Freidson, 2001). To be able to perform their roles, managers need to undergo an extensive firm-specific development process, learning about the products, services, structures, processes, routines, culture, and social landscape across different parts of their organization (Conner, 2000; Drucker, 1977; Karaevli, 2007). Career trajectories across firms have become more common among managerial employees, too (typical targets for external staffing of managerial positions range from 10 to 20 percent in large corporations today, while they used to range from 5 to 10 percent 20 years ago). At the same time, research has yielded that external staffing of management positions is associated with relatively high failure rates (Hamori & Kakarika, 2009). All in all, knowledge and skill requirements can be seen to be, in general, more firm specific for managerial compared to professional jobs (Barker, 2010; Krausert, 2014).

Interpreting human capital theory from a technical-feasibility perspective, it may then be argued that the space of feasible options should be more constrained for managerial than professional jobs as far as choices between "making" and "buying" needed human capital are concerned. While firms may staff a certain percentage of managerial positions externally, an HRM strategy relying predominantly on external sourcing of managerial talent, with substantial levels of employee turnover, would be less feasible. By contrast, from a technical feasibility standpoint alone, one might argue that, for professional job categories, both a strategy relying to a larger extent on external sourcing and a strategy focused more on internal development would be feasible.

Technical feasibility constraints were earlier also associated with task complexity and task uncertainty. Besides choices between making and buying human capital, it was argued that choices among different modes of employee coordination (behavior, output, and clan control) represent a second pivot around which the design of HRM systems revolves (Krausert, 2014). Descriptions in the literature of coordination systems for professional employees correspond to the notion of clan control—where the clan of professional employees is seen to be the profession rather than employing organization (Kohli & Kettinger, 2004; Leicht & Fennel, 2001). They develop their professional identity, values, and behavioral norms at the outset of their career (besides their professional knowledge and skills) via professional qualification institutions (Freidson, 1986, 2001). The ensuing commitment to their profession (to the "professional clan") has been argued to last for a lifetime, while employing organizations are changed relatively frequently. Commitment to the employing organization is arguably more temporary and less deep than commitment to the profession (Aranya & Ferris, 1984; Leicht & Fennel, 2001). Where professional employees are employed in heteronomous professional organizations, professional clans were found to be nested within the bureaucracy (or firm-level clan) of the employing organization (Wallace, 1995). According to the functionalist perspective on professionalism, this should enable professional employees to exercise professional judgment and authority as well as dedication to higher-order professional goals—to some extent shielded from the influence of (e.g., commercial) goals of the employing organization, networks of interest and influence among its various constituent groups, and processes and routines driven by issues of control over resources (Gunz & Gunz, 2007; Wallace, 1995; Wallace & Kay, 2008).

Besides clan control, research has also revealed practices consistent with the notion of output control, that is, assessments and rewards of professionals based on performance results such as billable hours of lawyers (Wallace & Kay, 2008) and commission pay of financial advisors (Jorgenson & Becker, 2015). Increasing commercial pressures on professionals are regularly discussed as threats to professional autonomy (e.g., Carrington et al., 2013). Especially where targets are imposed on professionals by nonprofessional managers, they were found to meet the resistance of professionals. By contrast, if introduced from within the profession (and, thus, accepted by professionals), the available research suggests that a degree of output control may be technically feasible (Kohli & Kettinger, 2004). Feasibility of output control (besides clan control) is also consistent with research finding that professional employees are subject to either productivity-oriented HRM systems (revolving around output control) or high-involvement HR systems (revolving around clan control) (Swart & Kinnie, 2013).

In the literature on professionalism, practices associated with professional employees (and professionalism) are often contrasted with practices associated with managers (and "managerialism"). Managerialism is associated with bureaucracy (e.g., Freidson, 2001; Wallace & Kay, 2008). In control-theoretical terms, the notion of bureaucracy corresponds to behavior control, whereby work processes are made predictable and replicable through explicit prescription (and monitoring) of behavioral standards. According to control theory, behavior control requires a low level of task complexity to be feasible (Ouchi, 1977, 1979; Snell, 1992).

