



# DOCTORAL THESIS

## Human resource management and organizational performance

*Evidence from the retail banking sector*

Yakubu Seidu

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# **HUMAN RESOURCE MANAGEMENT AND ORGANIZATIONAL PERFORMANCE: EVIDENCE FROM THE RETAIL BANKING SECTOR**

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**Doctor of Philosophy**

**ASTON UNIVERSITY**

**September 2011**

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## **ABSTRACT**

Underpinned by the resource-based view (RBV), social exchange theory (SET), and a theory of intrinsic motivation (empowerment), I proposed and tested a multi-level model that simultaneously examines the intermediate linkages or mechanisms through which HPWS impact individual and organizational performance. First and underpinned by RBV, I examined at the unit level, collective human capital and competitive advantage as pathways through which the use of HPWS influences – branch market performance. Second and-, underpinned by social exchange (perceived organizational support) and intrinsic motivation (psychological empowerment) theories, I examined cross and individual level mechanisms through which experienced HPWS may influence employee performance. I tested the propositions of this study with multisource data obtained from junior and senior customer contact employees, and managers of 37 branches of two banks in Ghana. Results of the Structural Equation Modeling (SEM) analysis revealed that (i) collective human capital partially mediated the relationship between management-rated HPWS and competitive advantage, while competitive advantage completely mediated the influence of human capital on branch market performance. Consequently, management-rated HPWS influenced branch market performance indirectly through collective human capital and competitive advantage. Additionally, results of hierarchical linear modeling (HLM) tests of the cross-level influences on the motivational implications of HPWS revealed that (i) management-rated

HPWS influenced experienced HPWS; (ii) perceived organizational support (POS) and psychological empowerment fully mediated the influence of experienced HPWS on service-oriented organizational citizenship behaviour (OCB), and; (iii) service-oriented OCB mediated the influence of psychological empowerment and POS on service quality and task performance. I discuss the theoretical and practical implications of these findings.

**Key words:** High performance work systems, collective human capital, competitive advantage, motivation, service OCB, service quality, task performance

## **Dedicated**

**To the Source and Supplier of all Potential, the Omnipotent One, the Father and Lord of all creation, and His Son, my Lord and Saviour Jesus Christ, and my personal Counselor, the Holy Spirit.**

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## **Chapter 1- Development of Research Problem and Statement of Objectives**

It has often been said that the most important asset of any business is its employees. Indeed, people and the management of people are increasingly seen as key elements of competitive advantage (Allen, & Wright, 2007; Boxall, & Purcell, 2003; Pfeffer, 1998). Unlike traditional views on competitive advantage which emphasized such barriers to entry as economies of scale, access to capital, and regulated competition, more recent views have highlighted an organization's strategic management of its human resources as a source of competitive advantage (Bamberger, & Meshoulam, 2002), which cannot easily be acquired or imitated. The importance of people management as a critical source of competitive advantage has been highlighted because of the increasingly competitive global marketplace facing organizations, and the ease with which other sources of competitive advantage such as technology, manufacturing processes, structure, and business strategy, can easily be acquired or imitated. Organizations are therefore seeking to understand how their human resources can be managed for sustainable competitive advantage (Dyer, & Reeves, 1995).

Strategic HRM refers to the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals (Wright, & McMahan, 1992). It involves all of the activities that are implemented by an organization to affect the behaviour of individuals in an effort to implement the strategic needs of business (Nishii & Wright, 2007). According to Delery, & Shaw, (2001), at least two major features distinguish strategic HRM research from the more traditional HR management (HRM) research. First, strategic HRM research focuses on explicating the strategic role that HR can play in enhancing

organizational effectiveness. While HRM researchers have a long tradition of examining the impact of HRM practices on individual-level outcomes such as task performance (cf. Locke & Latham, 1990), absenteeism (cf. Harrison & Martocchio, 1998), and turnover (cf. Griffeth, Hom, & Gaertner, 2000), Strategic HRM researchers have placed primary emphasis on macro-level performance outcomes (cf. Rogers & Wright, 1998; Wright 1998). For instance, Delery & Doty (1996) used return on assets (ROA) and return on equity (ROE) as dependent variables, and Huselid (1995) used gross returns on assets (GRATE) and variant of Tobin's Q (firm market value) as their dependent variables.

A second distinguishing feature as noted by Delery & Shaw (1996) is the level of analysis. HRM research has traditionally had an individual-level focus; in contrast, SHRM research is typically conducted at the business-unit or organizational level of analysis. Reflecting this orientation, is a growing consensus that a system of HRM practices, rather than HRM practices in isolation, is a more appropriate focus for understanding how HRM impacts important performance outcomes (Lepak, Takeuchi, Erhardt, & Colakoglu, 2006a). For instance, "recent HR research has focused on high-performance work systems (HPWS), a term used to denote a system of HR practices designed to enhance employees' skills, commitment, and productivity in such a way that employees become a source of competitive advantage" (Datta, Guthrie, & Wright, 2005, p. 136).

A steady stream of Strategic HRM research has documented impressive evidence linking HPWS and organizational performance (Becker, & Gerhart, 1996; Huselid 1995; McDuffie, 1995; Delery, and Doty, 1996; Guthrie, 2000; Sun, Aryee, & Law, 2007; Liao, Toya, Lepak, & Hong, 2009; Chuang, & Liao, 2010; Gittell, Seidner, & Wimbush, 2010). Consequently,

research has since been concerned to uncover the processes that underlie this relationship (Chuang, & Liao, 2010; Evans, & Davis, 2005; Liao et al, 2009; Sun et al., 2007). Although much is now known about the processes that underlie the HPWS-Performance relationship, there are still gaps or problems in terms of the solidity of the knowledge. Our understanding of the intervening processes linking HPWS and performance is far from complete.

First, the mechanisms through which HPWS influences performance are still unclear (Becker, & Gerhart, 1996; Lepak, 2007). While SHRM researchers agree that employee experiences of HR practices are important in understanding the HPWS-performance relationship, research to date, has focused exclusively on the relationship between managerial reports of the use of HPWS and organizational effectiveness (Nishii, & Wright, 2007; Liao et al., 2009), and not much research has considered employee perceptions of HR practices. Employee perceptions of these practices are likely antecedents of employee attitudes and behaviours (Nishii, & Wright, 2007). The lack of research on employee perceptions of HR practices (with exception of Liao et al., 2009), limits our understanding of the psychological processes through which HPWS influences employee motivation and behaviours.

Second, despite calls for a multi-level approach to understanding the HPWS-organizational performance relationship (Ostroff & Bowen 2000), with few exceptions (Gittell, Seidner, & Wimbush, 2010; Kehoe, & Wright, 2010; Liao et al., 2009; Song, Tsui, & Law, 2009), researchers have adopted a primarily macro approach to understanding this relationship (Chuang, & Liao, 2010; Sun, et al., 2007; Takeuchi et al., 2007; Tsui, Pearce, Porter, & Tripoli, 1997). Dyer, & Reeves, (1995) noted several types of outcomes which might apply to research pertaining to human resource strategy. These include (1) HR-related outcomes, (2)



organizational outcomes, (3) financial outcomes, and (4) market outcomes. They assert that human resource strategies will have their most direct effects on HR-related outcomes, followed by organizational outcomes, and so forth. Similarly, Becker, Huselid, Pinckus, & Spratt, (1997) suggested that HR practices influence the behaviours of employees which then affect operational, financial, and share price outcomes. Both sets of authors suggested that a thorough understanding of the relationships between HR practices and employee outcomes is critical to our ability to draw logical inferences concerning the HR-performance causal chain as a whole (Kehoe, & Wright, 2010). Consequently, there is a need to use a multi-level approach to simultaneously examine the impact of HPWS on performance outcomes and the processes that underlie this relationship at both the individual and organizational levels of analysis (Ostroff, & Bowen, 2000). A multi-level approach provides a more accurate understanding of how and why individual and organizational influences shape the performance effects of the use of HPWS.

Furthermore, although research has shown that competitive advantage and performance are theoretically distinct, and that competitive advantage leads to performance and not the other way round (Newbert, 2007; Newbert, 2008; Powell, 2001), strategic HRM research (e.g., Takeuchi, Lepak, Wang, & Takeuchi, 2007) grounded in the resource-based view has examined the direct relationship between human capital and performance and not competitive advantage. This is an important oversight especially given the critical role of competitive advantage in theorizations of the HPWS – performance relationship (Barney, 1991; Barney, & Wright, 1998; Lado, & Wilson, 1994; Wright, Dunford, & Snell, 2001; Wright, McMahan, & McWilliams, 1994; Pfeffer, 1994). Recent empirical research evidence shows that competitive advantage plays a significant role in the (HR) resource/capability

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exploitation process (see Newbert, 2008), suggesting that studies that test the direct relationship between human capital and performance may be incomplete (Newbert, 2008). Consequently, there is a need for research to examine the influence of competitive advantage in the intermediate linkages between human resource (human capital) and organizational performance outcomes (Newbert, 2008; Powell, 2001).

Beyond the issues noted above, there is a call for SHRM researchers to more explicitly consider sampling issues that are likely to impact the reliability and validity of empirical investigations of HR system to performance relationship (Lepak et al., 2006a). One such sampling issue considered in this study relate to the *referent* or specific group(s) of employees that are expected to be directly influenced by the HR system. There are important reasons why studies of HR systems must explicitly consider the referent group of focus. First, it is important to recognise that different HR systems may be used within organizations to simultaneously manage different groups of employees (Lepak, & Snell, 2002; Wright, & Boswell, 2002). In this regard, collecting data across different groups of employees may inadvertently exclude the possibility that there are substantive differences in the composition of HR systems used within organizations for different groups of employees (Lepak et al., 2006a). Second, it is important to recognise that not all employees are equally valuable to a company's success – different employees within an organization contribute toward company goals in different ways. This issue has direct implications for studies examining the impact of HR systems on various performance measures. Empirical studies that focus solely on the group of employees that are critical for a particular performance objective (e.g., sales, productivity) are likely to be more precise and accurate

than studies that include multiple groups of employees, some of which may not have any direct impact on the performance measure (Lepak, Liao, Chung, & Harden, 2006b).

In light of the preceding research gaps and/or limitations, and grounded in resource-based view (RBV) and motivation (social exchange theory (SET), and intrinsic motivation), this study aims to examine a multi-level model of intermediate linkages or mechanisms through which HPWS impacts individual and organizational performance. Specifically, the objectives of this study are:

1. to test RBV, by examining at the unit level, collective human capital and competitive advantage as intervening mechanisms through which HPWS influences – organizational market performance.
2. Using a multi-level perspective, to test social exchange and intrinsic motivation, by examining at the individual level, perceptions of organizational support (POS) and psychological empowerment as mechanisms through which the use of HPWS influences employees' experience of HPWS and performance.

### **1.3 Theoretical Contributions of the Study**

Although SHRM research that is grounded in RBV invokes competitive advantage in accounting for the role of the influence of HPWS on performance, this has not been explicitly tested. By theorizing a mediating role of competitive advantage in the HPWS-organizational performance relationship, this study provides a more rigorous test of the resource-based view. There is the notion that competitive advantage via the implementation of a resource-based strategy is an important means by which a firm can improve its performance. Recent empirical evidence (see Newbert, 2008) supporting this

notion, demonstrates the critical role competitive advantage plays in the human resource/capability exploitation process, thereby suggesting that studies that test the direct relationship between human resource/capabilities and performance may be incomplete.

Second, individual experience of HPWS is critical to individual performance. Employees are the primary recipients and consumers of HRM (Mabey, Skinner & Clark 1998; Paauwe, 2009). Perceptions of HPWS at this level will enhance motivational states and opportunities to perform, leading to performance. Although Liao et al. (2009) empirically tested the role of motivation in the HPWS-performance relationship their study only tested the main effect of psychological empowerment and perceived organizational support on service performance. In this study, we extend this research by testing the indirect effects of psychological empowerment and perceived organizational support on service quality and task performance through service OCB.

Third, although a number of empirical research findings (Podsakoff, Whiting, Podsakoff, & Blume, 2009) have indicated that OCBs are related to individual-level outcomes (e.g., managerial ratings of employees performance) and organizational-level outcomes (e.g. productivity, customer satisfaction), researchers (e.g., Podsakoff et al., 2009) have called for research that examines other outcomes of OCB at both the individual and unit levels of analysis. Service quality is defined as the extent to which customers perceive employees as performing a series of service behaviours (Parasuraman, Zeithaml, & Berry, 1988). An important avenue for customer value creation is the interaction between customer contact employees and customers (Zeithaml, Parasuraman, & Berry, 1990). Examining the influence

of service OCB on service quality and task performance provides a clearer picture of service OCB outcomes at the individual-level that are relevant and specific to the service sector, and thus enhances our understanding of the outcomes of OCB at the individual-level.

Lastly, despite some theorizing on multilevel models (Arthur, & Boyles, 2007; Bowen & Ostroff, 2004; Ostroff, & Bowen, 2000; Wright, & Nishii, 2007), there is relatively little empirical work adopting a multi-level approach to understanding the HPWS-performance relationship (Ostroff, & Bowen, 2000; Snape, & Redman, 2010). By adopting a multi-level theoretical approach, this study explicitly recognises the integrated nature of organizations such that individual and organizational characteristics combine to influence individual and organizational outcomes (Kowslowski, & Klein, 2000).

## **1.4 Outline of the thesis**

The thesis is organised into five chapters.

Chapter 2 reviews the theoretical perspectives underpinning the hypothesized model. These are the resource-based view (RBV), social exchange theory, and empowerment theory. The central components/tenets of these theories, their appropriateness, and how they informed the choices of variables are discussed. Chapter 2 also discusses the key constructs of HPWS, organizational performance, and the individual level performance variables and the rationale for the choice of these variables.

Chapter 3 reviews the literature linking HPWS and organizational performance, and summarizes a few key studies in this research domain. Further, theoretical and empirical arguments are presented to justify the study's hypotheses.

Chapter 4 discusses the research methodology. First, it discusses the philosophy underpinning the study. Second, the contextual background of the study is also presented, describing Ghana's political and economic situation with emphasis on the role of the financial sector in the country's economic development. Third, sample and data collection procedures are discussed, as well as the measures of the study variables. Lastly, the chapter discusses the data analytic techniques, providing reasons for the use of structural equation modeling (SEM) to test the group-level hypotheses, and hierarchical linear modelling (HLM) to test the cross-level hypotheses.

Chapter 5 presents the findings. It presents results of the Confirmatory Factor Analysis (CFA) that provide support for the distinctiveness of the group level and individual level variables. Second, it presents results of the tests of hypotheses. SEM was used to test the RBV-related hypotheses, while HLM was used to test the cross-level hypotheses derived from social exchange and intrinsic motivation theories.

Chapter 6 recaps the objectives of the study and locates the study within the larger context of SHRM research. Specifically, it summarizes the key findings, and discusses their theoretical and practical implications. It further discusses the limitations of the study and highlights some directions for future research.

# **Chapter Two - Theoretical Perspectives and Conceptual Model**

## **2.2 Introduction**

The preceding chapter focused on the development of the research problem, and noted that a primary task in SHRM research is to account for the HPWS-organizational performance relationship. This chapter discusses the distinct features of the study's multi-level model and provides a succinct description of the relationships depicted in that model. Additionally, the three perspectives used to account for the HPWS-performance relationship in this study - the resource-based view (RBV), social exchange theory (SET), and intrinsic motivation are reviewed.

