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*Research paper*

## **HRM practices and organizations internal context role in performance**

**MARIA LEONOR PIRES<sup>1</sup>****FRANCISCO NUNES<sup>2</sup>****Abstract:**

**Purpose** - The main purpose of the present study is to test the association between Human Resource Management practices (HRMP) perceptions, internal context, and organizational performance.

**Design/methodology/approach** - The data was collected based on a sample of 525 individuals from 22 stores, with performance indicators collected at the store level.

**Findings** - The results showed (a) a positive relationship between perceived organizational integrity and organizational performance, as well as a negative relationship with staff turnover; (b) and a negative relationship between employment conditions and staff turnover.

**Research limitations/implications** - The small sample size and the fact that the study was conducted in stores of the same organization doesn't allow generalization of findings; results are based on data from cross-sectional design, longitudinal data would be needed to infer causal relationships.

**Practical implications** - Managers should take in consideration that organizational integrity, as perceived by employees, can enhance organizational performance and reduce turnover, better employment conditions will also have this effect in turnover.

**Originality/value** - These findings allow us to discuss the role of HRMP and of organizations internal context and characteristics on performance.

**Keywords**- HRM practices, organizational climate, organizational performance

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<sup>1</sup> Instituto Politécnico de Setúbal – ESTSetúbal. Email: leonor.pires@estsetubal.ips.pt.

<sup>2</sup> ISCTE-IUL.

## 1 Introduction

One of the most researched topics in the last 20 years in the field of Human Resource Management (HRM) has been the relationships between HRM practices (HRMP) and organizational performance, ultimately leading to the concept of high performance human resource management practices, in the sense of HRM practices that enhance organizational performance.

Two major trends of research are identified by Boxal (2012), one focusing on the analysis of work systems and their diversity, seeking to distinguish which systems obtain better performance, in what contexts and why; the other analyzing the chain of relations within the "black box". Both trends have generated a wide body of empirical research and results. Although there is growing evidence for a positive relation between HRM and performance (Combs et al., 2006) we cannot discard less positive reports (Wall and Wood, 2005) of mixed and null results. The second trend usually includes variables from social psychology and organizational behavior, and has benefited of mediation analysis. Following this trend, our previous work (Pires, 2013) examined the mediation mechanisms between HRMP and service oriented organizational citizenship behaviors, and found statistical evidence of a relationship between HRMP and service oriented organizational citizenship behavior through the full mediation of organizational virtuousness, which was predicted by HRM practices. It was also found evidence of a relationship between HRM practices and service climate.

In this research our purpose is to examine the relationships between HRMP as a system, as well as individual practices, with performance indicators collected at the store level, in a distribution company. Given the relationships that were found in our previous work (Pires, 2013) and with evidence form literature that variables in the aforementioned study (organizational virtuousness, service oriented organizational citizenship behavior, and service climate) also have relationships with organizational performance, these relationships will also be tested.

### 1.1. *HRMP and organizational performance*

The generic concept of high performance practices is one of the fundamental concepts in the debate and research of the relationship between HRMP and organizational performance, but also problematic, as these practices vary according to the authors and studies and there is not a standard set of HRM practices that are considered high performance, also the same practices can also appear with other designations.

According to Pfeffer (1998) these practices that appear in the literature under different names - high performance, high involvement or high commitment - can be aggregated into the following dimensions: job security, selective hiring, self-managed teams, decentralization of decision making, contingent and relatively high pay, extensive training, low distinctions of status and few barriers between employees, and information sharing within the organization.

In the work of Delery and Doty (1996) instead of high performance practices a similar set of practices are called "strategic", and they are: internal career opportunities, choice of internal or external recruitment, training systems, performance evaluation, profit sharing systems, job stability, participation mechanisms, and job contents. To Cappelli and Neumark (2001) the high performance practices include job rotation, extensive

training, additional compensation practices, formal quality programs, autonomous teams, meetings for problem solving, training for teamwork and polyvalence.