Elsewhere, research studying the management function has been emphasizing the unpredictability and fluidity of managerial tasks—implying task uncertainty (Raes, Heijltjes, Glunk, & Roe, 2011; Wooldridge, Schmid, & Floyd, 2008). To the extent management tasks are uncertain, output control should be less feasible. Thus, in the triangle of feasible modes of coordination, managerial employees should be more biased toward behavior and clan control—in contrast to professional employees, who should be more biased toward clan and output control. That managerial employees are no longer just subject to bureaucracy as a form of control is consistent with the management literature, reporting extensive discretion of managers in relation to the tasks they attend to (Gibson & Birkinshaw, 2004; Tengblad, 2006). Recent research has yielded that bureaucratic principles of organizing do still play a role, even though to a lesser extent than clan-based principles (Boudreau & Lawler, 2014).

A final proposition from a technical-feasibility perspective relates to the locus of the clan either at the occupational or organizational level. Traditionally, the professional employee's clan has been argued to be the profession, extending beyond a single employing organization (Saporta & Farjoun, 2003; Wallace & Kay, 2008). Professional values, norms, knowledge, and skills are arguably governed at the level of the profession (Daudigeos, 2013; Gunz & Gunz, 2007; Muzio et al., 2013). At the same time, it was argued that professionals differ in the extent to which they identify with their profession versus employing organization, some becoming more embedded in the employing organization ("locals") while others behave more consistently with the ideal-typical professional model ("cosmopolitans") (Gouldner, 1957, 1958). Differences also exist across firms, where the professional department is more embedded in, and assimilated with, organization-level structures in some firms than others (Swart & Kinnie, 2013; Wallace, 1995). Finally, research found that professional employees may be simultaneously committed to both their employing organization and their profession (Aranya & Ferris, 1984). Overall, the research is consistent with the argument that, from a technical-feasibility perspective, professionals may identify with the "clan" at the organizational level, at the occupational level, or both.

By contrast, with respect to managerial employees, it can be argued that employee coordination via a clan at the occupational rather than organizational level should not be feasible. Attempts at collective organization among managers have remained sporadic and unsuccessful (Snape & Bamber, 1989). The educational backgrounds of managers remain manifold, despite the rise of the business school (Barker, 2010). Top managers (as opposed to the broader class of middle managers) have been argued to be part of a social elite, which, however, encompasses not only top managers but also members of other occupations. The purpose of such elite networks is arguably not to define and develop occupational values, standards, and skills but to protect the interests of its members (Freidson, 1986, 2001; McDonald & Westphal, 2011; Stern & Westphal, 2010). Thus, the space of feasible HRM practices should, again, be more limited for managers compared to professional employees: Governance of skills and behavioral standards through an occupational-level clan can be argued to be an option in the case of professional but not managerial employees. Coordination via organizational level clans should be technically feasible for both groups (see Table 1).

Insert Table 1 about here

3.3 Institutional perspectives

Professions have been argued to be governed by *field-level institutions*—formal rules specifying qualification, certification, and licensing requirements, codes of ethics, as well as norms and cognitions in relation to a range of professional practices, including practices in the realm of HRM (Muzio et al., 2013; Saporta & Farjoun, 2003). These field-level institutions have been argued to ensure the consistent provision of services that are critical for the effective functioning of society (from a functionalist point of view) (e.g., Gunz & Gunz, 2007; Wallace & Kay, 2008). And they have been argued to serve the goal of occupational closure, enabling the profession to control access to the professional labor market (from a conflict-based perspective) (Kohli & Kettinger, 2004; Muzio et al., 2013). Professional institutions arguably emerged from historical conflicts among occupational groups, representing settlements of these conflicts (which reflect the relative powers of the occupational groups) (Hendry, 2003; Kohli & Kettinger, 2004; Muzio et al., 2013; Schotter, 1981). While professional institutions may, at some point in time, have been the result of purposive action (to ensure quality of services and/or to settle conflicts of interest), once established, they can work at either a conscious or, often, a subconscious level: Individual actors often follow the prevailing institutional logic in a habitual manner rather than as a result of rational choice (Doeringer & Piore, 1971; Lawrence, 1985; March, 1994; Oliver, 1991).