## **2.3 Conceptual Model**

Figure 1 depicts a multi-level model of the processes linking HPWS to individual and organizational performance. I propose the use of HPWS (hereafter called management HPWS) to influence branch market performance but indirectly through collective human capital and competitive advantage. I further propose management-HPWS to influence the individual level outcomes through employee experienced HPWS (hereafter called experienced-HPWS). Specifically, experienced HPWS influences service OCB indirectly through psychological empowerment and perceived organizational support (POS), and service OCB in turn, mediates the influence of psychological empowerment and POS on service quality and task performance. A defining feature of my multilevel model is the simultaneous examination of the processes leading to organizational and individual performance. I examined the mediational mechanisms at two levels: Human capital

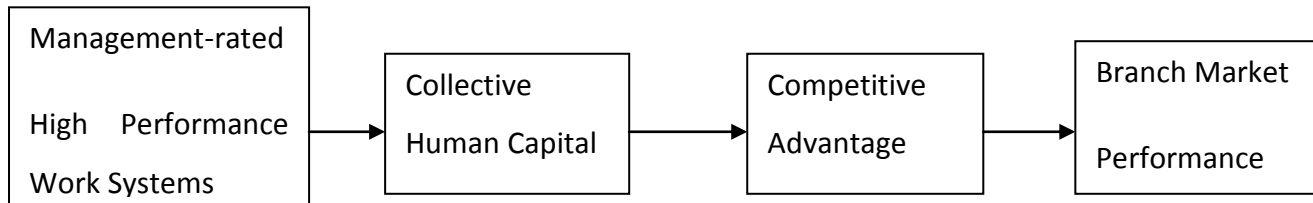
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affecting performance at the organizational level, and motivational factors affecting performance at the individual level. First, and underpinned by RBV, I examined at the unit level, collective human capital and competitive advantage as path-ways through which the use of HPWS influences organizational performance. Second, and underpinned by social exchange and intrinsic motivational theories, I examined cross and individual level mechanisms through which experienced HPWS influence employee performance. I tested the propositions of this study with multisource data obtained from junior and senior customer contact employees, and managers of 37 branches of two banks in Ghana.

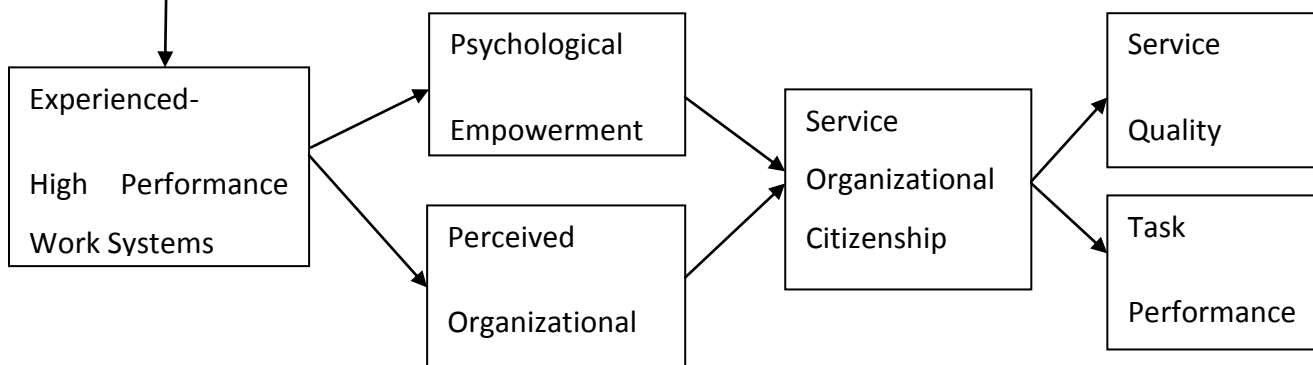


**Figure 1**  
**Hypothesized Model**

**Group Level**



**Individual Level**



## **2.4 Theoretical Perspectives**

The three theoretical perspectives underpinning the relationships depicted in the model - the resource-based view (RBV), social exchange theory (SET), and intrinsic motivation are reviewed below:

### ***2.4.1 Resource-Based View (RBV)***

The RBV states that a firm develops competitive advantage by not only acquiring but also developing, combining, and effectively deploying its *physical, human, and organizational* resources in ways that add unique value and are difficult for competitors to imitate (Barney, 1991). The RBV suggests that firms should look internally to their resources, both physical and intellectual, for sources of competitive advantage. The central tenets of RBV as suggested by researchers (e.g. Barney, 1991; Barney, & Wright, 1998; Newbert, 2008; Takeuchi et al., 2007; Wright et al., 2001; Wright et al., 1994) are that resources that are valuable, rare, inimitable, and non-substitutable will lead to competitive advantage. Value in this context is defined as resources either exploiting opportunities or neutralizing threats to the organization and rarity is defined as a resource that is not currently available to a large number of the organization's current or future competitors (Barney, 1991). Inimitability refers to the difficulty other firms have in copying or reproducing the resources for their own use. Finally, non-substitutability means that other resources cannot be used by competitors in order to replicate the benefit (Barney, 1991). When all of these are met, it is said that the firm or organization possesses resources which can potentially lead to sustained competitive advantage overtime (Barney, 1991; Allen, & Wright, 2007).

Prior to the advent of the resource-based view of the firm (Barney, 1991), the dominant strategic management thinking focused on external factors such as (industry position) that determined company profitability (Allen, & Wright, 2007). However, with the advent of the resource-based view (Barney, 1991; Wernerfelt, 1984), strategic management research has moved to a more internal focus in accounting for firm performance (Barney, 1991; Allen, & Wright, 2007). Though others (e.g., Wernerfelt, 1984; Rumelt, 1984; Dierickx, & Cool, 1989) had previously discussed the concept of RBV, Barney (1991) specifically explicated how firm resources contribute to sustained competitive advantage of the firm.

The resource-based view has become the basic theoretical foundation on which much of the current strategic management research regarding knowledge-based views of the firm (Grant, 1996), human capital (Hitt, Bierman, Shimizu, & Kochar, 2001), and dynamic capabilities (Teece, Pisano, & Shuen, 1997) are derived. In fact, Priem, & Butler, (2001a) mapped RBV studies against eighteen strategy research topics, demonstrating the breadth of its diffusion within the strategic management domain (Allen, & Wright, 2007). In spite of the wide acceptance of the RBV, it is not without criticism. Priem & Butler (2001a, 2001b) have suggested that the RBV does not constitute a true theory. Their argument focuses primarily on two basic issues. First, they suggest that the RBV is basically tautological—that its primary assertions are true by definition and, thus, not subject to empirical verification. In other words, without definitional dependence (i.e. ‘valuable resources’) the diametrical statement – that unique firms possess competitive advantage – does not logically follow. Their second major criticism of the RBV as a ‘theory’ is that it has limited prescriptive ability. They cite four aspects of RBV theory that limit its applicability: (1) the attributes of resources that can generate strategic advantage and sustained strategic advantage

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identified by the theory are not amenable to managerial manipulations, (2) the context within which the theory applies is not specified, (3) the definition of resources is all inclusive, and (4) the theory is static and not dynamic.

In spite of these criticisms, even the critics agree that the impact of the RBV on strategic management research has been significant and that the effort to focus on the internal aspects of the organization in explaining competitive advantage has been a useful one (Priem, & Butler, 2001b). RBV has made a significant contribution to Strategic Management and, more specifically, SHRM research (Wright et al., 2001).

The resource-based view (RBV) has been instrumental to the development of the field of SHRM (Wright, Dunford, & Snell, 2001), and serves as a backdrop (Delery, 1998) against which much of SHRM theory and research is presented (Colbert, 2004). This is largely because the RBV has shifted emphasis in the strategy literature away from external factors (such as industry position) toward internal firm resources as sources of competitive advantage (Wright et al., 2001). Growing acceptance of internal resources as sources of competitive advantage has brought legitimacy to HR's assertion that people are strategically important to firm success. This has resulted in a sustained effort to conceptually or theoretically ground SHRM in the resource-based view. For instance, Wright et al., (1994) distinguished between a firm's human resources (i.e. the human capital pool) and HR practices (HR tools used to manage human capital). In applying the concepts of value, rareness, inimitability, and substitutability, they argued that HR practices could not form the basis for sustainable competitive advantage since any individual HR practice could be easily copied by competitors. Rather, they proposed that the human capital pool (a highly skilled

and highly motivated work force) had greater potential to constitute a source of sustainable competitive advantage. These authors noted that to constitute a source of competitive advantage, the human capital pool must have both high levels of skill and a willingness (i.e., motivation), to exhibit productive behaviour.

Wright et al., (1994) broadly conceptualized HR practices or HPWS simply as a people management system, expanding the relevant practices to those beyond the control of the HR function, and a host of others that impact employees and shape their competencies, cognitions and attitudes. Effective systems for managing people evolve through unique historical paths and maintain interdependence among the components that competitors cannot easily imitate (Becker, & Huselid, 1998). The important aspect of these systems is that they are the means through which the firm continues to generate advantage overtime. It is through the people management system that the firm influences the human capital pool and elicits the desired employee behaviour.

The RBV is appropriate as a theory that underpins the HPWS—organizational performance relationship for a couple of reasons. First, there is the human capital pool comprised of the stock of employee knowledge, skills, motivation, and behaviours. HR practices can help build the knowledge and skill base as well as elicit relevant behaviour. Second, there is the flow of human capital through the firm. This reflects the movement of people (with their individual knowledge, skills, and abilities) as well as knowledge itself. HR practices can certainly influence the movement of people. However, more importantly, the types of reward systems, culture, and other aspects of HRM influence the extent to which employees are willing to create, share, and apply knowledge internally. Third, the dynamic processes by

which organizations change and/or renew themselves constitute the third area illustrating the link between HRM and the resource-based view of the firm. HR practices are the primary levers through which the firm can change the pool of human capital as well as attempt to change employee behaviours that lead to organizational success (Wright et al., 2001).

Based on the above arguments, RBV informs the relationships depicted in my model. HPWS can be unique, causally ambiguous and synergistic in how they enhance firm competencies (Lado, & Wilson, 1994) and development of a skilled workforce (Wright et al., 2001). The use of HPWS can enhance the organization's human capital pool. This is because employees' knowledge, skills and abilities are improved, and their motivation enhanced through the system of HR practices that they experience. This highly skilled workforce has a greater potential to constitute a source of competitive advantage because of the productive behaviours they exhibit (Wright et al., 1994). Because a firm's competitive advantage is considered an important antecedent to its performance (Newbert, 2008), this should lead to organizational performance. Consequently, I tested the formulations of RBV by examining collective human capital and competitive advantage as mediating mechanisms through which management-HPWS influence organizational performance as depicted in Figure 1.

#### ***2.4.2 Social Exchange Theory (SET)***

Social exchange theory (SET) is among the most influential paradigms for understanding work place behaviour. Its roots can be traced back to at least the 1920s (e.g. Malinowski 1922), bridging such disciplines as anthropology (e.g., Firth, 1967; Sahlins, 1972), social psychology (e.g., Goldner, 1960; Homans 1958), and sociology (e.g., Blau, 1964). Although

different views of social exchange have emerged, theorists agree that social exchange involves a series of interactions that generate obligations (Emerson, 1976). Within SET, these interactions are usually seen as interdependent and contingent on the actions of another person (Blau, 1964). SET also emphasizes that these interdependent transactions have the potential to generate high-quality relationships (Cropanzano & Mitchell, 2005).

Blau (1964) was among the first to differentiate social and economic exchange. According to Blau, social exchange refers to relationships that entail unspecified future obligations. Like economic exchange, social exchange generates an expectation of some future return for contributions; however, unlike economic exchange, the exact nature of that return is unspecified. Furthermore, social exchange does not occur on a quid pro quo or calculated basis, implying social exchange creates enduring social patterns. Economic exchange is based on transactions, but social exchange relationships are based on individuals' trusting that the other parties to the exchange will fairly discharge their obligations in the long run (Holmes, 1981). This trust is necessary for maintaining social exchange, especially in the short run, where some temporary or perceived asymmetries may exist between an individual's inducements – that is, the benefits received from participation in the social exchange relationship – and contributions, the individual's input into the relationship. Furthermore, the expectation of long-term fairness in social exchange contrasts with the expectation of short-term fairness that typically characterizes economic exchange (Konovsky & Pugh, 1994).

One of the basic tenets of SET is that relationships evolve overtime into *trusting, loyal, and mutual* commitments. To do so, parties must abide by certain “rules” of exchange. Rules of

exchange, describe a “normative definition of the situation that forms among or is adopted by the participants in an exchange relation” (Emerson, 1976: 351). In this way, rules and norms of exchange are “the guidelines” of exchange processes (Cropanzano & Mitchell, 2005). Another basic tenet of SET is that *investment* in the relationship is critical to social exchange (Eisenberger, Huntington, Hutchison, & Sowa 1986; Rousseau, 1995; Shore, Tetrick, Lynch, & Barksdale, 2006). In fact, investment and trust are intertwined in exchange relationships. Specifically, in social exchanges, both parties invest in the other party with some inherent risk that the investment will not be repaid, requiring trust (Blau, 1964; Cotterell, Eisenberger, & Speicher, 1992; Shore et al., 2006). Another basic tenet of SET is that social exchange requires a long-term orientation, since the exchange is ongoing and based on feelings of obligation (Blau, 1964; Shore et al., 2006). Furthermore, another basic tenet of SET is the emphasis on socioemotional (i.e., feelings of obligation and trust) aspect of the exchange (Shore et al., 2006).

SET was originally developed to account for the development and maintenance of interpersonal relationships. It has since been applied to workplace relationships or the employment relationship (e.g., Shore, Tetrick, & Barksdale, 1999). Of special interest to social exchange theorists are differences in the parties involved in the relationship. The general presumption is that workers can form distinguishable social exchange relationships, with immediate supervisor (e.g., Liden et al., 1997), co-workers (e.g., Flynn, 2003), and employing organizations (e.g., Moorman, Blakely, & Niehoff, 1998). These distinct relationships have implications for behaviour. Specifically, because individuals return the benefits they receive, they are likely to match goodwill and helpfulness toward the party with whom they have a social exchange relationship (Cropanzano & Mitchell 2005).



As a set of practices that entail investment in employees and opportunities to perform, HPWS signal an organization's interest in maintaining a long-term relationship with its employees, and also emphasizes the socio-emotional (e.g., being taken care of by the organization) aspects of the exchange. This creates feelings of obligation on the part of the employee, and because individuals return the benefits they receive, employees are likely to reciprocate the organization's favourable treatment with behaviours that promote its goal attainment efforts. As depicted in figure 1, I tested the formulations of SET in this study by examining perceived organizational support (POS) as a mechanism through which experienced-HPWS influence service OCB.

### ***2.4.3 Motivation Theory***

The concept of motivation refers to internal factors that impel action and to external factors that can act as inducements to action (Locke, & Latham, (2004). The three aspects of action that motivation can affect are direction (choice), intensity (effort), and duration (persistence). Motivation can affect not only employees' acquisition of skills, and abilities but also how and to what extent they utilized their skills and abilities (Locke, & Latham, 2004). Motivation is often described as being "intrinsic" or "extrinsic" in nature (Sansone, & Harackiewicz, 2000). Over three decades of research has shown that the quality of experience and performance can be very different when one is behaving for intrinsic versus extrinsic reasons (Ryan, & Deci, 2000). Intrinsic motivation is defined as the doing of an activity for its inherent satisfaction rather than for some separable consequence. When intrinsically motivated, a person is moved to act for the fun or challenge entailed rather than because of external prods, pressures or rewards (Ryan, & Deci, 2000). The concept of

intrinsic motivation has roots in people's psychological needs to feel competent (White, 1959), experience psychological growth (Alderfer, 1969), and self-actualization (Maslow, 1943).

After psychologists introduced the concept of intrinsic "needs," management scholars developed the important distinction between intrinsic motivation – a hypothetical construct presumably residing within the person – and intrinsically motivating tasks (Bateman, & Crant, 2005). Herzberg (1966) described tasks as intrinsically motivating when they are characterized by key "motivators" such as responsibility, challenge, achievement, and variety. Later, Hackman, & Oldham, (1980) extended Herzberg's work by developing a model suggesting the specific work characteristics and psychological processes that increase employee satisfaction and the motivation to excel. These theories center on the issue of the organization's effect on an individual employee's 'cognitive growth', (Locke, & Latham, 2004). For instance, an organization which provides or creates a favourable working environment for employees through the provision of task characteristics such as tasks variety, task significance, and autonomy necessary to do their work, and the accompanying psychological processes, can increase employee satisfaction and motivation to excel in their work. This is because the resulting work environment affects individual employees' cognitive growth, and thus can be a source of empowerment. This therefore highlights the criticality of empowerment.