An analysis conducted by Boselie et al. (2005) on the high-performance practices used in empirical studies identifies twenty-six practices, training and development; variable pay and rewards (e.g. bonuses and profit sharing); performance evaluation; recruitment and selection; teamwork and collaboration; direct participation (e.g. involvement of employees, suggestion schemes); high wages; communication and information sharing; opportunities for internal promotion; job design (job rotation and enrichment tasks); autonomy and decentralized decision making; job security; benefits; formal procedures for resolving labor disputes; HR planning; financial participation; symbolic egalitarianism; attitude surveys; indirect participation; diversity and equal opportunities; job analysis; socialization; family-friendly policies and work-life balance; turnover management; professionalization and efficiency of the function or HR department; corporate social responsibility practices.

In this wide range of practices those that have been the most frequent object of empirical research are: training and development, variable pay and reward schemes, performance evaluation, and recruitment and selection. These practices would be chosen for their more direct relationship with a strategic HR management - selecting and recruiting those who will have better performance, provide them with the skills to work efficiently, track their progress to performance goals, and reward them by meeting or exceeding those goals. The authors also note that other equally central practices in strategic HR management as high pay, job autonomy, job security, diversity and work-life balance have been less used in empirical research.

Another similar concept that also appears in the literature, in apparent competition is the high performance work systems. The distinction in relation to high performance practices, according to Ericksen and Dyer (2005) is the different foci of the empirical approach. The research conducted under the construct of high performance work systems is focused on organizational systems, particularly in production systems, seeking the interrelationships between people, processes and technology (e.g. Appelbaum, 2000; MacDuffie, 1995; Batt, 2002). Since the focus is on organizational system, the emphasis is more on the strategic principles of HRM than HRM activities themselves. This line of research focuses on the performance of the labor system, emphasizing the principles of HRM and specifying in detail the HR activities. These two tendencies of research have eventually converged in what are called high performance human resources systems (Ericksen and Dyer, 2005). This convergence was originated by two factors, firstly, the research of high performance work systems has generally found evidence that the upskilling of workforce, the increase of its degree of discretion and participation, supporting commitment and motivation, results in better performance regardless of the working system, the consequence being that activities that comply with these principles are best practices; secondly, HR activities that are part of high performance work systems are very similar to the ones considered crucial for company performance by researchers of best practices, resulting in an almost synonymous use of the concepts of high performance systems and of high performance practices. Also, the ambiguity surrounding the concept of high performance work systems (HPWS) is one of the arguments that Boxall and Macky (2009) utilize to defend the use of high involvement work systems and high commitment management. According to the authors the concept of HPWS suffers from a fundamental flaw, being defined by practices on which there is no agreement on, and of which form of effective application to employees is often difficult to grasp, but mostly because it doesn't address to the processes and mediating variables that these practices are supposed to

influence in order to conduct to best performance, and also should be taken in consideration that there will be diversity in the paths taken by organizations. Human resource systems affect performance at different levels, on the individual level we have the impact on skills, knowledge, motivation and opportunities to employ individual skills; but also affect variables at the collective level, influencing the organizational culture, the psychological and social climate in which individuals are integrated. Both the concepts of high involvement work practices as well as high commitment employment practices are considered more informative (Boxall, Macky, 2009), used for describing the management actions, contrasting practices that focus on workers control or alternatively look for workers to be more responsible and involve them in decisions; and between those looking for a short or long term commitment. The advantage of these concepts is their neutrality, doesn't assuming that there is a set of practices that leads to better performance in general terms. A high involvement strategy should result in less staff turnover, which can be achieved through the commitment of the workforce. However, commitment can be achieved in alternative ways to the high involvement (centered in work) with practices centered in the employment relationship, such as compensation practices, job security, improving perceptions of justice, and thus a high commitment strategy does not imply job redesign practices associated with high involvement strategies. Authors suggest one should go beyond the practice and identify the critical processes that link the practices to the desired results.

There is a vast empirical literature on the relationship between HRMP and performance, the dominant approaches, different on their underlying hypothesis, are the universalist – there is set of “best practices” that have a positive influence on performance independent of context, contingencial – the set of practices that fosters performance depends on the company, it's context and strategy, contextual – emphasizing the relations with social and economic environment, and configurational – the best practices will be organization specific.