Thus, if professional, field-level institutions extend to HRM practices for professional employees, they may constitute a constraint on HRM practice choices at the firm level. This constraint should be less immovable than technical feasibility constraints: Oliver (1991) proposed a range of potential responses of firms in relation to institutions, including acquiescence, compromise, avoidance, defiance, and manipulation. On the other hand, there is evidence to suggest that the compliance of a firm with professional institutions relates positively to the organizational commitment of, and negatively to fluctuation among, its professional employees (Aranya & Ferris, 1984; Jorgenson & Becker, 2015). Noncompliance by an organization with professional institutions was found to invoke resistance among professional employees, which may render efforts to introduce nonprofessional (illegitimate) HRM practices futile (Hendry, 2003; Kohli & Kettinger, 2004; Wallace, 1995). The strength of professional institutions varies between professions that are considered strong professions (such as law) and professions considered to be weak (such as engineering) (Freidson, 2001). It is conceivable that the degree to which professional institutions constrain firm-level HRM choices varies correspondingly.

So what types of HRM practices are considered to be legitimate by professional employees? The literature regularly mentions four HRM practice areas that are distinct for professionals, relating to (1) professional qualification and development, (2) selection, assessment, and rewards, (3) task autonomy, and (4) inter-firm mobility. First, knowledge and skills required to perform professional work are, to a large extent, acquired at the outset of the professional career, via professional qualification institutions (e.g., Swart & Kinnie, 2013). Professional qualification institutions encompass, besides universities and professional schools (such as law schools), also practical training elements conducted within the boundaries of a professional organization (such as a law firm). In other words, these practical elements are subject to rules and norms governed at the field level (Freidson, 2001; Jorgenson & Becker, 2015). The argument also extends to continuing development activities (such as mentoring) taking place subsequent to the initial (precareer) qualification of the professional employee (Aranya & Ferris, 1984; Jorgenson & Becker, 2015). Professional control over qualification and development practices implies that firm-level choices on training and development practices are relatively limited. It also implies that the profession exercises control over how work is performed, given that the knowledge and skills of employees are a central influence on their behavior at work (Jackson et al., 2014).

Second, professional institutions demand professional autonomy when it comes to the selection, assessment, and rewarding of professional employees (Wallace, 1995). The deep specialization of professional work arguably renders evaluation of professional knowledge, skills, and performance by managers infeasible and illegitimate. Consequently, selection, assessment, promotion, and reward decisions need to be made within the network of professional employees, based on professional credentials, technical competence, and quantified performance outputs (Kohli & Kettinger, 2004; Swart & Kinnie, 2013; Wallace, 1995). Recent research suggests that, besides the traditional technical competence and tangible output criteria, professional credentialing has become increasingly concerned with collegiality (Lindberg & Rantatalo, 2015).

Third, professional institutions demand autonomy, too, when it comes to the performance of professional work. Professionals are expected to have high levels of task autonomy. Professional hierarchies tend to be flat (based on technical expertise rather than seniority) (Wallace, 1995). Coordination among professional employees is, traditionally, accomplished informally (through clan control) rather than formal goal setting or formal definition of work processes (Kohli & Kettinger, 2004). In that context, professional identity and network ties among professionals in- and outside the organization are considered further elements of professional HRM systems (Hendry, 2003; Wallace, 1995).

Finally, a fourth distinctive characteristic of professional HRM systems is relatively high levels of job mobility. Career progress is more likely sought by changing employers, rather than vertical movement within the organization (Hendry, 2003; Krausert, 2014; Wallace, 1995). Vertical movement within the organization is associated with a move into an administrative position, which is considered to be a move away from professional work and associated with a lower status in the professional value system (Saporta & Farjoun, 2003; Wallace, 1995).