Empowerment – is defined as a constellation of experienced psychological states or cognitions (Spreitzer, 1992; Thomas, & Velthouse, 1990). Although early work (Kanter, 1977, 1983) on empowerment focused upon organizational structures, practices and policies as

indicators of empowerment, research now considers them as contextual antecedents of psychological empowerment (Seibert, Silver, & Randolph, 2004; Seibert, Wang, & Courtright, 2011). This perspective addresses employees' experience of empowerment. Psychological empowerment is defined as an individual's experience of intrinsic motivation that is based on cognitions about him- or herself in relation to his or her work role (Spreitzer, 1995). While various authors (e.g. Kirkman, & Rosen, 1999; Seibert et al., 2011; Spreitzer, 1996) have noted some contextual antecedents in the literature, in this study I focused on HPWS. This is because the constituent dimensions of HPWS such as high levels of training, decentralization, participation in decision making, and information sharing collectively, reflect an empowering structure and describe some of the social structural sources of empowerment identified in the literature (Liden, & Arad, 1996; Seibert et al., 2011; Spreitzer, 2008). In this study, I test a theory of intrinsic motivation (empowerment) by examining psychological empowerment as a mechanism through which experienced HPWS influences service OCB.

## **2.5 Description of Key Constructs**

### ***2.5.1 High-Performance Work Systems (HPWS)***

One of the fundamental principles of SHRM research is that the impact of HR practices on individuals as well as organizations is best understood by examining a bundle, configuration or system of HR practices (Lepak et al., 2006a). As previously noted, HPWS is a term used to denote a "system of HR practices designed to enhance employees' skills, commitment, and productivity in such a way that employees become a source of sustainable competitive advantage" (Datta, Guthrie, & Wright, 2005, p.136). Neither conceptual (e.g., Lawler, 1992;

Pfeffer, 1998) nor empirical work (e.g., Arthur, 1994; Huselid, 1995; Datta et al., 2005) yielded a precise definition of HPWS, but these systems include practices such as incentive compensation, high levels of training, employee participation, rigorous selection procedures, promotion from within, flexible work arrangements, and information sharing (Huselid, 1995; Data et al., 2005; Pfeffer, 1998). HPWS improves organizational performance by increasing employees' knowledge, skills and abilities (KSAs), and empowering employees to leverage their KSAs for organizational benefits, and increasing their motivation to do so (Becker, & Huselid, 1998; Combs et al., 2005; Delery, & Shaw, 2001).

Informed by Bowen & Ostroff's (2004) recommendation that that the content of work systems "should be largely driven by the strategic goals and values of the organization" and that 'the foci of human resource management practices must be designed around a particular strategic focus, such as service or innovation" (p. 206), Liao et al., (2009) developed an HPWS for service quality which I employed in this study. Liao et al., (2009) propose HPWS for service quality which they defined as a system of HR practices designed to enhance employees' competencies, motivation and performance in providing high quality service to external customers. It includes practices of extensive service training, information sharing, self-management service teams and participation, compensation contingent on service quality and, job design for quality work. This conceptualization of HPWS for service quality includes the general HRM issues considered as critical for service delivery in Schneider, White, & Paul, (1998)'s framework and includes the HR practice dimensions examined in prior strategic HRM studies in the service settings (Batt, 2002; Delery, & Doty, 1996).

The nature of service, including simultaneity of service production and consumption, intangibility of service processes and outcomes, and customer involvement in service production (Bowen, & Schneider, 1988), makes it impossible to do a quality control check after production to ensure quality as in a manufacturing setting (Liao et al., 2009; Schneider, White, & Paul, 1998). Therefore, the performance of front-line employees, or their behaviours of helping and serving customers to address customer needs (Liao & Chuang, 2004), directly influences customer satisfaction with the service quality. In order for front-line employees to provide high-quality service, firms need to design a work system that ensures that employees have the knowledge, skills, and abilities as well as the motivation, to meet customer needs. For instance, extensive training emphasizes training employees on how to provide quality service; performance appraisal uses service criteria; and contingent compensation links pay to service quality. These work practices together provide front-line employees with the knowledge, skills, and abilities; resources; information; and discretion they need to meet customer demands, as well as the motivation to provide high-quality service (Liao et al., 2009).

### ***2.5.2 Organizational Performance***

Performance is a multidimensional construct (Ostroff, & Bowen, 2000) and has been variously conceptualized. Dyer, & Reeves, (1995) noted different types of performance measures that are most appropriate for SHRM research. They proposed four effectiveness measures: (1) human resource outcomes such as absenteeism, turnover, and individual or group performance; (2) organizational outcomes such as productivity, quality and service; (3) financial or accounting outcomes such as profitability, return on assets, and return on

invested capital; (4) stock market performance (stock value or shareholder return). In this study, we used Delaney and Huselid's (1996) subjective market performance measure as our organizational performance indicator. This subjective market performance measure includes sales, profitability, and marketing. Although there are concerns about the use of subjective measures, such as increased measurement errors and the potential for common method biases, there are still some compelling reasons for using such measures (Chuang, & Liao, 2010; Delaney, & Huselid, 1996; Takeuchi et al., 2007). First, Gupta and colleagues (Gupta, 1987; Gupta, & Govindarajan, 1984; 1986) noted that objective financial performance data on individual units that reveal their organizational identities are very difficult, indeed virtually impossible to obtain. Second, Wall, Mitchie, Patterson, Wood, Maura, Clegg, and West, (2004) recently demonstrated convergent, discriminant, and construct validities of subjective performance measures judged against objective performance measures in research findings relating management practices and performance, suggesting that self-reported measures are useful in studies where objective ones are not available. They also estimated an average of .52 correlations between manager's perceived and actual firm performance (Wall et al., (2004). Thirdly, we used a subjective market performance measure because the comparative method has been suggested to be more effective at eliciting responses than directly asking respondents to provide exact figures (Tomaskovis-Devey, Leiter, & Thompson, 1994). Furthermore, self-reported performance measures have often been employed in published studies on the HPWS-performance link (e.g., Chuang, & Liao, 2010; Delaney, & Huselid, 1996; Takeuchi et al., 2007; Sun et al., 2007; Youndt et al., 1996).

### **2.5.3 Individual Level Performance**

#### **2.5.3.1 Service-oriented OCB**

Katz and Kahn (1966) suggested that spontaneous or extra-role behaviours are necessary for effective organizations. Consistent with Katz & Kahn's (1966) claim, researchers have suggested that the difference between outstanding and average service companies is that in the former, employees exert more discretionary effort and engage in OCBs that favourably influence customers' perceptions of service quality (Berry, 1999; Bowen, Schneider, & Kim, 2000; Morrison, 1997).

Organ defined OCB as a class of discretionary behaviours that contribute "to the maintenance and enhancement of the social and psychological context that supports task performance" (1997: 91). OCB has been variously conceptualized over the years (cf. Bateman, & Organ, 1983; Organ, 1988; Williams, & Anderson, 1991). One of the most popular conceptualizations is the one developed by Organ, (1988; 1990). Organ (1988) originally proposed a five-factor OCB model consisting of *altruism* (e.g., helping other organizational members with organizationally relevant tasks or problems); *courtesy* (e.g., consulting with others before taking action); *conscientiousness* (e.g., behaviour indicating that employees accept and adhere to the rules, regulations, and procedures of the organization); *civic virtue* (e.g., keeping with matters that affect the organization); and *sportsmanship* (e.g., a willingness on the part of employees to tolerate less than ideal circumstances without complaining and making problems seem bigger than they really are). However, he subsequently expanded this model (Organ, 1990) to include two other dimensions (peacekeeping and cheerleading). However, empirical research (Bachrach,,

Bendoly,, & Podsakoff, 2001; Podsakoff, & Mackenzie, 2004) indicates that managers often have difficulty making some of the distinctions between the other dimensions in Organ's conceptual model, and that they tend to view altruism, courtesy, peacekeeping, and cheerleading as part of an overall helping dimension (Podsakoff, Blume, Whiting, & Podsakoff, 2009).

Borman & Motowidlo observed that some types of OCB "are probably more appropriate for certain types of organizations than others. Service companies have special requirements on dimensions related to dealing with customers and representing the organization to outsiders" (1993: 90). Accordingly, Bettencourt and Brown coined the term "service-oriented OCB" to describe discretionary behaviours of contact employees in servicing customers that extend beyond formal role requirements" (1997: 41). Bettencourt, Gwinner, and Meuter, (2001) proposed a multi-dimensional service-oriented OCB: loyalty, participation and service delivery. Through *loyalty service-oriented OCB*, employees act as advocates to outsiders not only of their organization's products and services but also of its image. In *participative service-oriented OCB*, employees take individual initiative, especially in communications, to improve their own service delivery and that of their organization and coworkers as well. This form of service-oriented OCB is fundamental to an organization's ability to meet the changing needs of its customers. In *service delivery service-oriented OCB*, employees behave in a conscientious manner in activities surrounding service delivery to customers.

A firm's approach to human resource management has been argued to be helpful in eliciting high levels of OCB (Morrison, 1996), and HPWS has been shown to promote a supportive



organizational environment that motivates OCB (Sun et al., 2007). OCB has also been identified as a behavioural consequence of both psychological empowerment (Spreitzer, 2008; Seibert et al., 2011) and POS (Rhoades & Eisenberger, 2002; Wayne, Shore, & Liden, 1997). In turn, OCB has also been found to influence a number of individual level outcomes including ratings of employee performance (Podsakoff, Whiting, Podsakoff, & Blume 2009). Two such performance measures used in this study are service quality and task performance.

### ***2.5.3.2 Service Quality***

Early research on service quality (Gronroos, 1982; Lewis, & Booms, 1983) suggested that service quality results from a comparison of what customers feel a service provider should offer (i.e., their expectations), with how the provider actually performs. The notion that service quality is a function of the expectations-performance gap was reinforced by an extensive multi-sector study conducted by Parasuraman, Zeithaml, & Berry, (1985). Based on insights from their focus group study, the authors defined service quality, *as the degree and direction of discrepancy between customers' service perceptions and expectations*. Thus, in service settings, customers have become an important factor in how employee performance is defined (Bowen, & Waldman, 1999). Bowen, & Schneider, (1988) noted three defining characteristics of service - intangibility, simultaneous production and consumption, and customer "coproduction" – all of which imply that "the consumer experience is as important as, if not more important than, the consumer good" (Bowen, & Waldman, 1999: 164-165). Further, the quality of the interaction between employee and customer is critical in determining customer satisfaction. Therefore, the behaviour of front-line employees plays an important role in shaping the customer's perception of service

quality (Liao, & Chuang, 2004). Basing performance (service) standards explicitly on customer expectations encourages employees' engagement in behaviours that are particularly functional in achieving desirable customer outcomes (Bowen, & Waldman, 1999; Liao, & Chuang, 2004).

### ***2.5.3.3 Task Performance***

Task performance consists of activities that (a) directly transform raw materials into goods and services produced by the organization or (b) service and maintain the technical core by replenishing supplies; distributing products; and providing planning, coordination, supervising, and staff functions that allow for efficient functioning of the organization (Motowidlo, Borman, & Schmit, 1997). Borman, & Motowidlo, (1997) distinguished task performance from contextual performance in at least three ways. First, task activities vary across jobs whereas contextual activities tend to be more similar across jobs. Second, task activities are more likely than contextual activities to be role-prescribed, for example, to appear on a performance appraisal form. Third, antecedents of task performance are more likely to involve cognitive ability, whereas antecedents of contextual performance are more likely to involve personality variables.

Campbell, McCloy, Oppler, & Sager (1993) refer to employee performance in general, as behaviours that are relevant to organizational goals and that are under the control of individual employees, regardless of whether they are cognitive or interpersonal. Campbell et al., (1993) identified a number of performance components in all jobs. That is the categories of things people are expected to do in a job. They include job-specific task proficiency, non-job specific task proficiency, written and oral communication task

proficiency, demonstrating effort, maintaining personal discipline, facilitating peer and team performance, supervision/leadership, and management/administration.

## ***2.6 Conclusion***

In this chapter, I presented and discussed the distinctive features of the multilevel model depicted in Figure 1. The three theoretical perspectives underpinning the relationships in the model – resource-based view (RBV), social exchange theory (SET), and intrinsic motivation, were also discussed, highlighting their appropriateness for the study. Additionally, the key constructs – HPWS, organizational performance, and individual level performance variables were also discussed. In the next chapter, I review the extant literature to develop the propositions tested in this study.

## **CHAPTER THREE - Literature Review and Hypotheses Development**

### ***3.2 Introduction***

The preceding chapter discussed the theories within which this study was grounded and the key constructs and their interrelationships. The primary objectives of this study are first, examine at the unit level, collective human capital and competitive advantage as intervening mechanisms through which HPWS influences – organizational market performance and second, examine social exchange and empowerment as mechanisms through which the use of HPWS influences employees' experience of HPWS and employee performance. This chapter reviews the literature and provides a summary of research on HPWS and firm performance relationship. This chapter also discusses the hypothesized group-level, cross-level and individual-level relationships tested in this study.

### ***3.3 Group/Unit Level Relationships***

#### ***3.3.1 HPWS and Organizational Performance***

Underpinned by the view that bundles or systems of HR practices are more influential than individual practices in isolation (Arthur, 1994; Huselid, 1995; MacDuffie, 1995; Youndt, Snell, Dean, & Lepak, 1996), much research has shown HPWS to relate to firm performance. Huselid's (1995) study on the relationship between HR practices and corporate financial performance serves as a seminal and probably the most cited work in this area. Huselid (1995) examined the links between systems of HRM practices and firm performance in a sample of almost 1000 US firms. He used 13 HRM practices that factor analysed into two factors: Employee skills and organizational structures, and Employee motivation. His results

showed that the use of these HRM practices had a statistically significant effect on both intermediate employee outcomes (turnover, productivity) and short and long-term measures of corporate financial performance.

This body of work is now extensive, with a meta-analysis of the HRM - organizational performance relationship drawing on 92 studies conducted between 1990 and 2005 (Combs et al., 2006). Combs et al. (2006) found that first, HPWS affects organizational performance. Second, they found support for the hypothesis that systems of HR practices have a stronger effect on an organization's performance than individual HR practices. Thirdly, they did not find support for the contention that the HPWS-organizational performance relationship is affected by researchers' choice of organizational performance measures. Lastly, they found that the HPWS-performance enhancing effects are greater among manufacturing than service organizations. They suggested that perhaps the "best" set of HPWS in a given organization depends on the type of work being conducted, and that future research should investigate HPWS systems developed specifically for services, and that it might take different HPWS to bring out the performance potential of service employees due to unique characteristics of service works.

In response to Combs et al., (2006) findings and recommendations, my study, following other recent studies, focuses on the systems perspective of HPWS rather than individual HR practices in isolation. Second, I chose a subjective market performance measure which includes sales, profitability, and marketing as my organizational performance measure, because in the case of HPWS there is no meaningful slippage across performance dimensions. Hence, researchers can select among a number of alternative valid

organizational performance measures without negatively affecting the size of the effects they are likely to find (Combs et al., 2006). Finally, I employed HPWS for service quality developed by Liao et al., (2009) in the context of my study of HPWS in bank branches, because perhaps the “best” set of HPWS in a given organization depends on the type of work being conducted. For example, research on the effects of direct customer contact suggests that a great deal of stress is created when organizations frustrate employees’ ability to satisfy customer demands (Bakker, Demerouti, & Euwema, 2005). Thus, there is the need to investigate HPWS developed specifically for services to bring out the performance potential of service employees due to the unique characteristics of service works (Combs et al., 2006).

In the prior research discussed below, significant attention has been devoted to understanding why HR systems can facilitate the accomplishment of a firm’s strategic goals (Wright & Boswell, 2002). Below is a summary of some of the key empirical studies linking HPWS systems and organizational performance.

Table 1

## Summary of research on HPWS and Firm Performance

Author	Motivation for study	HR Practices measured	Rationale for inclusion of practice	How practice was measured	Dependent variable	How dependent variable was measured	Major findings
Huselid (1995)	Theory and conventional wisdom suggest that human resource (HR) practices can provide a direct and economically significant	Thirteen practices measured as two bundles-(a) employee skills and organizational structures (quality management circles, teams) and (b) employee motivation performance appraisals).	Included the 10 practices that Delaney, Lewin, & Ichniowski (1989) included. However, also added three	Firm level data collected on survey sent to the senior level human resource professional in each firm.	Turnover. Productivity. Corporate financial Performance.	Turnover-question regarding annual rate on survey. Productivity logarithm of sales per employee. Corporate	Investments in practices are associated with lower employee turnover and with greater productivity and corporate financial performance.