Despite the differences, the overall results indicate the existence of a positive relationship between HRMP and organizational performance, but many questions still persist. Among which are the diversity of HRMP and performance measures studied, making hard to compare results, and the difficulty of demonstrating a causal relation, since most research doesn't have a longitudinal design (Boselie et al., 2005). Although recognizing these problems, some works of synthesis and meta-analysis seems to corroborate the existence of this relationship (Paauwe and Richardson, 1997; Combs et al., 2006).

The concept of high performance HRMP used in this research is based in Sun et al., (2007), and includes the following practices: job security, extensive training, internal promotion, result-oriented appraisal, and extended careers. These HRMP are a sign of the organization intention to establish a long term exchange relationship with their employees, and in return employees will respond with identification with organizational goals, commitment to organization, higher productivity levels, lower turnover rates, and also exhibiting service oriented organizational citizenship behaviors (SO-OCB). The later also being associated with higher performance. This leads us to the following hypotheses:

Hypothesis 1a: HRMP are positively associated to market and organizational performance;

Hypothesis 1b: HRMP are positively associated to productivity;

Hypothesis 1c: HRMP are negatively associated turnover and absenteeism rates;

Hypothesis 1d: There is a positive association between each of the six HRMP and market and organizational performance;

Hypothesis 1e: There is a positive association between each of the six HRMP and productivity;

Hypothesis 1f: There is a negative association between each of the six HRMP and turnover and absenteeism rates;

### *1.2. Service oriented organizational citizenship behaviors and performance*

Service oriented organizational citizenship behaviors (SO-OCB) refers to discretionary and extra role behaviors of employees who deal directly with customers (Bettencourt et al., 2001:29-30), and include three dimensions: (1) loyalty - acting as advocates to outsiders not only of products and services but also of organizational image; (2) participation - taking initiative, especially in communications to improve the service delivery by organization, coworkers and oneself; and (3) conscientious role performance in service delivery, in which employees behave conscientiously in activities related to service delivery to customers. The importance of discretionary behaviors to organizational outcomes was underlined by Huselid (1995), admitting that these may be essential for efficient functioning of the organization. The reasons being according to Koys (2001) the improvement of groups performance, problems solving, higher service quality and customer satisfaction; increasing level of mutual aid and coordination between team members and between teams; and also contributing to a positive climate among employees that would extend to customers. To these reasons Podsakoff et al. (1997) add the increase of productivity, the organization's ability to attract and retain the best employees and a higher organization's ability to adapt to environmental changes. OCB would be responsible for quantitative and qualitative increases in performance, financial efficiency and client service. A meta-analysis of Podsakoff et al. (2009) found evidence of a relationship between OCB and organizational effectiveness, including customer satisfaction and on the financial results of company or business unit. The most significant results were found involving efficiency, cost reduction and profitability. Results of Yoon and Suh (2003) showed positive relationships of OCB with job satisfaction and confidence in management, which in turn had a positive relationship with perceptions of service quality, and also that OCB was negatively correlated with staff turnover; George (1990, 1991) research also showed a positive relationship between prosocial behavior in the context of services and sales. Considering the results reported in the literature, our hypotheses are as follows:

Hypothesis 2a: SO-OCB is positively associated with market and organizational performance;

Hypothesis 2b: SO-OCB is positively associated with productivity;

Hypothesis 2c: SO-OCB is negatively associated with turnover and absenteeism rates;

Hypothesis 2d: There is a positive association between each of the three dimensions of SO-OCB and market and organizational performance

Hypothesis 2e: There is a positive association between each of the three dimensions of SO-OCB and market and productivity

Hypothesis 2f: There is a negative association between each of the three dimensions of SO-OCB and turnover and absenteeism rates.