While the literature includes plenty of material on institutional influences on HRM practices for professional employees, there is less material on institutional influences on HRM practices for managers. Given the absence of formal collective organization among managers, HRM practices are not as much constrained by formal rules (such as qualification and licensing requirements) (Barker, 2010). However, theoretically, HRM practices might be subject to influence by informal institutions, that is, norms and cognitions about what would constitute acceptable practices. The literature on professionalism often contrasts the professional with the bureaucratic system (which is associated with managers). Bureaucracies are hierarchical, hierarchy is tied to the employee's position and seniority, and tasks and roles are formally prescribed for every position in the hierarchy (Freidson, 2001; Wallace, 1995). In the employment systems literature, the notion of bureaucracy corresponds to the career HRM system (or internal labor market system) (Hendry, 2003; Lawrence, 1985). Apart from internal job ladders (that are linked to the organizational hierarchy), seniority-based progression, and narrow job definitions, this system has also been associated with firm-specific training and development and employment security. Commonly applied to white-collar, semi-professional employees with a college education during the economic growth period following World War II, the career HRM system came under competitive pressure during the 1980s, at which point firms started to experiment with the high-involvement HR system (Hendry, 2003; Lawrence, 1985). Since, firms have been adopting HRM practices spanning the range from career HRM to high-involvement HR systems (Boudreau & Lawler, 2014; Lawrence, 1985; Lepak et al., 2006; Swart & Kinnie, 2013). This suggests that institutional pressures to adopt one particular configuration of HRM practices are likely to be weaker when it comes to managerial employees. A broader range of HRM practices associated with career HRM and high-involvement HR systems appears to be legitimate.

The main arguments of this subsection are summarized in Table 1 above. HRM practices for professional employees are influenced by field-level institutions that are likely to be stronger compared to managerial employees. At the same time, professional employees have increasingly been under pressure to become subject to greater managerial controls and, thus, to HRM practices resembling those that managerial employees are exposed to (Kohli & Kettinger, 2004; Wallace, 1995). This raises some interesting questions, which might be addressed by future research. For example, will greater exposure of professional employees to HRM practices devised at the firm level imply a weakening of field-level institutions? If field-level institutions, from a functionalist perspective, serve to protect high professional standards, could HR homogenization at the firm level have the effect of lowering professional standards at the societal level in the longer term (while, potentially, serving to help individual firms to gain temporary financial and operational advantages in the near term)? Could it affect the provision of disinterested professional advice (guided by higher-order professional goals), which used to be, to some extent, shielded from the employing organization's bureaucracy (and the organizational objectives it is geared to)? If activities of organizational members (such as managers) are to a greater extent coordinated through clan-like networks of social influence (rather than bureaucracy), can and should the provision of professional advice be shielded from networks of social influence that are geared toward organizational goals (as well as, arguably, opportunism among network members)? Will professional employees need to spend more time on the development of the type of generalist skills associated with control over resources and could this affect standards of professional skill in the longer term? Or, alternatively, from a conflict-based perspective, might HR homogenization at the firm level result in the breaking down of occupational barriers established by occupational interest groups, primarily serving material interests of occupational members, while they do not actually serve the quality of professional service provision? Could reduced professional power entail professional careers becoming less attractive, affecting the quality of the professional labor supply in the longer term? More systematic research would be needed to address such questions, so as to ensure that current efforts of HR homogenization at the firm level are not simply the result of managerial employees wanting to "colonize" employee groups that have maintained a degree of autonomy to date (with a limited understanding of the system they are seeking to replace and of the wider implications of its replacement).

3.4 Psychological perspectives

A psychological perspective on HR differentiation between professional and managerial employees could examine differences in individual-level responses to HRM practices between the two employee groups. A commonly adopted psychological perspective in the strategic HRM literature is social exchange theory. According to this perspective, HRM practices such as the ones associated with high-involvement HR systems are perceived as discretionary benefits by employees, leading them to reciprocate by displaying positive attitudes and discretionary behaviors, for example organizational commitment and extra-role behaviors (Blau, 1964; Hom et al., 2009; Shaw, Dineen, Fang, & Vellela, 2009).

This type of effect might then, potentially, vary between professional and managerial employees for the following reasons. First, it is conceivable that professional employees attach less value to respective HRM practices than managerial employees and that reciprocating behavior is, consequently, more limited, too (Belmi & Pfeffer, 2015). HRM practices that are argued to trigger reciprocative behavior include training and development opportunities, career opportunities within the organization, employment security, work-life balance, and benefits. Incorporating the earlier theoretical perspectives, it might be argued that the careers of professionals are less dependent on training, development, and career opportunities provided at the discretion of an employing organization (Bridges & Villemez, 1991). A relatively large part of the knowledge and skills they need is acquired at the outset of their career via professional institutions and, subsequently, developed continuously through the practice of professional work (Freidson, 2001). By contrast, managerial employees depend more on the opportunities provided to them by their employer to become managers in the first place and to then progress in their career (Kinnie et al., 2005; Kotter, 1982). Firm-internal career opportunities were found to be a significant predictor of organizational commitment for managerial but not professional employees (Kinnie et al., 2005).