	<p>contribution to firm performance. However, little empirical evidence exists.</p>		<p>practices found to affect firm performance : intensity of recruiting efforts, average number of training hours per employee per year, and its promotion criteria (seniority vs. Merit).</p>			<p>financial performance.</p>	
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Nishii, Lepak, & Schneider (2008)	Examines the effects of HR attributions on firm performance across units within an organization.	Five HR attribution items listed for each of five HR practices: staffing, training, benefits pay, and scheduling.	Developed items and practices based on two rounds of five focus groups and research literature.	Department level. Survey data collected from employees within each department, managers, and customers of each department.	Customer satisfaction with people.	Department employees were rated by Customers in a survey.	The attribution that HR practices are motivated by the organization's concern for enhancing service quality and employee well-being was positively related to employee attitudes, the attributions focused on reducing costs and exploiting employees was negatively associated with attitudes, and the
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							<p>external attributions involving union compliance was not significantly associated with attitudes. In turn, unit-level attitudes were significantly associated with the two dimensions of OCBs, and OCB-helping was significantly related to customer satisfaction.</p>
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Gong, Law, Chang, & Xin, (2009)	Examined how HR practices relate to firm performance and to test the resource-based theory and social exchange theory in such an examination.	Eight practices classified into the maintenance-oriented HR subsystem and performance-oriented HR subsystem.	Included eight practices resulting from a review of forty-eight strategic HR studies published in nine major journals and research volumes (e.g., Delery & Doty, 1996).	Firm-level data collected from two sources (cities). First on a survey sent to the president/vice presidents, HR managers and middle level managers from each firm. Second on survey sent to the president/vice president, HR	Profit, Total sales growth, Market share, Total asset growth, After-tax return on total assets, After-tax return on total sales, Labour productivity.	President/vice President reporting ratings of firm performance in terms of Profit; Total Sales growth; Market share; Total asset growth; After-tax return on total assets; after-tax return on total sales; Labour productivity.	Found support for the 2-factor model. Results indicate that the performance-oriented HR subsystems had a positive relationship with firm performance and that the relationship was mediated by middle managers' affective commitment. The maintenance-oriented HR subsystems had a positive
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				managers and middle level managers from each firm.			relationship with middle managers' continuance commitment but not with their affective commitment and firm performance.
Combs, Liu, Hall, & Ketchen (2006)	They use meta-analysis to estimate the effect size and test whether effects are larger for (a) HPWP systems	Thirteen practices classified as HPWP: incentive compensation, training, compensation level participation, selectivity, internal promotion, HR planning, Flexible work, performance appraisal, grievance procedures,	Included practices based on research review of ninety-two studies, including (Becker & Gerhart,	The 'study' is the unit of analysis in meta-analysis (Hunter & Schmidt, 1990), within-study correlations were	Operational performance, accounting returns, growth, market returns, financial performance.	Divided organizational performance measures into five dimensions: productivity, retention, accounting returns,	Find that HPWS affect organizational performance. Second, find support for the hypothesis that systems of HPWPs have stronger effects than

	versus individual practices, (b) operational versus financial performance measures, and (c) manufacturing versus service organizations .	teams, information sharing, and employment security.	1996; Becker & Huselid, 1998; Ferris et al., 1999; Wood 1999; Wright & Boswell, 2002; Wright, Gardner, Moynihan, & Allen, 2005).	averaged to derive the overall relationships for each study.		growth, and market returns. Categorized productivity and retention measures as operational performance and accounting returns, growth, market returns, and financial performance	individual HPWPs. Third, contrary to SHRM theory, the relationship appears invariant to the choice of organizational performance measure. Fourth, the relationship is stronger when researchers examine systems of HPWPs among manufacturers.
Takeuchi,	Examined the	Thirteen practices	Included the	Establishment	Employee job	Collected	Results from cross-

Chen, & Lepak, (2009)	social mechanisms through which HPWS relate to employee and behaviours using a multi-level theoretical perspective.	measured as two bundles- (a) employee skills and organizational structures (quality management circle, teams) and (b) employee motivation (performance appraisals).	13 practices developed by Huselid (1995).	-level survey of managers HR practices in each establishment .	satisfaction and employee affective commitment.	subordinate employee assessment of job satisfaction, and affective commitment.	level analysis indicated that the relationships between establishment-level HPWS and employee job satisfaction and affective commitment were fully mediated by establishment – level concern for employees’ climate.
Kehoe & Wright (2010)	Few studies have considered the	Fifteen items compiled from SHRM literature (HR practices) aimed at improving employees’	Included items and HR practices based on	HR Directors administered surveys to a randomly	Organizational Citizenship Behaviour (OCB),	Employees reported estimates of OCBs,	Employees’ perceptions of high-performance HR practice use at the

	important role of employees' perceptions of HR practice use. They examined the relationships between employees' perceptions of high-performance HR practice use in their job groups and employee	KSAs and motivation and opportunity to perform : selective staffing (formal selection test, structured employment interviews); employee participation (formal participation processes, fair complaint procedures, employee autonomy in job design); performance-based compensation (bonuses based on group, and individual performance outcomes, merit-based pay raises); Formal performance evaluation; regular information-sharing communication;	previous empirical research in the SHRM literature- specifically Huselid (1995); Way (2001); Combs et al., (2006); Sun et al., (2007).	selected group of 20% or more of the employees in their unit in a large food service organization.	Intent to remain with the organization, Absenteeism.	Intent to remain in the organization, and Absenteeism.	job group level positively related to all dependent variables and that affective organizational commitment partially mediated the relationship between HR practice perceptions and OCB and fully mediated the relationship between HR practice perceptions and intent to remain
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	absenteeism, intent to remain with the organization, and OCB, dedicating a focus to the possible mediating role of affective commitment in these relationships.	merit-based promotion opportunities; extensive formal training.					with the organization.
Chuang & Liao (2010)	They investigate the	Thirty five items including six HR practices: staffing, training,	Practices and items included	Business-unit level data collected on	Market performance: marketing,	Managers reported ratings of	They find that managers' reports of HPWS were



	intermediate linkages between HR practices and organizational performance in the service context. Specifically, they examined employee shared climate perceptions at the business-unit level.	involvement/participation, performance appraisal, compensation/rewards, and caring.	were based on a literature review and interview with store managers and frontline employees. Some practices and items were adapted from Lepak & Snell (2002), and Batt (2002).	survey sent to managers and employees of multiple service stores over two time periods.	Sales growth, Profitability, Market share.	annual market performance on four items: marketing, sales growth, profitability, market share.	positively related to employees' reports of the store's concern for customers and concern for employees. Second, that the climate of concern for customers mediated the relationship between HPWS and employee service performance, whereas the climate of concern for employees mediated the
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	<p>Secondly, examined HPWS as the antecedent of the unit's climate.</p> <p>Further, examined both collective in-role task performance and collective extra-role citizenship behaviour as the consequences of the</p>						<p>relationship between HPWS and employee helping behaviour provided to co-workers.</p> <p>Further, that both types of employee behaviours contribute to the business unit's market performance in terms of market share, sales growth, and profitability.</p>
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	climate.						
Snape & Redman (2010)	Examine the relationship between HRM practices, conceptualize d at the workplace level, and individual employee attitudes and behaviour.	Ten multiple HR practices that address the recruitment, development, motivation, and involvement of employees.	Items and practices based on research studies – Dyer & Reeves, (1995)	Workplace-level data collected on survey sent to HR managers. HR managers provide separate ratings for managers and professionals as one group and for all other employees.	Compliance, Altruism, In-role behaviour.	Obtained data from employee self reports of employee behaviour.	Findings suggest that there is a positive impact of HRM practices on organizational citizenship behaviour, through an effect on perceived job influence/discretion .
Sun, Aryee, &	Examines the patterns of	HR practices: selective staffing, extensive	Developed items for the	Multilevel survey of (a)	Turnover.	Turnover-question	Studies revealed High-performance

Law (2007)	relationships conducive to organizational performance and the behaviours that create and sustain these relationships.	training, internal mobility, employment security, clear job description, result-oriented appraisal, incentive reward, participation.	domains of HR practices based on research literature – specifically Bae & Lawler (2000), which was developed by Snell & Dean (1992), and Delery & Doty (1996).	human resource managers, (b) supervisors of frontline subordinates, and (c) customer contact employees from hotels located in eastern coastal province of China.	Productivity.	regarding annual rate on HR manager surveys. Productivity-logarithm of sales per employee.	human resource practices to be related to service-oriented OCB and to the performance indicators of turnover and productivity. Service-oriented OCB was related to turnover, productivity, and unemployment.
Liao, Toya,	Relatively few studies	HR practices for service quality: extensive service	Selection of HR practices	Multilevel survey of (a)	Employee overall	Employee direct	Findings indicate that significant

Lepak, & Hong (2009)	have examined employee perspectives with the HPWS, and the influence of HPWS on individual performance. They also examine whether unit-level employee service performance translates into	training, information sharing, self-management service teams and participation, compensation contingent on service quality, job design for quality work, service-quality based performance appraisal, internal service, selective hiring, employment security, and reduced status differentiation.	based on prior literature, but especially the prescription of Schneider et al., (1998), and Batt, (2002), and Delery & Doty, (1996), and frameworks of HPWS by Pfeffer, (1998), and Zacharatos	bank branch senior managers, (b) employee supervisors, (c) customer-contact employees, (d) branch customers, and (e) headquarters from a national bank in Japan.	service performance. Customer satisfaction.	supervisors rated Employee general service performance. Employee knowledge intensive service performance. Branch customers rated Customer satisfaction.	differences between management and employee perspectives of HPWS. Employee perspectives of HPWS was positively related to individual general service performance via the mediation of employee human capital and POS, and was positively related to individual knowledge intensive service
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	important performance metric for service organizations .		et al., (2005).				performance via the mediation of employee human capital and psychological empowerment. Management perspective of HPWS was related to human capital and both types of service performance. Overall knowledge-intensive service performance was related to overall customer satisfaction with
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							the branch's service.
Gittell, Seidner, & Wimbush (2010)	Examines relationships between employees as the primary causal mechanism that connects high-performance work systems and performance outcomes	HR practices: cross-functional selection, cross-functional conflict resolution, cross-functional performance measurement, cross-functional rewards, cross-functional meetings, and cross-functional boundary spanners.	HR practices selection based on the research literature – specifically Lawrence & Lorsch (1968), Gittell, (2000), Guthrie & Hollensbe, (2004).	Individual and unit level data from (Hospital Administrator interviews), Care Provider surveys, Patient surveys, and Patient Hospitalization records.	Quality Outcomes (Patient-perceived quality of care). Efficiency Outcomes (Patient length of stay)	Patient surveys and hospitalization records from hospital Administrators .	They find High-performance work practices that positively predict the strength of relational coordination among doctors, nurses, physical therapists, social workers and case manager, in turn predicting quality and efficiency outcomes for their patients. Relational

							coordination mediates the association between HPWS and outcomes
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Source: Adapted from Gibson, Porath, Benson, & Lawler III (2007: p. 1470-1473), including those published after 2007.



### **3.3.2 Management-rated HPWS and Collective Human Capital**

Human capital refers to the knowledge, skills and abilities (KSAs) of employees that are valuable to a firm (e.g., Subramaniam, & Youndt, 2005). Human capital adds value because of enhanced potential for productivity provided by higher knowledge and skills (Snell, & Dean, 1992). Researchers have suggested that HR practices may be viewed as building skills and enhancing motivation (Huselid, 1995), and that HPWS helps employees develop the kind of firm-specific human capital – knowledge of a firm’s products, customers, and work processes – that enables them to interact effectively with customers (Batt, 2002). Firm-specific human capital is particularly important for customer-contact employees in service settings because these customer-contact employees manage the boundary between the firm and its customers (Mills, Chase, & Marguiles, 1983).

The reason why HPWS may relate to collective human capital stems from the fact that an organization gains competitive advantage from the rare, valuable, inimitable, and non-substitutable resources it possesses (Barney, 1991). The HRM practices of a firm can lead to competitive advantage through creating and developing a unique, rare, and valuable human capital pool (Barney, & Wright, 1998). Because HRM practices influence the knowledge, skills, abilities (KSAs), and motivation of the workforce in ways that enhances high quality human capital pool (Delery, & Shaw, 2001; Huselid, 1995), firms will make greater use of such practices when employees are viewed as particularly vital to firm success (MacDuffie, 1995). In other words, the extensive use of HPWS represents a significant investment in human capital (Guthrie, 2001).

In organizations with HPWS systems, the emphases on rigorous and selective staffing and comprehensive training can contribute to a high level of collective human capital for the workforce (e.g., Huselid, 1995; Takeuchi et al., 2007; Zacharatoes et al., 2005). For instance, Guthrie, & Olian, (1991) showed that selection practices have an effect on the characteristics of employees and managers selected for jobs. Delaney, & Huselid, (1996) drew attention to the value of HRM practices that emphasize hiring individuals of higher quality, or of raising the level of skills and abilities among the current workforce, or both. Secondly, HPWS that emphasize competitive compensation packages and extensive benefits to employees help to attract and recruit high-calibre individuals (e.g., Arthur, 1994; Guthrie, 2001; Huselid, 1995). Takeuchi et al., (2007) found that HPWS was positively associated with the level of collective human capital in an organization. Based on the preceding discussion, I hypothesized that:

*Hypothesis 1: Management-rated HPWS relates to collective human capital.*

### **3.3.3 Collective Human Capital and Competitive Advantage**

Barney (1991) defines competitive advantage as the degree to which a firm has reduced costs, exploited opportunities, and neutralized threats. According to Barney (1991), if a resource or a capability yields the potential to enable a firm to reduce costs and/or respond to environmental opportunities and threats, it is valuable, and to the extent that a firm is able to effectively deploy such a resource or capability, it will attain competitive advantage. Barney (1991), reasons that firms are unlikely to achieve competitive advantage if the resources or capabilities they exploit are widely held. Instead, competitive advantage likely derives from the exploitation of resources or capabilities that are rare. However, valuable

and rare organizational resources or capabilities can only be sources of sustained competitive advantage if firms that do not possess these resources or capabilities cannot obtain them, and there are no strategically equivalent valuable resources or capabilities that are themselves either not rare or imitable.

In contrast, because a firm's human capital adds value to the firm because of enhanced potential for productivity provided by higher knowledge and skills (Snell, & Dean, 1992), it has the potential to enable a firm to reduce cost and/or respond to environmental opportunities and threats. Accordingly, if a firm is able to effectively deploy its human capital, it will attain competitive advantage.

Wright et al., (1994) proposed that human resources can be a source of sustained competitive advantage because they meet the criteria of being valuable, rare, inimitable and non-substitutable. However, in order to effectively use, or exploit, a [human] resource, Amit and Schoemaker argue that a firm must have access to the appropriate capabilities, which refer to a firm's capacity to deploy *Resources*' (Amit, & Schoemaker, 1993: p.35). In other words, while a given [human] resource may have the potential to yield a valuable service, that service will remain latent until deployed via a relevant capability (Newbert, 2008). An argument can be made that collective human capital (an HR capability) is a source of competitive advantage as it is embedded in the collective knowledge of firm members (inimitable), is developed overtime (rare), and valuable as the firm's routines for managing people can direct employees' talents and behaviours to meet objectives and create value (Wright et al., 1994).

We expect that collective human capital (a capability) will be related to competitive advantage. In support of this theoretical argument, Hatch, & Dyer, (2004) reported that human capital holds great potential as a resource that can confer and sustain competitive advantage because it is inimitable, difficult (costly) to imitate, and non-substitutable. Specifically, they found that the cost advantages that can be attributed to human capital are sustainable because human capital is difficult (costly) to imitate. They also found that human capital is non-substitutable. Similarly, Newbert (2008) found that the more valuable and rare a firm's [human] resource-capability combinations, the more likely it will attain a competitive advantage. Based on the preceding discussion, I hypothesized that:

*Hypothesis 2a: Collective human capital positively relates to competitive advantage.*

### **3.3.4 The Mediating Influence of Collective Human Capital on the Relationship between Management-rated HPWS and Competitive Advantage**

The resource-based view suggests that human resource systems can contribute to sustained competitive advantage through facilitating the development of human resources and capabilities that are firm-specific, produce complex social relationships, are embedded in a firm's history and culture, and generate tacit organizational knowledge (Barney, 1992; Wright, & McMahan, 1992). Researchers have argued that HPWS that create a synergistic effect and/or are interrelated can be sources of competitive advantage (Becker, & Gerhart, 1996; Lado, & Wilson, 1994; Wright, & Snell, 1991). This is because the interrelatedness of the system components makes the advantage difficult, if not impossible for competitors to identify and copy (Barney & Wright, 1998). Research on systems of HR practices supports

this notion (Delery, & Doty, 1996; MacDuffie, 1995; Youndt, Snell, Dean, & Lepak, 1996). Thus, I expect HPWS to be related to competitive advantage.