### *1.3 Organizational virtuousness and organizational performance*

Organizational virtuousness (OV) refers to the enabling and supporting of virtuous activities on the part of organization members, and to the organizational processes that allow the continuation and transmission of virtue (excellence, in the Aristotelian sense) in an organization (Cameron et al., 2004). This concept incorporates five dimensions, corresponding to the following organizational virtues: optimism, trust compassion, integrity, and forgiveness. These virtues are characterized as follows (Cameron et al., 2004: 778):

- Optimism - a sense of purpose associated with the activities in the organization; doing good in addition to doing well, believe in success even when faced with great challenges;
- Trust - mutual trust and in leaders; treating people with courtesy, consideration and respect;
- Compassion - acts of compassion, care and concern for others are common in the organization, stories of concern and compassion circulate among members of the organization;
- Integrity - the organization is characterized by honesty, loyalty, honor, virtue, and high levels of integrity;
- Forgiveness - being a compassionate organization; forgiving honest mistakes, once they are recognized, corrected, and trying to learn from them.

According to Cameron (2003) is reasonable to assume a relationship between organizational virtuousness and organizational performance, since the same association was found with individual performance. The explanation for this positive relationship, according to Cameron et al. (2004) lies in the amplifying qualities of virtue, which produces an escalation of positive consequences, and act as a buffer, protecting the organization. The amplifying effects of virtuosity arise with the consequential positive emotions that induce attitudes and behaviors, such as prosocial behavior, creativeness, being more empathic and respectful; rising levels of social capital and reducing transaction costs, facilitating communication and cooperation, increasing employee commitment, individual learning, strengthening relationships and ultimately inducing better organizational performance. The results of an empirical survey by Cameron et al., (2004) on the relationship between virtue and performance showed significant relationships between virtue and objective and subjective measures of organizational performance. Thus our hypotheses are:

Hypothesis 3a: OV is positively associated with market and organizational performance;

Hypothesis 3b: OV is positively associated with productivity;

Hypothesis 3c: OV is negatively associated with turnover and absenteeism rates;

Hypothesis 3d: There is a positive association between each of the five dimensions of OV and market and organizational performance;

Hypothesis 3e: There is a positive association between each of the five dimensions of OV and productivity;

Hypothesis 3f: There is a negative relationship between each of the five dimensions of OV and absenteeism and turnover rates.

#### *1.4. Service climate and organizational performance*

According to Schneider (1998) service climate (SC) are employee's perceptions about the practices, procedures and behaviors that are expected, supported and rewarded in relation to the service that is provided to customers and the quality of that service. The perceptions on organizational contextual factors, including HRMP, are reflected in employees' service mood and their will to go beyond on the relationship with customers. Results of several studies on the relationship between employees' perceptions about the workplace and the customer perceptions about the quality of services show evidence of a positive relationship. According to Schneider and Bowen (1993) employee perceptions on service climate and HRMP, within their organizations, are reflected in how customers experience the service, more or less positively. Research has shown statistical evidence of a positive relationship between service climate and positive customer experiences (Schneider et al., 1998; Schneider et al., 2003) and also evidence of a positive relationship between service climate and financial performance, mediated by customer satisfaction (Schneider et al., 2009). Other authors tested this relationship like Salanova and Peiró (2005), finding that organizational resources (training, autonomy and technology) and the commitment to work were antecedents of service climate, which in turn predicted employee performance and then customer loyalty. Our hypotheses are:

Hypothesis 4a: SC is positively associated to market and organizational performance

Hypothesis 4b: There is a positive association between SC and productivity

Hypothesis 4c: There is a negative association between SC and absenteeism and turnover rates

## **2. Method**

To test our hypotheses we surveyed a sample of 525 employees of a company in the food distribution sector, in 22 of its stores, and a second sample constituted by the managers of these stores. Employees were asked about their perceptions of HRMP, organizational virtuousness, service climate and service oriented organizational citizenship behaviors, and managers on organizational performance (Org\_Perf) and market performance (Mark\_Perf) of their store; the company provided data on productivity (Prod), turnover (Turn) and absenteeism (Absent) rates. This particular research design, with data collected at the individual level in stores belonging to the same company was used in other researches (Schneider et al., 1998; Wright et al., 2003). This option can be considered useful (Wright and Boswell, 2002) to minimize "noise" caused by more heterogeneous HRM systems, and according to Wright et al., (2003) it allows to control sources of variance that are not identifiable, that are common when data is collected in different companies and different sectors of activity, thus providing a clearer view of the impact of HRMP on results.