Apart from training, development, and career opportunities, it might be argued that professional employees are also likely to attribute less value to employment security than managerial employees: The earlier described institutionalized HRM system for professional employees is geared toward facilitating mobility, enabling professional employees to take advantage of the demand for their services in the labor market (Freidson, 1986; Kleiner & Krueger, 2010; Pagliero, 2010). Research has found that the average tenure of professional employees is shorter than that of managerial employees (Doogan, 2001). Professional employees were found to attach less value to employment security compared to the opportunity to perform professionally interesting work (Barker, 2010; Mroczkowski & Pope, 1987). And it was found that employment changes are associated with slower career progress for managers—

which is consistent with the notion that managers should attach value not just to firm-internal career opportunities but also to employment security (Hamori & Kakarika, 2009).

Second, apart from differences in the value attached to HRM practices, it is conceivable that perceived needs to reciprocate at a given level of perceived benefit—reciprocity norms—differ between professional and managerial employees, too. Reciprocity norms vary across individuals and settings. For example, levels of reciprocal behavior were found to be lower if the recipient of benefits perceived instrumental motives of the donor (Belmi & Pfeffer, 2015; Gouldner, 1960), given injustice perceptions (Glomb & Liao, 2003), perceptions of income inequality (Gouldner, 1960; Inesi, Gruenfeld, & Galinski, 2012), and out-group membership of the donor (Masuda, 2012). Kohli and Kettinger (2004) reported in-group perceptions among medical doctors in a hospital, distancing themselves from the hospital management as the out-group. More generally, it was argued that the professional's primary target of identification (the in-group) tends to be the profession rather than the employing organization (Aranya & Ferris, 1984; Leicht & Fennel, 2001). Managers, by contrast, have been regarded prototypical organization members and, thus, are more likely to see themselves as part of the same in-group as those administering valued HRM practices (Hekman et al., 2009)—which should relate positively to the strength of reciprocity norms (Masuda, 2012). Additionally, reciprocity norms of professional employees might, conceivably, be affected by income discrepancies between them and managers (Gouldner, 1960). Moreover, there is some evidence of cynical attitudes among nonmanagerial employees toward their organizations' HRM practices and the management rhetoric that comes with it (Beale & Mustchin, 2014). This could indicate that these employees are attributing instrumental motives to their organization's HRM practices, which may potentially affect reciprocity norms (Belmi & Pfeffer, 2015). Hence, it is a possibility (which needs to be further investigated by future research) that managers perceive HRM practices as discretionary benefits provided by in-group members (requiring reciprocation) while professional employees not only attach—relatively—less value to the HRM practices but also perceive less of an obligation to reciprocate. The argument is consistent with research finding a weaker relationship between promotions (as an HR-related benefit) and quit ratios for professional employees compared to other employee groups (Saporta & Farjoun, 2003).

3.5 Economic perspectives

The arguments presented up to this point suggest that technical and institutional constraints as well as attitudinal and behavioral responses to HRM practices would favor a two-pronged approach to HRM for managerial and professional employees in heteronomous professional organizations. On the one hand, firm-specific skill requirements necessitate firm investments in training, development, and career paths for managerial employees (Becker, 1964). Given employee turnover is, as a result, associated with high transaction costs, investments in careful selection and retention-enhancing HRM practices (e.g., socialization, grievance procedures, and group-based pay) are likely to be associated with particularly high payoffs (Hausknecht & Trevor, 2011; Williamson, 1981). Given high levels of task uncertainty (limiting the effectiveness of output control), employee coordination must rely on behavior control (bureaucracy) and/or (to the extent task complexity is high) clan control (investments in organizational commitment, knowledge, skills, and ability, and involving work designs) (Krausert, 2014; Ouchi, 1977, 1979). Institutional pressures are likely to be relatively weak, where different versions of career HRM systems (bureaucracies), high-involvement HR systems (revolving around clan control), and high-performance work systems (combinations of elements of bureaucracy and clan control) all appear to be legitimate (Boudreau & Lawler, 2014;

Lawrence, 1985). Firm investments in respective HRM practices are likely to elicit positive attitudinal and behavioral responses given employees are dependent on opportunities provided by their employers to become, and progress as, managers (Blau, 1964; Hamori & Kakarika, 2009; Kinnie et al., 2005).