The resource-based view predicts that superior human capital, when it is firm-specific, can create competitive advantage (Barney, 1991). The human capital pool is generally embedded in an organization's complex social system, which may cause it to take on firm-specific features that make it more useful for a particular firm than others (Grant, 1991; Takeuchi et al., 2007). This firm-specific human capital thus has considerable potential for generating sustainable competitive advantage (e.g., Barney, & Wright, 1998; Coff, 1999; Grant, 1996), because it is valuable as it enhances the productive capacity of human resources (Lado, & Wilson, 1994), it is not widely available in the external labour market (Dierickx, & Cool, (1989), it cannot be easily substituted by other resources without having to incur heavy replacement cost (Barney, 1991; Lado, & Wilson, 1994). Thus, I expect collective human capital to be related to competitive advantage.

Researchers have noted that HR practices are important levers by which firms develop human capital. It is the HR practices that can directly impact the knowledge, skills and abilities of the workforce that can provide value to the firm (Barney, & Wright, 1998; MacDuffie, 1995). In other words, HR practices play an important role in developing the human capital that provides competitive advantage (Barney, & Wright, 1998). HR systems can foster the formation of firm-specific human capital (i.e., the set of knowledge, skills, and abilities that are embedded in the firm's human resources), that can lead to sustainable competitive advantage (Lado, & Wilson, 1994). This is because firm-specific human capital is valuable, cannot be easily duplicated by competitors, and cannot be marketed by the

employees who possess them (Barney, & Wright, 1998; Lado, & Wilson, 1994). For instance, HR practices such as recruitment & selection, on-the-job training, developmental performance appraisal, and skill-based pay brings knowledge, skills, and abilities (KSAs) into the organization (Combs et al., 2006; Lado, & Wilson, 1994), and therefore constitutes an investment in firm-specific human capital (Lado & Wilson, 1994). Therefore, I expect HPWS to be related to collective human capital.

Although I hypothesized HPWS to relate to competitive advantage, I expect this relationship to be indirect through collective human capital. Conceptually, the resource-based view suggests that human resource systems can contribute to sustained competitive advantage through facilitating the development of human resources and/or capabilities (human capital) that are firm-specific (Barney, 1992; Wright, & McMahan, 1992; Lado, & Wilson, 1994). In other words, HR practices play an important role in developing the human capital that provides competitive advantage (Barney, & Wright, 1998). To the extent that HR practices such as selection and socialization, organizational staffing, on-the job training, skill-based pay, and developmental performance appraisal, constitute an investment in firm-specific human capital, they may be potent sources of sustained competitive advantage. In support of these theoretical arguments, MacDuffie, & Cochan, (1991) found that firms with high levels of investment in employee training exhibited higher productivity levels compared to firms with low levels of such investments. Similarly, Snell, & Dean's (1992) findings suggested that firms that emphasized investments in specific human capital through selective staffing, comprehensive training, developmental performance appraisal, and equitable compensation were more likely to be successful in implementing advanced

manufacturing technologies and total quality management systems than firms that did not emphasize such investment.

Extending this logic, at a general level one of the mechanisms through which HR impacts competitive advantage and subsequently performance is human capital (Lepak, 2007). Human capital is more proximal to competitive advantage and therefore mediates the HPWS – competitive advantage relationship. Based on the preceding discussion, I hypothesize that:

*Hypothesis 2b: Collective human capital will mediate the positive relationship between Management-rated HPWS and competitive advantage*

### **3.3.5 Collective Human Capital, Competitive Advantage, and Organizational Performance.**

The way in which firms use human resources in the development and implementation of their strategies can enhance firm performance (Wright, Smart, & McMahan, 1995). In the HRM and strategy literature the potential impact of human capital on performance has been recognized (Barney, 1991; Hatch, & Dyer, 2004; Coff, 1999; Penning, Lee, & van Witteloostuijn, 1998). An organization's stock of human capital dictates the nature and extent of employees' potential contribution to the organization (e.g., Wright, & Snell, 1991). The resource-based view posits that superior human capital holds great potential as a resource that can create and sustain superior performance, because it is valuable, rare, inimitable, and non-substitutable (Barney, 1991; Barney, & Wright, 1998).

In addition, because human capital is generally embedded in an organization's complex social systems, it may cause it to take on firm-specific features that make it more useful for a particular firm than for others (Takeuchi et al., 2007; Grant, 1991). This feature of human capital makes it less likely to be freely traded (Dierickx, & Cool, 1991) or to be readily imitated or substituted without incurring very significant costs (Barney, 1991; Williamson, 1981). This firm-specificity of human capital enables a firm to profit from its human capital more stably and over a longer period of time than is typical of other resources (Takeuchi et al., 2007). Human capital thus has considerable potential for generating superior financial performance (e.g., Coff, 1999; Grant, 1996). Similarly, Takeuchi et al., (2007) found collective human capital to positively relate to relative establishment performance. Thus, I expect collective human capital to be positively related to organizational performance.

However, I expect the collective human capital – organizational performance relationship to be indirect through competitive advantage. While it is argued that competitive advantage and performance are conceptually distinct (Powell, 2001) it is expected that competitive advantage and performance will be correlated (Newbert, 2008). Powell (2001) notes that competitive advantage leads to increased performance and not the opposite. Accordingly, Peteraf and Barney (2003), assert that a firm that has attained competitive advantage has created more *economic value* than its competitors. They suggested that economic value is generally created by producing products and/or services with either greater benefits at the same cost compared to competitors or the same benefits at lower cost compared to competitors. Because superior benefits tend to enhance customer loyalty and perceived quality (Zou, Fang, & Zhao, 2003), a firm that can exploit its valuable, and rare human



resource/capability combinations to effectively attain competitive advantage should be able to improve its performance compared to its competitors (Newbert, 2008).

This is based on the fundamental premise of the resource-based view that a firm's valuable and rare human resources/capabilities that are *heterogeneous* [unevenly distributed and deployed across firms] and *immobile* [cannot be transferred easily from one firm to another], form the basis of sustained competitive advantage (Barney, 1991).

In essence, even though researchers have suggested that a firm's performance may be influenced by other external factors (Datta, Guthrie, & Wright, 2005) besides competitive advantage, Newbert (2008) suggests that the competitive advantage a firm attains is a sufficient condition for improved performance. In other words, a firm's competitive advantage constitutes an important antecedent to its performance (Newbert, 2008: p. 750). Hence, I expect competitive advantage to be positively related to firm performance.

*Hypothesis 3a: Competitive advantage positively relates to branch level market performance.*

Although prior research in strategic HRM has directly linked collective human capital and organizational performance (e.g., Takeuchi et al., 2007; Hitt et al., 2001), this relationship may be indirect through competitive advantage. Researchers have suggested that competitive advantage via the implementation of a human resource-based strategy is an important means by which a firm can improve its performance (Barney, & Wright, 1998; Boxall, 2003; Pfeffer, 2005; Newbert, 2008). The implication of this notion is that in order to reap any performance gains from its human resources/capabilities, a firm must first attain the competitive advantages that result from the effective exploitation of its human resources/capabilities. The fact that a firm has valuable, rare, and inimitable human

resources/capabilities (i.e., firm-specific human capital) may not necessarily confer improved performance. Improved firm performance can only be attained if the firm is able to effectively exploit the valuable, rare, and inimitable human resources/capabilities to attain a competitive advantage (Newbert, 2008). In support of the preceding arguments, Newbert (2008) found that competitive advantage fully mediated the rare resource/capability- performance relationship. Accordingly, I hypothesize that:

*Hypothesis 3b: Competitive advantage mediates the positive relationship between collective human capital and branch level market performance.*

### **3.3.6 Cross-Level Relationships**

#### **3.3.6.1 Relationship between Management-rated HPWS and Experienced-HPWS**

Although research in SHRM has predominantly focused on macro level HPWS, there are recent theoretical and empirical findings suggesting that macro level HR practices are not applied uniformly across employee groups (Lepak, Taylor, Tekleab, Marrone, & Cohen, 2007; Wrigh, & Boswell, 2001). A recent study by Liao et al. (2009) revealed significant differences between management and employee perceptions of HPWS. They also found significant differences in perceptions of HPWS between employees of different employment statuses and among employees of the same status, thereby suggesting that employee experiences of HR practices are important in understanding the connection between HR practices and organizational effectiveness. Although management-HPWS may differ from experienced HPWS, this is not to suggest that there is no relationship between these two perspectives. I

argue that experienced HPWS may be a means through which the use of HPWS influences employees' attitudinal and behavioural reactions.

Although Liao et al., (2009) reported a non-significant relationship between management-HPWS and experienced HPWS, a social information perspective (Salancik, & Pfeffer, 1978) provides a theoretical justification to expect the two constructs to be related. Management-HPWS provides a contextual cue for employees to form their perceptions and experience of their work situation. As a result, I expect management-HPWS to be related to experienced-HPWS. Based on the preceding discussions, I therefore hypothesize that:

*Hypothesis 4: Management-rated HPWS relates to experienced-HPWS.*

### **3.3.6.2 Experienced HPWS and Perceived Organizational Support (POS)**

Most SHRM research has either implicitly or explicitly relied on the idea that HRM practices influence the knowledge, skills, abilities (KSAs), and motivation of the work force (Becker, & Huselid, 1998; Doty & Delery, 1997; Delery, & Shaw, 2001; MacDufiie, 1995). Accordingly, Appelbaum, Bailey, Berg, & Kalleberg, (2000) posit that HPWS must aim at eliciting discretionary effort of employees to enhance performance suggesting that discretionary effort is a mediator in the relationship between HPWS and performance. For HPWS to elicit discretionary effort, or serve as a source of motivation it must contain three essential components: opportunity to participate, incentives, and skills.

Motivation is seen therefore as one of the characteristics of the workforce that adds value to the firm (Delery, & Shaw, 2001). For instance, whereas human capital provides the capabilities for employees to contribute, motivation deals with the extent to which

employees are willing to utilize these capabilities (Liao et al., 2009). Similarly, Bailey (1993) argued that employees often perform below their potential because they possess discretionary use of their time and talent. Thus, employees must be motivated to leverage their KSAs. Research has noted that HRM practices need to effectively align the interest of employees and employers so that employees are willing to exert their effort (Delery, & Doty, 1996). These observations highlight the importance of motivation in strategic HRM research. Perceived organizational support and psychological empowerment are two mechanisms through which individual level HPWS may have its performance implications.

POS is defined as the extent to which employees perceive that their organization values their contributions and cares about their well-being (Eisenberger et al., 1986). According to organizational support theory, the development of POS is encouraged by employees' tendency to assign the organization humanlike characteristics (Eisenberger et al., 1986). Levinson (1965) noted that employees tend to view actions by agents of the organization as actions of the organization itself. This personification of the organization, suggested Levinson, is abetted by the organization's legal, moral, and financial responsibility for the actions of its agents; by organizational policies, norms, and culture that provide continuity and prescribe role behaviours; and by the power the organization's agents exert over individual employees. On the basis of the organization's personification, employees view their favourable or unfavourable treatment as an indication that the organization favours or disfavors them (Rhoades, & Eisenberger, 2002).

Social exchange theorists argue that resources received from others are more highly valued if they are based on discretionary choice rather than circumstances beyond the donor's

control. Such voluntary aid is welcomed as an indication that the donor genuinely values and cares about the recipient (e.g., Blau, 1964; Cotterrel, Eisenberger, & Speicher, 1992; Goldner, 1960). Thus, organizational rewards and favourable job conditions such as pay, promotions, job enrichment, and influence over organizational policies contribute more to POS if the employee believes that they result from the organization's voluntary actions, as opposed to external constraints such as union negotiation (cf. Eisenberger et al., 1986).

Thus, one of the reasons for employees to be motivated by HPWS is a favourable social exchange with the organization (Liao et al., 2009). Based on SET, (Blau, 1964), Settoon, Bennett, & Liden (1996, p.219) argue that "positive, beneficial actions directed at employees by the organization and/or its representatives contribute to the establishment of high quality exchange relationships that create obligations for employees to reciprocate in positive, beneficial ways". POS, or employees' perceptions of the extent to which organizations value employees and care about their wellbeing (Eisenberger, Fasolo, & Davis-Mastro, 1990), is essential in forming such obligations (Shore, & Wayne, 1993).

According to organizational support theory, organizational rewards and favourable job conditions serve to communicate a positive valuation of employees' contribution and thus contribute to POS (Rhoades, & Eisenberger, 2002). Thus, the reason experienced HPWS relates to POS is because elements of HPWS such as pay increases, promotions, job enrichment, job security, training and development serve as signals to employees that the organization cares about them and thus contribute to POS. For instance training and development improves the knowledge, skills and abilities (KSAs) of a firm's current and potential employees, and enhance retention of quality employees and employee security.

When individual employees' view the actions of the organization of providing training and development as treating workers with respect, and investing in their development, they will associate the training and development with perceptions of organizational support. POS has been shown to be influenced by an organization's investment in employees through HR practices such as training and development and organization's recognition of individual achievement through practices such as promotions and salary increases (e.g., Wayne, Shore, Bommer, & Tetrick, 2002; Wayne, Shore, & Liden, 1997). Recent work by Liao et al., (2009) found experienced or employee-HPWS to directly relate to POS. Based on the preceding discussion, I expect experienced-HPWS and POS to be positively related. I therefore hypothesize that:

*Hypothesis 5a: Experienced HPWS positively relates to POS*

### **3.3.6.3 Experienced HPWS, POS, and Service OCB.**

In the above discussion, I argued that experienced HPWS will be related to POS based on the notion that certain human resource practices (HPWS) such as pay increases, promotions, job enrichment, job security, training and development serve as signals to employees that the organization cares about them and thus contribute to POS. Thus, I expect experienced HPWS to be related to POS. In this section, I also argue that experienced HPWS will be related to service OCB. It is argued that an organization's approach to human resource management (HRM) is instrumental in eliciting high levels of OCB (Morrison, 1996; Rousseau, & Greller, 1994). Research has noted that HPWS promotes employees' shared perceptions of a supportive organizational environment that motivates discretionary behaviours that contribute to organizational effectiveness (Sun et al., 2007). For instance as

a way to manage the employment relationship, HPWS practices such as rigorous recruitment and selection, extensive skills training and development, and promotion from within serve to communicate a positive valuation of employees' contributions and thus contribute to perceptions of a supportive work environment. This, in turn, motivates discretionary behaviours such as OCB. Research by Sun et al., (2007) found that high-performance human resource practices were related to service-oriented OCB. Thus, I expect experienced HPWS to be related service OCB.

But I expect this relationship to be indirect through POS. Before accounting for the mediating role of POS in the relationship between experienced HPWS and service OCB, I will first discuss why POS is related to service OCB. According to Eisenberger, Fasolo, and Davis-LaMastro, (1990), a reason why POS is related to employee OCBs is that it may affect employees' perceptions that they are valued by their organizations. A global perception that an organization supports its employees will lead to reciprocal contributions from employees in the form of extrarole behaviours. In other words, employees who feel that they have been well supported by their organizations tend to reciprocate by performing better and engaging more readily in citizenship behaviour than those reporting lower levels of POS (Eisenberger et al., 1990; Gouldner, 1960; Shore, & Wayne, 1993). A number of researchers have reported positive relationship between POS and various forms of OCB (e.g., Moorman, Blakely, & Nierhoff, 1998; Shore, & Wayne, 1993; Wayne, Shore, & Liden, 1997). In a meta-analytic review by Rhoades & Eisenberger (2002), the authors found that POS was positively related to in-role and extra-role performance. A recent study by Vandenberghe et al., (2009) found that POS was positively related to helping behaviour at the employee level. Thus, I expect POS and service-OCB to be positively related. I therefore hypothesize as follows:

*Hypothesis 6a: POS positively relates to service-oriented OCB.*

In accounting for the mediating role of POS in the relationship between experienced HPWS and service OCB, I turn to organizational support theory. According to organizational support theory (e.g., Eisenberger et al., 1986; Rhoades, & Eisenberger, 2002), a key element for defining the nature of the relationship between the employer and the employee is the employee's perception of the amount of support he or she is likely to receive from the organization or POS. The theory posits that an organization's readiness to provide employees with the necessary aid to perform their jobs effectively, reward and recognize increased work effort, and provide for their socioemotional needs determines employees' beliefs about the extent to which their organization values their contributions and is concerned about their well-being. On the basis of the reciprocity norm, POS should create a felt obligation to care about the organization's welfare (Eisenberger et al., 2001). The obligation to exchange caring for caring should bring about employees actions favourable to the organization that go beyond assigned responsibilities (Rhoades & Eisenberger, 2002).