### *2.1. Samples*

We collected data on employee perceptions from a convenience sample of 525 employees. In this sample 50.9% of employees were male, the average age was 37.8 years, with predominantly secondary education (67.4%); average seniority in the establishment of 10.6 years, the majority (72.8%) had operational functions, including

customer service and direct contact with customers (89.3%). In the second sample, 22 establishment managers, only one was female, average age was 42 years, also with predominantly secondary education (65.2%); average seniority in the establishment was 4.6 years.

## 2.2. Measures

Five-point Likert scales were used to measure the independent variables. For scales construction we performed exploratory and / or confirmatory factor analyzes, and to evaluate reliability Cronbach's alpha was used (see Table 1).

Table 1 - Means, standard deviation, scale and reliabilities

Variables	M	SD	Scale	$\alpha$
HRMP (21 items)	3.50	0.54	1-5	0.91
Selective recruitment (Sel_rec)	3,32	0.77	1-5	0.87
Training	3.70	0.78	1-5	0.82
Internal mobility (Mob)	2.89	0.87	1-5	0.74
Employment conditions (Emp_Cond)	3.74	0.60	1-5	0.76
Description of functions and responsibilities (Job-Dec)	3.67	0.74	1-5	0.74
Proactivity (performance assessment and participation)	3.53	0.68	1-5	0.83
Service climate (7 items)	3.12	0.74	1-5	0.89
Organizational virtuousness (15 items)	3.34	0.70	1-5	0.94
Optimism (OV_opt)	3.56	0.69	1-5	0.74
Trust (OV_trust)	3.25	0.83	1-5	0.78
Compassion (OV_comp)	3.05	0.89	1-5	0.84
Forgiveness (OV_forg)	3.28	0.86	1-5	0.85
Integrity (OV_int)	3.51	0.81	1-5	0.83
SO-OCB (16 items)	3.95	0.42	1-5	0.91
Loyalty (SO-OCB_loyal)	4.00	0.48	1-5	0.84
Service delivery (SO-OCB_sd)	4.07	0.46	1-5	0.86
Participation(SO-OCB_part)	3.76	0.54	1-5	0.81



We verified the feasibility of aggregation of variables at the establishment level, by calculating the intraclass correlation coefficients ICC(1) and ICC (2). The values of ICC(1) are within common parameters and found in other studies (Sun et al., 2007), here ranging from 0.21 and 0.39; the values for the ICC(2) always exceeded the minimum acceptable value of 0.70 (Sun et al., 2007).

As performance indicators for stores we used two subjective measures, organizational and market performance based on scales built by Delaney and Huselid (1996), managers were asked whether they considered that the performance of the establishment was better or worse than the others stores of the same group; we also used objective measures of performance, labor productivity, staff turnover and absenteeism rates.

### 3. Results

Indicators of HRMP, organizational virtuousness, service oriented organizational citizenship behavior, service climate, and subjective performance indicators were constructed from the average of the respective items; associations between global indicators of variables, as well of individual HRMP, and the dimensions of organizational virtuousness and service oriented organizational citizenship behaviors and performance indicators were calculated; establishment size was used as control variable (number of employees). Working with a small sample the assumptions for the use of parametric tests were not guaranteed, therefore the nonparametric Spearman's Rho test was used.

Table 2 – Non parametric correlations between predictors and performance measures

	Org_Perf	Mark_Perf	Prod	Turn	Absent	Size
1. HRMP	.09	-.02	.04	-.16	-.04	-.45
2.Proactivity	-.12	-.08	-.23	.17	.10	-.51*
3.Sel_rec	.16	.02	.19	-.10	-.24	-.37
4.Trainning	.01	-.09	-.01	-.11	.22	-.41
5.Emp_Cond	-.07	-.10	.06	-.67*	-.08	-.15
6.Mob_Car	.18	.09	-.03	-.05	.13	-.36
7.Job Desc	-.16	-.22	-.30	.30	-.08	-.38
8.OV	.23	.17	.25	-.45	.04	-.15
9.OV_opt	.19	.16	.23	-.42	.01	-.16
10.OV_trust	.23	.22	.27	-.18	.09	-.24
11.OV_forg	.18	.03	.11	-.47	-.06	-.20