On the other hand, when it comes to professional jobs, human capital theory would suggest that largely generic human capital requirements render external sourcing of needed skills more efficient (Becker, 1964). Transaction cost theory would suggest relatively lower payoffs from investments in careful selection and retention-enhancing HRM practices given relatively low transaction costs associated with external recruitment of generic human capital (Hausknecht & Trevor, 2011; Williamson, 1981). Control theory would suggest that, given lower task uncertainty, output control will be more feasible (compared to managerial jobs)—the range of feasible options for employee coordination should be more biased toward output and clan control (Ouchi, 1977, 1979). The range of feasible options also includes clan control at the occupational level, in addition to organizational-level clan control. The institutional perspective suggests that the path of least resistance would be the nesting of the occupational-level clan within the control system of the employing organization (bureaucracy and/or organizational-level clan), whereby the management of the organization would give professional employees autonomy to manage their function in line with professional institutions (Wallace, 1995). Institutional influences have been argued to vary between what are considered strong professions (such as law or medicine) and weak professions (such as engineering or financial advising) (Freidson, 2001). Managers of the employing organization should have more leeway to integrate professional employees into the organizational bureaucracy or clan given weaker forms of professionalism. Finally, the psychological (social-exchange-theoretical) perspective—taking into account technical-feasibility and institutional context—has yielded, too, that professional employees are likely to respond most positively to HRM practices consistent with professional institutions while their integration in systems controlled at the organizational level may trigger resistance (Kohli & Kettinger, 2004).

A two-pronged approach to HRM for professional and managerial employees may be seen to be conflicting with another economic perspective that has been influential in the strategic HRM literature since the 1990s—the resource-based view of the firm (Barney, 1991; Barney & Wright, 1998). The gist of it is that firms will arguably benefit from the continuous honing of a firm-specific HRM system, building on historically developed strengths and supporting their core competencies in unique ways (Barney & Wright, 1998; Lado & Wilson, 1994). A unique (firm-specific) fit of a firm's HRM system with other types of resources and its core competencies is argued to result in competitive advantage that is inimitable and, therefore, sustainable (Barney & Wright, 1998; Chadwick & Dabu, 2009). Some argue that a resource-based logic should be applied in particular to jobs of high strategic value (Becker & Huselid, 2006). However, it is also often suggested that firm performance will benefit if the resource-based logic is extended across the entire organization, gearing all functions of the firm to the core competencies and strategic goals of the firm (Chadwick & Dabu, 2009). The consistent application of a firm-specific HRM system across the organization has been argued to enable a shared frame of reference, consequently greater knowledge exchange across functional areas (such as R&D and marketing), continuous innovation, cross-functional flexibility, and responsiveness to market changes (Garaus et al., 2016).

The degree to which professional functions are integrated in the organizational-level HRM system might conceivably vary across professional functions depending on how central they are to the firm's strategic differentiation (i.e., on their strategic value). For example, R&D engineers might be more central to the unique market positioning of luxury car manufacturers than accountants, lawyers, and experts in information technology. Consequently, such firms might invest more in the development of firm-internal competencies related to R&D engineering while relying to a greater degree on field-level institutions for the performance of accounting, legal, and information technology functions (see Matusik & Hill, 1998; Saxenian, 1990). A greater organizational integration of the R&D engineering function in a luxury car manufacturing firm might also be facilitated by relatively weaker institutional pressures associated with the engineering profession compared to other, stronger professions (Freidson, 2001). On the other hand, it was found that professional employees may become subsumed in organizational-level clans even if they are members of a strong profession and even if they are not central to the unique competitive positioning of their firm (Gunz & Gunz, 2007).

By and large, the evidence suggests that pressures on professional functions to become incorporated in the HRM system of the employing organization have been growing (Muzio et al., 2013; Wallace, 1995; Wallace & Kay, 2008). Although perhaps logical from an (isolated) resource-based perspective, the integrated theoretical perspective of this paper points to potential costs of such trends toward firm-level HR homogenization. Potential costs include transaction costs (given relatively high levels of professional employee turnover) and costs of overcoming professional resistance to integration (Jorgenson & Becker, 2015; Kohli & Kettinger, 2004; Wallace, 1995). Positive social exchange theoretical effects of high-involvement HR systems may potentially be smaller for professional employees.