Based on this notion, I posit that the relationship between experienced HPWS and service OCB will be mediated by POS. This is because experienced HPWS will help employees form global perceptions of the extent to which they are valued and cared about by the organization (POS; Eisenberger et al., 1986), and it is this global perception of care that obligates employee to reciprocate by engaging in actions favourable to the organization that go beyond assigned responsibilities (Rhoades, & Eisenberger, 2002). In support of the theoretical arguments, Liao et al., (2009) found that POS fully mediated the relationship



between employee-HPWS and general service performance. I therefore hypothesize as follows:

*Hypothesis 7a: POS mediates the positive relationship between experienced-HPWS and service OCB.*

#### **3.3.6.4 Experienced HPWS, Psychological Empowerment & Service OCB**

The concept of employee empowerment was introduced to the management literature by Kanter (1977). Since it was first proposed, two major perspectives on the empowerment phenomenon have emerged – social structural and psychological (Liden, & Arad, 1996; Spreitzer, 2008). Early socio-structural approaches regarded empowerment as a set of organizational structures, policies, and practices that enable employees at lower levels of the organizational hierarchy to experience self control at work (Bowen, & Lawler, 1995; Kanter, 1977; Seibert et al., 2011). While a social structural perspective of empowerment describes facilitating conditions, it does not address employees' experience of empowerment (Spreitzer, 2008, Thomas, & Velthouse, 1990). Conger, & Kanungo, (1988) were the first to introduce a psychological perspective on empowerment. They argue that empowering organizational practices result in greater employee initiative and motivation only to the extent that they provide informational cues that enhance the employees' effort-performance expectancies, or feelings of self-efficacy (Seibert et al., 2011). Thomas, & Velthouse, (1990) building on Conger & Kanungo's (1988) motivational approach, described empowerment as intrinsic task motivation consisting of four dimensions: meaningfulness, impact, competence, and choice. Meaningfulness concerns the value a task holds in relation to the individual's value system. Impact represents the degree to which individuals perceive

that their behaviour makes a difference (Thomas, & Velthouse, 1990). Competence refers to self-efficacy or the belief that one is capable of successfully performing a particular task or activity (Bandura, 1982; Gist, & Mitchell, 1992). Choice involves “causal responsibility for a person’s actions” (Thomas, & Velthouse, 1990, p. 672).

Based on the work of Thomas, & Velthouse, (1990), Spreitzer, (1995) defines *psychological empowerment* as intrinsic task motivation reflecting a sense of control in relation to one’s work and an active orientation to one’s work role that is manifest in four cognitions: meaning, competence, self-determination, and impact (Conger, & Kanungo, 1988; Spreitzer, 1995; Thomas, & Velthouse, 1990). *Meaning* refers to the value of a work goal or purpose, judged in terms of an individual’s own values or standards. *Competence* is an individual’s belief in his or her capability to successfully perform a given task or activity. *Self-determination* is an individual’s sense of choice about activities and work methods. Finally, *Impact* is the degree to which the individual believes he or she can influence organizational outcomes (Spreitzer, 1995).

Researchers have suggested that organizational environment can have a powerful influence on cognitions of empowerment (Thomas, & Velthouse, 1990), and that one way to view an organizational environment is in terms of the constraints or opportunities it presents for individual cognitions and behaviour (Blau, 1987; Spreitzer, 1996). Although Kanter (1977) initially conceptualized empowerment in terms of organizational structures and practises (e.g., social-political support), research now considers them as contextual antecedents of psychological empowerment (Seibert et al., 2004; Seibert et al., 2011). For instance, Seibert et al., (2011), categorize variables (including HPWS) that capture employees’ perceptions of

organization or work environment into one of four contextual antecedent categories. In this respect, I expect HPWS to relate to psychological empowerment (Bowen, & Lawler, 1992; Kanter, 1989; Lawler, 1986; Spreitzer, 1995). As noted earlier, management HPWS represents the HPWS practices generally implemented for a particular group of employees, and to certain extent it reflects the objective environment. As a result, management HPWS provides a contextual cue for employees to form their perceptions and experience of the work system. Therefore, I expect management and employee perspectives of the HPWS to be positively related.

Spreitzer, (1996) and others (e.g., Combs et al., 2006; Liao et al., 2009; Patterson, West, & Wall, 2004) have suggested that HPWS are likely to facilitate higher levels of psychological empowerment because they affect all four psychological empowerment cognitions. For instance, increased information and control means that employees' will see their work as personally meaningful because they understand how their work role fits into the larger goals and strategies of the organization. More information should also allow employees to better determine for themselves what actions to take, thus increasing feelings of self-determination. Furthermore, the enhanced knowledge, skills and ability resulting from HPWS will be reflected in employee feelings of competence in their work roles. Finally, the greater level of input and control associated with HPWS means that employees will believe they have greater impact in their work unit or organization (Seibert et al., 2011). Similarly, when individuals experience various dimensions of HPWS for service quality such as extensive service training, performance contingent compensation, service quality-focused performance feedback, and decentralized decision making they will view their work environment as offering opportunities for individual behaviour leading to a feeling of

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psychological empowerment. In support of the preceding theoretical arguments, Liao et al., (2009) found that employee-HPWS was directly related to psychological empowerment. I therefore hypothesize that:

*Hypothesis 5b: Experienced HPWS positively relates to psychological empowerment.*

### **3.3.6.5 Psychological Empowerment and Service-OCB**

Increased feelings of meaning, impact, competence, and self-determination that constitute psychological empowerment are thought to result in more positive work outcomes (Spreitzer, 2008). I expect that the psychological empowerment dimensions would be positively related to service-OCB. One reason for this expected relationship is that these dimensions have been found to be related to behaviours conducive to employee effectiveness and innovative behaviours (Spreitzer, 1995). In other words, employees who feel a sense of empowerment are likely to take an active orientation toward their work and perform “above and beyond” the call of duty (Spreitzer, 2008). For instance, meaningful work over which one has individual discretion is likely to lead to organizational citizenship behaviours (OCBs) because it fosters a sense of identification and involvement in the overall workplace, not just one’s defined work role (Seibert et al., 2011). Competence and impact are likely to further encourage OCBs because the employee will feel capable of achieving positive outcomes in his/her work unit if he/she tries (Bandura, 1977).

Similarly, employees generally have more complete knowledge and information about their work, than their bosses and are, thus, in a better position to plan and schedule work, and to identify and resolve obstacles to achieve organizational goals (Cook, 1994). When employees experience autonomy over how their work is to be accomplished, they come to

understand which behaviours and task strategies are most effective for improved performance (Lawler, 1992). They tend to share or engage in behaviours and task strategies (e.g., engaging in extra-role behaviours) with their colleagues, and also help each other to accomplish their work. Furthermore, when employees have a choice regarding how to do their own work, they feel motivated (Thomas, & Tymon, 1994), and committed to do whatever is necessary (including demonstrating behaviours such as OCBs), to achieve organizational objectives (Locke, & Schweiger, 1979).

Research also shows that psychological empowerment leads to initiating behaviours, persistence of effort in non routine situations, resilience in adversary situations (Bandura, 1977), and initiative (Thomas, & Velthouse, 1990). All these characteristics may facilitate or trigger organizational citizenship behaviour on the part of employees. Seibert et al., (2011) found psychological empowerment to have a moderate effect on OCBs. Based on this argument, I postulate that when individuals experience psychological empowerment in their work, it motivates OCBs. I therefore hypothesize as follows:

*Hypothesis 6b: Psychological empowerment positively relates to service-OCB*

Even though I hypothesize experienced HPWS to relate to service OCB, I expect this relationship to be indirect through psychological empowerment. The rationale for this mediated relationship is based on the premise that empowerment theorists view psychological empowerment as the mechanism through which employees' perceptions of the work environment factors (e.g., HPWS) influence individual attitudes and behaviours (Conger, & Kanungo, 1988; Liden, & Tewksbury, 1995; Spreitzer, 1995; Thomas, & Velthouse, 1990). In support of the preceding theoretical arguments, Liao et al., (2009) found that

psychological empowerment fully mediated the relationship between employee-HPWS and knowledge-intensive service performance. I therefore hypothesize as follows:

*Hypothesis 7b: Psychological empowerment mediates the positive relationship between experienced-HPWS and service-OCB*

### **3.3.6.6 Service-OCB and Performance Outcomes**

Much OCB research has focused on its antecedents (Organ et al., 2006). However, a small but steady stream of research has focused on outcomes of OCB (Organ et al., 2006; Podsakoff, Whiting, Podsakoff, & Blume, 2009). In this study, I examine the influence of service OCB on service quality and task performance. Since Organ and his colleagues conceptualized OCB as improving organizational effectiveness or performance (e.g., Bateman & Organ, 1983; Smith, Organ, & Near, 1983), several studies have shown that OCB influences performance or effectiveness. Specifically, certain dimensions of OCB (e.g., conscientiousness, altruism [helping behaviour], civic virtue, sportsmanship, and courtesy) have been shown to relate to overall organizational effectiveness (e.g., Koys, 2001; Walz, & Niehoff, 1996), performance quality and quantity (Podsakoff et al., 1997), and employee perceptions of service quality (Kelley, & Hoffman, 1997).

Shore, Barksdale, & Shore, (1995) noted that because OCBs are somewhat more volitional than task performance, managers may use them as indicators of how motivated employees are to make the organization effective. As a result, OCBs may serve as behavioural cues of an employee's commitment to the success of the organization that managers incorporate in their assessment of employee job performance. Lefkowitz (2000) argued that managers like

employees who exhibit OCBs and that this liking subsequently influences the manager's performance ratings and reward allocation decisions.

Podsakoff et al., (2009), recently found that OCBs positively related to ratings of employee performance. Indeed, Podsakoff et al., (2009) noted that OCBs have generally functional effects not only for the individual who exhibits them (e.g., receiving higher performance evaluation and more rewards) but also for the organization as well (e.g., increased levels of productivity and efficiency).

I now turn my attention to service-OCB and two individual level performance outcomes – service quality and task performance. Research has suggested that because the quality of the interaction between employee and customer is critical in determining customer satisfaction, the behaviour of front-line employees plays an important role in shaping the customer's perception of service quality (Liao, & Chuang, 2004). Basing service standards clearly on customer expectations encourages employees' engagement in behaviours that are particularly functional in achieving desirable customer outcomes (Bowen, & Waldman, 1999; Liao, & Chuang, 2004).

OCB is particularly important in the context of service organizations (Schneider, 1990), and the five distinct dimensions of OCB – conscientiousness, altruism, civic virtue, sportsmanship, and courtesy capture many of the discretionary behaviours alluded to in the service literature on service quality (Morrison, 1996; Bowen, & Lawler, 1992). Thus, I expect service-OCB to relate to service quality. There are two principle reasons for expecting a positive relationship between service-OCB and service quality. First, OCB can have an immediate effect on customer perceptions as they are evidenced within actual employee-

customer interactions. Second, OCB can have positive effects on service quality through their impact on factors *internal* to the organization, including employees' work environment, service climate, team cohesiveness, and consistency of service processes.

With regard to the direct effects of OCBs on service quality, service researchers (e.g., Bowen, & Lawler, 1992; Kelley, Longfellow, & Malehorn, 1996; Morrison, 1996) indicate that it is critical for employees to perform *both* role-specified behaviours and discretionary behaviours at exceptional levels for high-quality service. An employee who demonstrates high OCBs is likely to generate high levels of customer satisfaction, through their propensity to help customers make better decisions (Bell, & Menguc, 2002). In support of the preceding arguments, research has reported dimensions of customer contact employees' OCB to significantly relate to service quality (Bell, & Menguc, 2002). Based on the preceding discussion I expect service-OCB to be positively related to service quality.

#### *Hypothesis 8a: Service-OCB positively relates to service quality*

Task performance consists of job-specific behaviours including core job responsibilities, for which the primary antecedents are likely to be ability and experience (Borman & Motowidlo, 1993). Researchers have observed that when employees exhibit creativity at work, they generate novel responses that are useful in dealing with the tasks at hand (Amabile, 1983, 1996; Gong, Huang, & Farh, 2009). Creative responses may include devising new procedures and processes for carrying out tasks, or identifying products or services to better meet customer needs (Zhou, 1998; Zhou & Shalley, 2003). Creative responses may also take the form of refinements of existing procedures or processes to enhance efficiency (e.g., through reducing the resources needed for a task), or the discovery of alternative procedures or



processes that are more effective. Both forms of responses should enable employees to improve their job performance (Gong et al., 2009). In addition, other employees may take up a novel, useful idea and apply and develop it in their own work (Shalley, Zhou, & Oldham, 2004). As a result, the performance of an entire unit or organization may improve (Gong et al., 2009). For instance, Gong et al., (2009) found that employee creativity was positively related to employee sales and supervisor-rated employee job performance. I argue that creativity is synonymous (or similar) to extra-role behaviour or offering constructive suggestions or new ideas which are forms of OCB which when employees exhibit can enhance task performance. Thus, the reason for expecting service-OCB to be related to task performance is that when employees exhibit or offer constructive or new suggestions as a form of OCB (extra-role behaviour), they generate novel responses that are useful in dealing with the tasks at hand. Based on the discussion above, I expect service-OCB to be positively related to task performance.

*Hypothesis 8b: Service-OCB positively relates to task performance.*

### **3.3.6.7 The mediating influence of Service-OCB**

Perceptions of support signal an employer's commitment to employees, whereby employees reciprocate with increased effort to help the organization reach its goals (Aselage, & Eisenberger, 2003). Employees who feel that they have been well supported by their organizations tend to reciprocate by performing better and engaging more readily in citizenship behaviours than those reporting lower levels of perceptions of support (Eisenberger et al., 1990; Gouldner, 1960; Shore, & Wayne, 1993; Wayne et al., 1997). Research has shown that perceptions of support, is related to OCB (Wayne et al., 1997), and

helping behaviour at the employee level (Vandenberghe et al., 2007). In this respect, I argue that POS will be related to task performance. However, this relationship will be mediated by service OCB. This is because if employees believe that their organization values their contribution (POS), they will be more likely to engage in actions favourable to the organization that go beyond assigned responsibilities (Eisenberger et al., 1986; Eisenberger et al., 1997; Rhoades, & Eisenberger, 2002). In turn, such extra-role activities should lead to task performance (Rhoades, & Eisenberger, 2002). In support of this argument, Rhoades & Eisenberger (2002) found POS to be positively related to in-role and extra-role performance. Indeed the authors found that POS showed homogeneous relationships with in-role and extra-role performance (with average weighted correlations when correlations are corrected for attenuation between in-role and extra-role performance been .18 and .22 respectively). Consequently, I expect that POS will be related to task performance, but this relationship will be indirect through service-OCB.

Further I propose that POS will be related to service quality, but this relationship will be mediated by service OCB. Research (e.g., Schneider, White, & Paul, 1998) suggests that organizations must create a climate for service to promote service quality as a means of retaining customers. A service climate generates shared values and perceptions of employees concerning the practices, procedures and behaviours that get rewarded, supported, and expected with regard to customer service and customer service quality (Schneider, 1990). In turn, if employees believe that their organization values their contribution to service quality, they will be more likely to engage in behaviours that will contribute to higher levels of service quality (Bell, & Menguc, 2002). Hence, we expect POS will be related to service quality, but this relationship will be indirect through service OCB.