12.OV_int	.48*	.33	.42	-.52+	.13	-.16
13.OV_comp	.26	-.06	-.04	-.07	-.05	-.31
14.SO-OCB	-.07	-.01	.12	-.47	-.04	-.29
15.SO-OCB_loyal	.11	.12	.27	-.47	-.19	-.13
16.SO-OCB_sd	.01	.04	.06	-.46	-.04	-.31
17.SO-OCB_part	-.01	-.08	.13	-.47	-.15	-.34
18.Service climate	.28	0.31	.33	-.12	.03	-.25
19.Org. Perf	-	.58**	-			.21
20.Mark. Perf	.58**	-	-			.30
21.Productivity	.69**	.48 <sup>+</sup>	-			.37
22.Turnover	-.26	.09	-.43	-		-.47
23.Absenteism	-.03	.28	-.36	.39	-	-.22
24.Size	.21	.30	.37	-.47	-.22	-

\*\* p<0,01; \*p< ,05; +p<0.1.

The results regarding the relationship between the predictors and the subjective measures of organizational and market performance (Table 2) did not confirm the hypotheses 1a, 1d, 2a, 2d, 3a, and 4a, and the 3d hypothesis was only partially confirmed. We found statistical evidence for the existence of a moderate and statistically significant relationship between integrity and organizational performance ( $\rho = 0.48$ ,  $p < 0.05$ ).

The analysis of the relationships between the predictors and objective measures of organizational performance only partially confirmed hypotheses 1f and 3f. The results showed the existence of a statistically significant, moderate and negative relationship between HRMP employment conditions (job security and remuneration) and staff turnover ( $\rho = -0.67$ ,  $p < 0.05$ ). It was still possible to find a moderate and negative relationship between organizational integrity ( $\rho = -0.52$ ,  $p = 0.087$ ) and staff turnover; integrity perceptions seems to inhibit turnover, but for a level of statistical significance of  $p < 0.1$ . The establishment size showed a negative association with proactivity (performance evaluation and participation) ( $\rho = -0.51$ ,  $p < 0.05$ ).

#### 4. Conclusions

This study purpose was to examine the relationships between perceptions of HRM practices, organizational virtuosity, service oriented OCB and service climate and performance, at the store level, measuring performance through subjective and objective

indicators. Contrary to our expectations the results of this study did not confirm most of the hypotheses. No associations were found between global measures of HRM practices, service oriented OCB, organizational virtuosity, service climate and organizational performance and market indicators.

A McClean and Collins (2011) research in service companies showed that the ability of high-performance HRMP contribute to organizational results was moderated by the strategic importance of the groups to which they were addressed, and their importance as a source of competitive advantage. Also according to Chan et al., (2004) the lack of expected relations between HRM practices and organizational results may be due to the organizational context, if organizations are focused on short term results this may cause that the importance of investments in HRM is smaller, given that the repercussions of these investments tend to be seen in the long run.

The fact that the service oriented OCB and global HRM practices have not revealed positive relationships with store results may be a consequence of business characteristics, and how competitive advantages are achieved, which can be more dependent on the characteristics of marketed products and marketing variables, and less of the service delivered by employees (SO-OCB) and HRM practices that are used.

The only positive relationships emerged between one dimension of organizational virtuosity - organizational integrity, and organizational performance, which includes the quality of products and services, capability to attract and retain key personnel to the activity, customer satisfaction and relations between management and the remaining employees, which are closer to the HRM results; and between organizational performance and market performance.

This positive relationship between organizational integrity and organizational performance is consistent with the results of Cameron et al. (2004) that in addition to finding a relationship between organizational performance and organizational virtuousness also found a statistically significant relationship between organizational integrity and corporate profitability in their sample.

These results bring evidence of the importance of organizational integrity by itself, and its effects on organizational performance. Organizational integrity as used in this study comprised the perceptions of honesty, reliability, virtue and honesty, and doesn't differ much from the various conceptions of integrity that are used in other research.