Potential negative consequences of firm-level HR homogenization across professional and managerial job groups might also be derived from the functionalist institutional perspective on professionalism. Two kinds of effect are conceivable (and could be examined by future research). First, it is conceivable that reduced adherence to professional training and qualification institutions in heteronomous professional organizations could result in reduced standards of professional skill in the longer term. Investments in training and qualification tend to relate to firm-specific knowledge and skills if sponsored by the employing firm (Cutler, 1992; Finegold & Soskice, 1988; Grugulis & Vincent, 2009). Professional institutions require investments in transferable skills—including during precareer qualification at universities, professional schools, and practical qualification elements at employing organizations and at later career stages (for example in terms of professional mentoring, ongoing professional qualification and training, certification, and opportunity to practice professionally relevant work) (e.g., Jorgenson & Becker, 2015). Given that, from a functionalist institutional perspective, professional institutions have been argued to be a guarantor of consistent, high levels of professional skill, it needs to be asked if greater firm specificity and, consequently, less consistency of ongoing professional training and qualification activities could result in a lowering of professional standards across organizations. From a human-capital-theoretical perspective, firms might not invest enough in skills that would be valuable but transferable (Becker, 1964; Finegold & Soskice, 1988; Grugulis & Vincent, 2009). Apart from the distinction between generic and firm-specific skills, the literature suggests that, if left up to firms, investments in training and qualification generally tend to remain below levels that would be conducive to firm performance in the longer term due to near-term performance pressures (Krausert, forthcoming; Souder & Bromiley, 2012). Thus, if training and qualification investments made at the firm level are generally too low and inconsistent across organizations, professionalism might be interpreted as a mechanism supportive of a higher and more consistent level of human capital investment across firms in the US. Future research should explore such arguments, including how effective professionalism has been in securing consistently high levels of professional skill across organizations.

Second, besides the consistency and levels of professional knowledge and skill, firm-level HR homogenization across professional and managerial job groups might also affect dedication to higher-order professional goals. The functionalist institutional perspective suggests that the nesting of professional systems within the bureaucratic/clan systems of the employing organizations may also allow professional employees to not become fully immersed in structures, processes, routines, and politics that are geared toward organizational rather than higher-order professional goals (Wallace, 1995; Wallace & Kay, 2008). Bureaucratic and clan systems of control geared toward (commercial) goals of employing organizations have been associated with the opportunistic pursuit of private outcomes by individual members of the organization, which has been argued to impede dedication to higher-order professional goals (e.g., Gunz & Gunz, 2007). Thus, a degree of organizational separation between professional and managerial employees, manifested in HR differentiation, might potentially serve professional service quality also via dedication to professional goals, in addition to professional skill standards. Future research could examine the relationship between HR differentiation and dedication to higher-order professional goals, effects of dedication to higher-order professional goals on professional service quality, whether they are moderated by the firm-level HRM system (e.g., bureaucracy versus clan) and by the extent of professional integration in the firm-level system, and whether effects and moderating effects differ across professions and firms (e.g., depending on the strategic importance of the professional function to the firm).

4. Conclusion

This paper has outlined research opportunities in relation to HR differentiation between professional and managerial jobs in heteronomous professional organizations. Previous research examined differences in effects of high-involvement HR systems between these two job groups, adopting an economic (control-theoretical) perspective (Krausert, 2014). At a more abstract level, the existing literature also encompasses theory and empirical evidence on economic effects of high-involvement, productivity-oriented, and control-oriented HR systems across broader job categories, adopting an integrated human-capital-/transaction-cost-theoretical and strategic value perspective (Lepak & Snell, 1999, 2002). The current paper adds to such literature by exploring HR differentiation between professional and managerial jobs from four broad theoretical perspectives, including not only economic but also psychological, institutional, and technical-feasibility perspectives. Additionally, the paper has integrated a stream of literature on professionalism as well as various research studying the management function across those four perspectives. The literature on professionalism has, to some extent, already been exploring HR-related differences between professional and managerial employees (e.g., Freidson, 2001; Wallace, 1995). However, it has generally been providing more detail on HRM practices for professional than for managerial employees. And its theoretical perspective has been exclusively institutionalist. An integration of literature across these four broad theoretical perspectives represents an expansion on recent calls for a greater integration of macro and micro perspectives on HRM (Ployhart & Hale, 2014; Wright et al., 2014). The paper has illustrated how research would benefit from an integration of perspectives beyond just economic and psychological perspectives to also include perspectives that help define technical and social constraints on HRM, introducing the context that influences attitudinal and behavioral responses of employees as well as the firm-level economics of HRM in practice.