I also propose that psychological empowerment will be related to task performance. However, this relationship will be mediated by service OCB. A growing body of research supports the contention that psychological empowerment will relate to individual performance (Liden et al., 2000; Seibert et al., 2004; Spreitzer 1995; Spreitzer et al., 1997; Thomas, & Tymon, 1994). Theorists argue that psychologically empowered employees anticipate problems and act independently in the face of risk or uncertainty; exert influence over goals and operational procedures so that they can produce high quality work outcomes; and demonstrate persistence and resourcefulness in the face of obstacles to work goal accomplishments (Spreitzer, 2008). Two components of psychological empowerment, meaning and self-determination, have been shown to have a small but statistically significant relationship with job performance (Fried, & Ferris, 1987; Humphrey, Nahrgang, & Morgeson, 2007). Further empirical research indicates that competency (i.e., self-efficacy) and impact beliefs increase performance by increasing task effort and persistence (e.g., Bandura, & Locke, 2003).

Employees who feel a sense of empowerment are likely to take an active orientation toward their work and perform “above and beyond” the call of duty (Spreitzer, 2008), by engaging in extra-role behaviours (OCBs) such as devising new procedures or processes for carrying out tasks, or identifying products or services to better meet customer needs (Gong et al., 2009). In support of the theoretical arguments, research has shown that psychological empowerment is positively associated with task performance (Kirkman, & Rosen, 1999; Liden et al., 2000; Seibert et al., 2011), and OCBs (Seibert et al., 2011). Consequently, I expect that psychological empowerment will be related to task performance, but this relationship will be indirect through service OCB.

Furthermore, I propose that psychological empowerment will be related to service quality. However, this relationship will be mediated by service OCB. When front-line service employees are empowered they should perform better than those relatively less empowered (Thomas, & Velthouse, 1990). For instance, individuals who experience self-determination at work should be able to respond to unique customer needs and problems at work to enhance service quality. The personal sense of self-worth and confidence in one's job competence should translate into high levels of service quality. Research has noted that several potential benefits can be gained through empowerment of front-line service employees (Zemke, & Schaaf, 1989). Specifically, empowerment allows for quicker responses to customer needs and problems, more warmth and enthusiasm when employees interact with customers and more employee-generated ideas for improving customer service (Bowen, & Lawler, 1992; Morrison, 1996), leading to service quality. Consequently, I expect that psychological empowerment will be related to service quality. However, this relationship will be mediated by service OCB.

I therefore hypothesize as follows:

*Hypothesis 9a: Service-OCB mediates the influence of employees' psychological empowerment on service quality and task performance*

*Hypothesis 9b: Service-OCB mediates the influence of employees' POS on service quality and task performance*

### **3.4 Conclusion**

In this chapter, I reviewed the literature linking HPWS and individual and organizational level performance. Three key theories – the resource-based view, social exchange theory, and intrinsic motivation underpinned the development of the hypotheses. The resource-based view underpinned the discussion of hypotheses development at the organizational level, while social exchange and intrinsic motivation underpinned the discussion of hypotheses at the individual and cross levels. In the succeeding chapter, I describe the methodology used in conducting the research.

## **CHAPTER FOUR - METHODOLOGY**

### **4.2 Introduction**

The broad aim of this research was to examine the intermediate linkages (mechanisms), through which HPWS impact individual and organizational level performance. In this chapter, I describe the methodology used to test the hypotheses derived from the model. First, I discuss the philosophy underpinning this research and the rationale for the research design. Further, I discuss the context of the study in terms of the politico-economic context of Ghana, an emerging African economy. Sample and data collection procedures, measures of the study variables, and data analytic techniques used to test the hypotheses are also described.

### **4.3 Research Philosophy**

Research must be based on a philosophy of knowledge. Positivism is an epistemological position that advocates the application of the methods of the natural sciences to the study of social reality (Bryman, & Bell, 2007: p. 16). Positivism is said to entail the following principles:

- Only phenomena and hence knowledge confirmed by the senses can genuinely be warranted as knowledge (the principle of phenomenalism).
- The purpose of theory is to generate hypotheses that can be tested and that will thereby allow explanations of laws to be assessed (the principle of deductivism).
- Knowledge is arrived at through the gathering of facts that provide the basis for laws (the principle of inductivism).

- Science must (and presumably can) be conducted in a way that is value free (that is, objective).
- There is a clear distinction between scientific statements and normative statements and a belief that the former are the true domain of the scientist (Bryman, & Bell, 2007).

In the conduct of management research, the question usually posed by researchers is whether social entities can and should be considered objective entities that have a reality external to social actors, or whether they can and should be considered social constructions built up from the perceptions and actions of social actors. These positions are referred to as objectivism and constructionism (Bryman, & Bell, 2007). The ontological position of the positivist is *objectivism* – that asserts that social phenomena and their meanings have an existence that is independent of social actors. It implies that social phenomena and the categories that we use in every day discourse have an existence that is independent or separate from the actors (Bryman, & Bell, 2007). Positivists are often criticised for ignoring the difference between the natural and social world by failing to understand the ‘meaning’ that are brought to social life as they are merely refining and possibly extending what is already known (Easterby-Smith, Thorpe, & Lowe, 1991). However, quantitative researchers claim that they do not aim to produce a science of laws but aim simply to produce a set of cumulative generalizations to service the development of universal knowledge based on critical sifting of data (Sood, 2007).

Although the positivist perspective seems the dominant view in research into the linkages between HRM and performance (Boselie et al., 2005), it should not be seen as the only

approach to generating reliable and interesting knowledge, realism and interpretivism are also useful philosophical approaches. *Realism* has been used in research into the linkages between HRM and firm performance in the works of Bacon, & Blyton, (2001) and Truss, (2001). Truss (2001) for example, used a case-study methodology to undertake a longitudinal research in Hewlett-Packard to analyse the human resource policies and practices and the way these policies were enacted. She adopted an exploratory approach towards data collection and a generic approach (i.e., variety of methods) to analyzing the HR practices themselves. Data were collected on a wide range of HRM areas: HR practices at both time points, and from the perspectives of both policy, from HR department, and experience from employees. Four principal research methods were used in the study: interviews, questionnaires, focus groups, and the collection of documentary evidence. She noted that data were collected from employees at all levels of the firm, in order that one could access not only the 'rhetoric' of what the HR group was trying to achieve, but also the 'reality' experienced by employees.

A handful of research have also used *interpretivism* in research into linkages between HRM and firm performance (e.g., Boxall, & Steeneveld 1999; Cheng, & Brown, 1998; Gratton, Hope-Hailey, Stiles, & Truss, 1999; Sheppeck, & Millitello, 2000). For instance, Gratton et al., (1999) used three distinct types of interviews: (1) semi-structured interviews to elicit opinions of employees about the nature of the business strategy, role of HR, and the nature of HR interventions; (2) deeper and more prolonged interviews, designed to uncover the sense-making activities of employees; (3) an initial focus group with members of the HR function, provided orientation and an initial framework about the structure and nature of the HR intervention.



Realism simply asserts that, through the use of appropriate methods, reality can be understood (Bryman, & Bell, 2007). The essential differences between realism and positivism are that for realists it is possible to measure unobservable entities and all knowledge has to be falsifiable (Popper, 2002). Another difference between positivism and realism is that the latter is not only concerned with association but also with causality (Lee, & Ling, 2008). Realism shares two features with positivism: a belief that the natural and social sciences can and should apply the same kinds of approach to the collection of data and to explanation, and a commitment to the view that there is an external reality to which scientists direct their attention (in other words, there is a reality that is separate from the description of it) (Bryman, & Bell, 2007). Thus, the ontological position of the realists is that reality is objective, its something 'out there' to be discovered (Lee, & Ling, 2008).

Interpretivism is taken to denote an alternative to the positivist viewpoint that has held sway for decades. It is predicated upon the view that a strategy is required that respect the differences between people and the objects of the natural sciences and therefore requires the researcher to grasp the subjective meaning of social action (Bryman, & Bell, 2007). Interpretivism embraces a diversity of viewpoints (hermeneutics, phenomenology, critical research, feminism, etc) that nevertheless share some common features (Lee, & Ling, 2008). In ontological terms, interpretivists view the world as being subjective, complex and socially constructed by the elements present in a social situation. It is a construction created within the minds of individuals interacting in a given social context. In this sense, knowledge is highly context-dependent and the idea of seeking abstract and generalisable knowledge is rejected (Lee, & Ling, 2008). In axiological terms, interpretivism is different from positivism, since its main goal is not to explain but mainly to understand phenomena. Hence,

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interpretivists belief that “knowledge consists of rich, idiographic descriptions of experiences within their contexts” (Lee, & Lings, 2008, p. 60).

It can clearly be seen from the discussion that the philosophical perspectives have different views about research and about the way to generate knowledge and this has an impact on the way research is conducted. In other words, questions of social ontology cannot be divorced from issues concerning the conduct of management research. Ontological assumptions and commitments will feed into the ways in which research questions are formulated and research is carried out. If a research question is formulated in such a way as to suggest that organizations are objective social entities that act on individuals, the researcher is likely to emphasize the formal properties of organizations. Alternatively, if the researcher formulates a research problem so that the tenuousness of organizations as objective category is stressed, it is likely that an emphasis will be placed on the active involvement of people in reality construction (Bryman, & Bell, 2007).

In this research, the main goal was to examine the intermediate linkages (mechanisms) through which HPWS impact individual and organizational performance. Given this goal, the positivist perspective is appropriate because it tends towards the use of survey questionnaires for data collection and statistical analysis for hypothesis testing so that relationships can be explained and a valid and generalizable conclusion reached (Malhotra, & Birks, 1999, p. 76). Furthermore, as it requires a formal and structured research process it can provide recommendations for future strategies (Malhotra, 1999, p.148; Sood, 2007) which are statistically reliable due to its objective criteria and procedures (Wright, & Crimp,

2000, p. 374). This reliability is achieved through the use of a large sample size that is representative of the population in question.

#### **4.4 Context of Study**

Ghana was the first Sub Saharan African nation to gain independence from British colonial rule in 1957. It is a unitary state with a presidential system of government. The country has gone through five successful transitions from one democratically elected government to the other since the re-introduction of democratic constitutional rule in 1992. The Rule of Law, Independence of the three Arms of Government (Executive, Judiciary and the Legislature), Freedom of the Press, Freedom of Associations, are all guaranteed under the 1992 Constitution (1992 Constitution of the Republic of Ghana).

Ghana has received considerable attention in the popular press and academic literature with its commitment to and success in implementing economic liberalization policies (Leecher, 1994; Porter, 2006). Economic liberalization in Ghana has entailed among other measures, privatization of state-owned enterprises, removal of barriers to foreign trade, and monetary and banking reforms (Debrah, 2002). The success of these measures has led to that country's recognition as one of only seven emerging economies in sub-Saharan Africa (Hoskisson, Eden, Lau, & Wright, 2000).

Recent developments on the economic front also showed steady growth in various sectors of the economy as indicated in the Bank of Ghana Annual Report for 2008. The Ghanaian economy remained fairly resilient in the face of several global financial crises coupled with hikes in food and crude oil prices which spread across advanced economies with spillover effects on developing countries. For instance, real GDP grew by 7.3 per cent in 2008, above

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the targeted level of 7.0 percent achieved in 2007. The expansion of the economy was reflected in the Bank of Ghana's Composite Index of Economic Activity (CIEA) which increased by 21.8 per cent, indicating an increased pace of economic activity during the year 2008 (Bank of Ghana Annual Report, 2008). A number of other key economic indicators recorded significant growth. In particular, export earnings in goods recorded an annual growth of 26.3 per cent, amounting to US\$5,270 in 2008. Gold export earnings increased to US\$2,246 (29.0% annual growth) in 2008 on the back of higher prices and export volumes. Export of cocoa beans increased to US\$1,225.11 million in 2008 compared with US\$975.7 million in 2007 (Bank of Ghana Annual Report, 2008).

Besides the export sector, other key areas of the economy which recorded significant growths were the Capital Market (e.g., the Ghana Stock Exchange-ALL Share Index gained 58.1 per cent in 2008 compared with a gain of 31.8 per cent in 2007 due to new listings and increased trading activities); Capital and Financial Account recorded a surplus of US\$2,806.48 million compared with a surplus of US\$2,591.42 million in 2007; and growth in the Banking sector as a result of prudent Banking reforms (Bank of Ghana Annual Report, 2008). Recent economic successes on key economic fronts as noted above seem to confirm that Ghana as an emerging economy is still enjoying economic growth and modernization in key sectors.

It is significant to note that these economic successes were achieved on the back of the country's very vibrant and an increasingly competitive banking system. Since 1989, the banking sector has witnessed comprehensive reforms aimed at aligning the sector's activities with international standards and best practice, making it more competitive,

dynamic, and open to global financial markets. With regard to the reforms, there have been developments in the financial sector with respect to the payment system infrastructure, and the passage of three new laws among others. Ghana introduced the Ghana Interbank Payment and Settlement System (GhIPSS) platform, and rolled-out the e-zwich biometric smart cards to support branchless banking and a strategy of promoting financial inclusion. In addition, Ghana has implemented the Cheque Codline Clearing (ICC) with cheque truncation as well as establishment of an Automated Clearing House (ACH). A Credit Reference Bureau is also in operation under the Credit Reporting Act (Act 726) to provide credible information on prospective borrowers and reduce the information asymmetry that had characterised the lending function (Bank of Ghana Annual Report, 2008).

To further enhance the environment for effective financial intermediation, three new laws, namely, the Borrowers and Lenders Act, Non-bank Financial Institutions Act, and the Home Mortgage Finance Act, were passed in 2008. New capitalization levels for major banks were also announced for implementation over the 2009 – 2012 periods (Bank of Ghana Annual Report, 2008).

Ghana remained an attractive destination for financial institutions as evidenced by the increasing number of banking institutions operating in Ghana since the sector's reforms started in 1989. There are now operating in Ghana a mix of commercial banks, merchant banks, and development banks both locally and foreign-owned, with the total number of registered licensed banks as at June 2009 standing at 26 (<http://www.bog.gov.gh/> - Bank of Ghana, 2010; Bank of Ghana Annual Report, 2008). It is not surprising therefore, that the growth in the number of banks has led to intense competition in retail banking mainly in the

provision of services such as ATMs, credit cards, and improved turnaround time for cheque clearing and cashing (EIU Views Wire, November 13, 2003). In fact, the market share of the top five banks in February 2006 was 62.8 percent. By February 2010, their share (top five banks) of the market had reduced to a mere 48.8 percent (Bank of Ghana Monetary Policy Report, April, 2010), indicating the intense competition in the banking sector. In an increasingly competitive financial services sector, creating and sustaining competitive advantage not only depends on technological improvements but crucially, through the provision of services that meet the needs and expectations of customers. Consequently, it is significant to understand the role of strategic HRM practices (HPWS) in managing customer contact employees as a source of competitive advantage. The next paragraph focuses on the nature of HRM/HPWSs in the two participating banks.

#### **4.4.1 Description of the nature of HRM/HPWS in the two participating banks**

##### **Bank A**

As noted earlier, two large banks participated in the study. Bank A started operations in Ghana in December 1999, and is part of one of Africa's leading banking and financial services group, Standard Bank of South Africa. Standard Bank, based in Johannesburg, South Africa, has a total asset of about US\$119 billion and employs over 35000 people worldwide. The Standard Bank Group is the largest African Banking group by asset and earnings (Standard Bank Group, June, 2011; Stanbic Bank Ghana Limited, 2009). Its network spans 17 sub-Saharan countries and extends to 21 countries on other continents, including the key financial centres of Europe, the Americas and Asia. The bank has a Market capitalization of US\$20billion. The group has one of the biggest single networks of banking services in Africa

including Ghana. The bank has a network of 22 branches in nine regions of Ghana and offer a wide range of banking products and services - personal banking, business banking, corporate banking, and investment banking services (Stanbic Bank Ghana Limited, 2009). Their strategy is to aspire to build the leading African financial services organization using all their competitive advantages to the full. The bank focuses on delivering superior sustainable shareholder value by serving the needs of their customers through first-class, on-the-ground operations in all their branches (Standard Bank Group, June 2011).

The bank prides itself as a bank that thrives under the expertise of a key human resource team and thus prides itself on its leadership in market ideas and innovation (Standard Bank Group, June, 2011).