Literature on integrity has essentially two perspectives, one centered on individual behavior, and other on organizational integrity, which relates to the field of business ethics but also with organizational virtuousness and positive organizations.

Despite being distinct the two different perspectives can be conciliated, since it is the integrity of members of the organization which contributes to the organizational integrity and vice versa (Solomon, 1992) behavioral integrity may be related to the individual, group or organization (Simons et al., 2011). Integrity definition is not consensual; we can find in the literature several proposals, most of which will refer integrity as an individual virtue, although extended to organizations.

Individual integrity is defined as "doing what is right" (Solomon, 1992) or act according to one's conscience (Fritzsche and Becker, 1984). Authors such as Audi and Murphy (2006) also refer other definitions of this concept, as loyalty to one's own values; in business ethics field, is referred as the moral self, moral courage, and the willingness and readiness to do what we know what should be done. Integrity means honesty, behavioral consistency and global integration.

For individuals in organizations, individual integrity at work will be following the rules and practices that define that work (Solomon, 1992); in this regard Pinchot and Pinchot (1997) argue that for an organization to encourage greater integrity at work is necessary to create a strong positive organizational community, where there is autonomy to choose how the work is done, job security, with guaranteed rights, tolerance to errors, and freedom to participate without fear of supervisors. Also Payne (1994) draws attention to the importance of the organizational context for individual integrity (behavior), since flaws in behavioral integrity can be caused by organizational pressures.

Individual's integrity contributes to organizational integrity through the creation of a culture of integrity (Duggar, 2009), that is the basis for the relationship between integrity and performance. A culture of integrity creates a highly valued work environment; an organization focused on what is good in the long term for its customers, employees and investors has superior financial performance from its competitors. It also has a positive impact on interpersonal relationships in the organization, making it a good place to work, decreasing turnover, with motivated and more productive employees, which have pride in their work. This culture of integrity permeates the relationships with customers and suppliers; the trust generated by the integrity reduces costs and encourages the development of cooperative relations. The individual integrity can be associated with more productive interpersonal relationships, better decision making, participation and a positive climate in organizations (Cameron, 2003). According to Becker and Huselid (1998) the positive consequences of individual integrity in organizations are the highest rationality, honesty and justice; these employees do not harm the organization (e.g. do not steal), treat others fairly and not mislead others or themselves in regard to their mission or objectives of the organization, which is directly related to job performance.

The most honest people are the more innovative and productive, as they recognize that these characteristics are central to their objectives and interests, so they are better workers. Organizations with more honest employees will have better chances of survival and success.

Results from Verschoor (1998) showed a statistically significant relationship between the adoption of several forms of internal control, such as codes of conduct, with emphasis on ethics and corporate social responsibility, with the financial results of companies. In a literature review of integrity consequences by Simons et al. (2011) we can find positive relationships between integrity and behaviors related to performance, both at individual and group level; at the individual level we find the intention to stay in the organization, organizational citizenship behaviors, being receptive to change, job performance, proficiency, adaptability, and negative relationships with absenteeism and staff turnover. At the group and organizational level are mentioned positive associations with discretionary behavior in service, greater group cohesion and effective results. Although only a small number of studies look into the operational or financial results of companies, the authors report some research on behavioral integrity that was positively related with customer satisfaction and profitability, and negatively with turnover.

The negative impact of HRM practices in staff turnover is a clear result in Arthur's research (1994), as well as in Huselid (1995) and Guthrie (2001).

Particularly in services companies research from Batt (2002, 2011) showed that turnover rates are lower in companies that focus on high skills, allow or encourage participation of employees in decision making at team level, make use of incentives in

remuneration policies, and job security; all of these practices fall in the range of high-performance work systems.