The paper should help advance the practical relevance of the HR differentiation literature. The arguments that were developed in relation to two specific and common job groups (see Table 1) should be both more easily testable and applicable in more immediate ways compared to previous approaches which have been characterizing job groups in more abstract terms. A discussion of firm-level economic choices within the context of technical-feasibility and institutional influences should render the theory more realistic and, thus, practically relevant, compared to discussions of economic choices devoid of context. The inclusion of the institutional perspective (as an otherwise less commonly adopted "bigger picture" perspective) has further drawn attention to potential consequences of HRM practice choices that have previously remained beyond the horizon of firm-level economic perspectives: Integrating the functionalist institutional perspective with the resource-based view, it was argued that recent trends toward firm-level HR homogenization, while perhaps increasing financial and operational performance in the near term, may potentially be associated with longer term risks in terms of reduced levels of professional skill and reduced dedication to higher-order professional goals.

This paper was specifically concerned with HR differentiation at the job-group level within the firm, that is, between regularly employed managerial and professional employees. It was not concerned with HRM systems of professional contractors or with talent management programs that differentiate HRM practices between more and less talented employees in the same job group. The arguments of the paper were developed in the context of heteronomous professional organizations. They are not applicable in the same way in the context of professional organizations (such as law firms, auditing firms, or universities). Finally, the arguments of the paper were based on a conceptualization of professionalism developed in the Anglo-American context. The arguments might not apply in the same way in other institutional contexts.

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Table 1: Theoretical predictions for HRM systems of professional and managerial employees

Theoretical perspective	**Professional employees**	**Managerial employees**
Technical feasibility	Greater space of feasible HRM practices: • Sourcing strategies focused either predominantly on “buying” human capital, “making” human capital, or a combination of both • Employee coordination strategies revolving predominantly around output and clan control (including organizational- and/or occupational-level “clans”)	Smaller space of feasible HRM practices: • Sourcing strategies focused predominantly on “making” human capital • Employee coordination strategies revolving predominantly around behavior and clan control (organizational-level “clans” only)
Institutionalism	Stronger institutions: • Qualification and development practices (as well as associated knowledge, skills, and behaviors) governed by professional institutions • Selection, assessment, and reward decisions made within networks of professional employees (importance of professional credentialing) • Individual task autonomy in flat hierarchies (informal coordination through “clans”) • High mobility across organizations, limited vertical mobility • Nesting of professional clan within organizational-level bureaucracy/clan of heteronomous professional organizations	Weaker institutions: • Scope to adopt a wider range of HRM practices associated with career HRM system (internal job ladders, seniority-based progression, narrow job definitions) and with high-involvement HR system (team-based work organization, broad job definitions, selective hiring, extensive training and development, incentives linked to team/organizational performance)
Psychology	Social exchange perceptions weaker: • Less value attached to firm-specific training, development, and career opportunities and employment security • Less perceived need to reciprocate	Social exchange perceptions stronger: • More value attached to firm-specific training, development, and career opportunities and employment security • Greater perceived need to reciprocate
Economics	Smaller economic benefits of integration in firm-level hierarchy/clan • Free-riding and hold-up problems associated with internal human capital development • Lower returns on investments in job embeddedness due to effective professional labor markets and lower transaction costs • Longer term benefits of field-level institutionalization (standardization) of HRM practices in terms of reduced labor cost competition, higher human capital investments, and greater dedication to	Greater economic benefits of integration in firm-level hierarchy/clan • Firm-specific human capital requirements necessitate internal development • Higher returns on investments in job embeddedness due to lower turnover and higher transaction costs • Longer-term benefits of honing of firm-specific HRM systems that uniquely support the firm’s core competencies and strategic positioning

	professional goals