The role of wage and job security in decreasing turnover has several possible explanations. According to the theory of expectation (Vroom, 1964) wage will have a motivating role if the company offers the rewards that are desired by employee, therefore they will have a greater propensity to perform their function in order to obtain these rewards and tend to remain in the organization. From organization's point of view maintain employees, in particular those most valuable, is important because they are the most valuable assets of the organization (Becker and Gerhart, 1996; Chasserio and Legault 2009), and also because staff turnover has costs associated with the subsequent recruitment and selection, training, orientation and loss of tacit skills that individuals leaving have acquired through experience. Research on the relationship between employee turnover and labor productivity, in a chain of stores in the UK led by Siebert and Zubanov (2009), brought evidence that for full-time employees who were managed in accordance with high performance HRMP the relationship between the turnover and the productivity was negative, highlighting the importance of reducing turnover to increase productivity in employee groups that are central for business. Another relationship between voluntary turnover and financial performance, mediated by the performance of the labor force, albeit modest, was found in Shaw et al. (2005). HRM practices associated with investments and incentives towards employees (pay and benefits) showed a negative association with turnover rate, in Shaw et al. (2009), for groups of employees with best performance. Organizations that guarantee job security for their employees show the intention to maintain a long-term relationship with the workforce, therefore the norms of reciprocity will lead the employees to react positively with more performance and commitment, that has a preventive effect on turnover.

The negative association between job security and pay (employment conditions) and staff turnover is in line with similar results in the literature. Results from Fey et al., (2000) showed that high wages were predictors of retention for the management, while job security was more important for the remaining workers. Also a research on the association between job security and intention to stay in the company of Zeytinoglu et al. (2012) showed that the perception of employment security was positively associated with the intention to stay in the company.

Another explanation for the negative association between these variables (employment conditions and turnover) can also be found in the vast literature on organizational commitment. Organizational commitment is defined as the psychological state that characterizes the relationship between individuals and the organization, with implications for the decision to stay or leave the organization (Meyer and Allen, 1991). The same authors propose three forms of organizational commitment (Allen and Meyer, 1990; Meyer and Allen, 1991): commitment as an affective bond to the organization - affective commitment; commitment as the perception of the costs associated with leaving the organization - instrumental or continuance commitment; and commitment as an obligation to stay in the organization - normative commitment. Employees with a strong affective commitment remain in the organization because they want to; employees with a strong instrumental commitment stay in the organization because (think they) need; employees with a strong normative commitment stay in the organization because they feel they must. Each of these components have different antecedents and also different types of consequences or implications in work behavior in the organization, in addition to staff turnover are mentioned absenteeism, individual performance and organizational citizenship behaviors (Meyer and Allen, 1991).

Considering that employment security and remuneration have shown to have an inhibitory effect of turnover, it is possible that we are facing the development of instrumental commitment. This type of commitment prevents turnover based on the individuals calculation of the costs of "discontinue" the relationship with the organization, such as loss of benefits, or the lack of comparable alternatives (Allen and Meyer, 1990). Also Kaplan et al. (2011) draw on calculative commitment to explain the relationship between satisfaction with pay and lower turnover rates, or on the contrary, the higher intention to stay in the company. In this research calculative commitment proved to be the mediating element between the perception of organizational diversity and retention of employees, and also a partial mediator of the relationship between satisfaction with pay and the intention to leave. Satisfaction with pay relates to the calculative commitment because, according to the authors, employees satisfied with their pay are more confident about the future rewards, also the highest paid employees can be the best performers, especially if there is a relationship between compensation and performance.

Our results also showed that integrity has a negative relationship with staff turnover, as indicated in research in this area, apparently it inhibits turnover, but this is a result to look with caution given the level of statistical significance associated ( $p < 0.1$ ). The development of affective commitment could be one possible explanation for this relationship, for in between the antecedents of affective commitment that are related to the experience in the organization we can find the perception that the organization is reliable (Allen and Meyer, 1990; Meyer and Allen, 1991), which as mentioned before can be associated to perceptions of organizational integrity.

Although we consider that this study brings some contributions to the field we must recognize its limitations. The sample size didn't allow the use of robust statistical methods; the fact that the study was conducted in stores of the same organization restrains us from generalizing its findings; data used in this study derives from cross-sectional design which doesn't allow to infer causal relationships. Future research should have a larger sample and include companies and business units in other fields of services, in order to understand whether or not these results arise in other contexts, and should also have a longitudinal character.

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