The bank has an HR system with a strategic objective oriented toward innovation and customer service. The structure of the HR system in this bank can be described as follows: With regard to staffing related policies, the bank uses a variety of different recruitment methods at different times. In some situations, the bank uses different recruitment methods in combination when looking to fill the same vacancy. For instance, the bank uses corporate websites, recruitment agencies, search consultants, local news paper advertisement, and national newspaper advertisement among others. The HR Director noted that the various methods of recruitment have benefits and drawbacks, and that the choice of a method has to be made in relation to the particular vacancy and the type of labour market in which the job falls. With regard to the selection process, the bank uses interviews following contents of a CV/application form (that is, biographical), competency-based interviews (this includes selecting applicants who have the desired competencies in team working, communication,

planning and organizing), and structured interviews (panel), and tests for specific skills. In some cases pre-interview referencing is used with other methods of selection. It was noted that usually final selection decision making involves measuring candidates individually against the selection criteria defined, and that generally a combination of selection methods is usually chosen, based upon the job, appropriateness, time, cost, and administrative ease.

The bank's training programmes involves ongoing training, comprehensive training, and hours of training that would be associated with both the level and type of knowledge, skills, and abilities among the workforce (Stanbic Bank Ghana Limited, 2009; Standard Bank Group, June, 2011).

The bank also has HR policies regarding performance management criteria and processes – performance appraisals. The bank has an HR policy regarding the nature of rewards and incentives. These include merit pay and performance-related pay systems. For instance, the bank has profit-related pay scheme covering all permanent employees. This is an element in the total pay package which is related by some formula to the profitability of the bank. Second, the bank has a share-based reward system – a profit sharing method which involves employees being awarded shares rather cash. There is also an incentive scheme for free medical care for all employees' and some of their dependents. These programmes are likely to serve as mechanisms to motivate the discretionary efforts employees display. With respect to HR policies regarding the level of participation and empowerment, the bank has regular face-to-face meetings between management and employees, problem solving groups, and regular newsletters. Finally, the bank has HR policies regarding participation in teams - service discretion, information sharing (including HR road shows to out-station staff



to create awareness of bank's policies and procedures, communicate findings from employee and customer surveys) (Stanbic Bank Ghana Limited, 2009). These are likely to influence the opportunities employees have to contribute to their organization's objectives (Lepak et al., 2006).

Interviews with bank management including the HR Director indicated that although the bank has a set of formal HR policies and practices and HPWS as part of this formal structure for its branches, branch managers take responsibility over the day to day implementation of the HR practices. HPWS operate by (a) increasing employee's knowledge, skills, and abilities, (b) empowering employees to act, and (c) motivating them to do so (Becker & Huselid, 1998; Delery & Shaw, 2001). Therefore, how well branch managers implement these practices determines whether the HR practices can be characterized as high-performance work systems or not. For instance, during visits to the branches, some branch managers and members of the management team have shared with me, some implementation strategies they have adopted to ensure HR practices in place in their branches for employees, achieved the desired impact (in the sense of positively affecting branch performance). Some of these strategies include - holding regular staff meetings to encourage communication between peers and between employees at different levels or in different functions in the branch. At these meetings, employees were encouraged to identify areas for improvement and to make suggestions for change. Second, managers were also genuinely interested in ensuring that their employees had the proper skills to do their jobs. In order to influence the actual skills of their employees, at the staff meetings, the managers would teach their employees about new products and how to sell them. Furthermore, managers in the branches also provide regular performance feedback to employees and also sometimes hold contests with

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small monetary prizes to motivate their employees. Consequently, in these branches where managers have implemented these practices well, service quality will be higher in a high-performance work system, and therefore impact branch performance. However, this might not be the case in branches where managers have not well implemented these practices.

## **Bank B**

Bank B is the widest networked bank in Ghana and was started in 1953 and after 1957 the bank was renamed to focus solely on commercial banking services. The bank had been wholly government owned until 1996, and as at 2010 government ownership stood at 21.36% while institutional and individual holdings add up to 78.64%. From the one branch in the 1950s, the bank now has 157 branches throughout the country as at 2010 (GCB, 2010 Annual Report; GCB, Annual Report and Accounts, 2009). In 2010, the bank's Profit Before Tax (GHS) stood at 91,312,559 as compared to 20,640,271 in 2009; Total Assets (GHS) was 2,112,821,536 as compared to 1,922,666,249 in 2009; Shareholders' Funds (GHS) was 250,418,215 as compared to 203,442,842 in 2009; Customers Deposits (GHS) was 1,575,281,050 as compared to 1,259,470,137 in 2009; Total Loans and Advances (GHS) was 1,003,682,422 as compared to 1,265,515,727 in 2009; while the Number of ATM was 106 as compared to 101 in 2009. The bank provides a wide range of products and services for the benefit of its customers including – Current/Saving Accounts, link2Home for Ghanaians resident abroad, loans and overdraft, investment products, Internet Banking, Royal Banking, Inland Express Money Transfer, and MasterCard among others (GCB, 2010 Annual Report).

The bank has a staff strength which now stands at 2,315 as at 2010, (GCB, 2010 Annual Report) and has a customer profile that ranges from salaried workers through small and

medium scale entrepreneurs to large trading concerns, quasi-governmental institutions and corporate customers.

This bank has an HR system with a strategic objective (focus) towards providing first class customer service. The structure of the HR system in this bank can be described as follows:

In terms of the reward system, the bank has adopted the Broad Band Salary Structure in place of the old system of grading. Broadbanding essentially involves retaining some form of grading system while greatly reducing the number of grades or salary bands. The process typically results in the replacement of a structure consisting of ten or a dozen distinct grades with one consisting of only three or four. Pay variation within grades is then based on individual performance, skill or external market value rather than on the nature and size of the job. The great advantage of such approaches is their ability to reduce to hierarchical thinking (Torrington, Hall, Taylor, & Atkinson, 2011). Differences in pay levels still exist between colleagues, but they are no longer seen as being due solely to the fact that one employee is graded more highly than another.

As a result, descriptive job titles were developed for all positions. For instance, a branch staff previously referred to as a Clerk, Senior Clerk or Chief Clerk, may now be referred to as Customer Service Representative or a systems Administrator. This has also helped redefine the process of performance appraisals for purposes of reward and upgrade (GCB, Annual Report and Accounts, 2009).

With regard to performance appraisal system, the bank has adopted the performance management system as the way to manage employee performance, and have incorporated the appraisal/review process into this. As a result of this, the bank has placed a lot emphasis

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on the review and expansion of the Performance Management System. The tasks so far accomplished under it include:

- The review of the organizational structures for Divisions and Departments including the branches.
- The design of new job descriptions and review of existing ones.

The exercise is, essentially, to establish specific job roles for every member of staff and also to determine the required number of staff needed for each branch, department and division to perform efficiently. As a result, the normal appraisal system has been replaced completely with the objective- or target-setting system. This will enable branch managers and supervisors to develop clearly defined targets for their subordinates and also monitor and review their progress (GCB, Annual Report and Accounts, 2009)

With regard to the nature of rewards and incentives, the bank's reward system is partly linked to the performance appraisal/performance management system. For instance the bank has a performance-related pay system covering all employees, but varies who gets what. Criteria - based on competence, ability to cooperate, work performance (results), and responsibilities. This pay is incorporated into monthly salary on permanent basis. In addition, the bank has an annual bonus system for all employees. Criteria – team performance, non consolidated and non-pensionable. The bank also has an occupational pension scheme run by a fund manager for employees.

In terms of learning and training, the bank has adopted both the off-job and learning on the job methods. With off-job methods the bank organizes consultancy courses that

concentrate on specific skills or knowledge and In-house courses that relate to specific organizational procedures and structures. Consequently, the bank has renovated its Training School to provide decent accommodation for staff nominated for courses. Training programmes delivered were Flexcube (core banking application) related. In addition, series of workshops on performance management were organized to sensitize and introduce the concept to branch managers and supervisors across the organization. The New Entrant Training programme was re-introduced to help new staff posted to the branches. Furthermore, a number of leadership development training programmes (including workshops on enterprise-wide risk, fraud prevention and detection with the e-card and money transfer), were organized locally and abroad for some selected senior managers, managers, and employees in the bank branches (GCB, Annual Report and Accounts 2009). With learning on the job method, the bank adopts manager coaching, mentoring, and peer relationships. For instance, line managers in the bank branches and other members of the management team who are experienced in their tasks, help trainees to develop by giving them the opportunity to perform an increasing range of tasks.

The HR Director noted that although the bank branches follow a central HRM strategy and have many HRM procedures in common, branch managers take responsibility over the implementation of HR practices in their branches. Thus, branch managers have crucial roles in turning HR practices into reality. Branch managers therefore play mediating roles between employees and HR practices, and it is the relationship between individuals and branch managers that can be key, in determining attitudes and behaviour (Purcell, & Hutchinson, 2007). In recognition of the fact that branch managers are the key to HR effectiveness, some branch managers have indicated during discussions with them, that

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branch managers create environments in which employees can easily communicate with co-workers or managers to enable employees use their skills more effectively. Furthermore, branch managers provide incentives to hard working employees at the end of every month, usually designated as the “employee of the month award,” and personal bankers responsible for generating new loan businesses after hours of cold-calls to potential clients are rewarded with gift certificates.

Thus, branch managers are the key to HR effectiveness in the branches: good practices are rendered inadequate by poor management behaviour and poor practices made better by good management behaviour (Torrington et al., 2011). Hence, how well branch managers implement HR practices will determine how they drive performance and therefore can be termed high-performance work practices.

#### **4.5 Sample and Data Collection**

Thirty-seven (37) bank branches from two large banks operating in Ghana participated in the study. These branches are located in nine of the ten regions of Ghana. The Branch level was considered the organizational unit of analysis for several reasons. First, Gerhart et al., (2000) noted that establishment-level surveys may be more reliable than corporate level surveys because managers are likely to be more familiar with the HR practices that are been implemented at their establishment due to a smaller size (see also Batt, 2002; Takeuchi, Chen, & Lepak, 2007). Second, while the ability of managers and employees at the firm or headquarters level can certainly affect the bank’s performance, much of a bank’s activities occur at the branch level. In retail banking, customers have idiosyncratic needs, and the interaction between these customers and bank employees take place at the branch level.

Hence, the role that the manager might play in creating a high-performance work environment that will contribute to performance is best studied at the branch level (Bartel, 2004). Third, as subunits of single organizations, these bank branches follow a central HRM strategy and may have many HRM procedures in common. However, there is considerable management discretion at the local level, leading, for example, to different systems for managing HR systems (Gelade, & Ivery, 2003).

The author made initial contacts with the Banks and their CEOs through an informal contact. Based on these initial contacts, letters were sent to the CEOs of the two large banks to solicit participation in the study. I assured them that individual responses from both management and employees will be kept in strict confidence, and that information solicited from banks and its employees will be used only for the purpose of the study. The letters to the CEOs also stated that the objective of the survey was to examine employees' perceptions of the employment relationship in their organizations. A meeting was arranged where the top management officially introduced the researcher to the HR Directors. The researcher agreed with the HR Directors that the selection criteria for the respondents will be based on a random sample of all permanent junior customer-contact employees, senior customer contact employees, and branch top managers of selected bank branches.

The researcher also took on board the suggestions of HR, Finance and Accounting, and Marketing Directors. Some of the suggestions were that customer contact employees should not be limited to only staff at the service counter, but should include back office staff interacting more regularly with customers. It was also suggested that bank branches enjoyed considerable management discretion in the implementation of HR practices such as

participation in decision making, hiring, and training and development. This suggestion also influenced the implementation of the study at the branch level and not the bank level, as it is likely to find in some branches a human resource management environment that is characterized as high performance work systems (in the sense of positively affecting branch performance), while others may have more traditional systems. Branch managers were requested to furnish the researcher with lists of permanent employees to randomly select potential respondents.

Bank branches were also selected based on age of branch, bank location, and size of branch. This is because age, location, and size of branch may determine the level of economic activity in the branch and may have implications for the way HR systems are managed in that branch. After these initial discussions, the HR Directors officially wrote to all managers of the participating bank branches to assist in administering the survey questionnaires.

The HR Directors also gave the researcher introductory letters to be given personally to the branch managers or their deputies upon arrival at the branches. The researcher contacted these branches by phone to arrange meetings attended by the senior branch managers and their management team. The objectives of the survey and the role of the management team in facilitating the survey were explained at these meetings. Managers who had responsibility for HR were designated as contact persons and charged with the responsibility of compiling a list of junior customer contact employees and senior customer contact employees. The researcher randomly sent separate survey packages to the senior customer contact employees and their subordinate customer contact employees based on the list of permanent employees furnished by each branch manager. The senior customer contact



employee packages contained questionnaires for each of their subordinate customer contact employee and a self-addressed envelope for returning completed questionnaires. The senior customer contact employees completed their questionnaires on site and were returned to the researcher two days after they were distributed.

The junior customer contact employee packages, on the other hand, contained a questionnaire and a stamped self-addressed envelope for returning completed questionnaires directly to the researcher in Accra. The researcher also distributed questionnaires to branch managers at each of the participating branches relating to the characteristics of the branch, its human resource practices, and performance. Responses received from branch managers were cross checked with a relevant member of the branch Management Team. For instance, responses to the HR practices were cross-checked with the member responsible for human resources, while responses relating to the performance of the branch were cross-checked with the operations manager in the Management Team.

Of the 500 junior customer-contact employees' questionnaires distributed, 258 were correctly matched with senior customer contact employee questionnaires. That is each senior customer contact employee rated only one junior customer contact employee, and so the sample was based on 258 matched questionnaires representing a response rate of 51.6%. Of the 258 respondents, 57% (147) were female. Respondents (junior customer contact employees) reported an average age of 33.86 years (s. d. =9.02), an average organizational tenure of 8.30 years (s. d. = 2.41), and an average junior customer contact employee–senior customer contact employee dyad tenure of 3 years (s. d. = 1.86).

Respondents (junior customer contact employees) worked an average of 51.55 hours (s. d. = 9.17) a week. In terms of educational attainment, 77.5% (200) had received at least an undergraduate or a first degree. Of the 37 senior customer contact employees, 78% (29) were male, reported an average age of 43.27 years (s. d. = 8.18), and an average tenure of 25.49 years (s. d. = 20.11). The senior customer contact employees were relatively well educated with 86% (32) having received at least undergraduate or first degree and reported an average span of supervision of 5.7 (s. d. = 3.50) employees.

## **4.6 Measures**

The questionnaires were administered in English. As a former British colony, English is Ghana's official language, and therefore the language of administration and commerce. I ascertained the appropriateness of the HPWS scale by discussing it with four senior human resource managers of the participating banks and three other banks. I also consulted with a human resource management academic at the Business School of the premier university in Ghana. As a result of these consultations, a number of the items were rephrased but the consensus was that they reflect HR practices in many of the large service sector organizations. Additionally, we pre-tested the subordinate survey using 40 customer contact employees drawn from two branches of a multinational bank (neither this bank nor its branches participated in the study) located in Accra. Based on the feedback obtained from the pre-test, I reworded some items to ensure clarity.

### **4.6.1 Individual Level Measures**

#### ***4.6.1.1 Experienced HPWS***

Customer contact employees reported their individual experiences of HPWS using Liao et al.'s (2009) 44-item scale. Response options ranged from (1) "strongly disagree" to (5) "strongly agree." The measure of HPWS includes 8 dimensions which are: *extensive service training* (6 items, e.g., "The training programs I went through in this branch effectively prepared me to provide high quality customer service"), *information sharing* (8 items, e.g., "Information about how well my branch is doing financially is shared with me"), *self-management service teams and participation* (6 items, e.g., "Our managers ask our opinions about how to improve the customer service of this branch"), *compensation contingent on service quality* (8 items, e.g., "My compensation level is connected to the results of my working performance"), *job design for quality work* (5 items, e.g., "I have little opportunity to use my own judgement when doing my work", reverse-coded), *service-quality-based performance appraisal* (4 items, e.g., "To what extent does your branch evaluate your performance based on your ability to resolve customer complaints or service problems in an efficient manner"), *Internal service* (2 items, e.g., "I get the needed materials for my job in a timely fashion"), and *service discretion* (the level of authority employees have in resolving customer complaints and customizing service offering). *Service discretion* (5-items, e.g., "I may decide how to personalize the service for the customer").

Following previous practice (Liao et al., 2009; Becker, & Huselid, 1998), I summed the dimensions to form a unitary measure of HPWS. The scale's alpha reliability in this study is .91.

#### ***4.6.1.2 Perceived Organizational Support (POS)***

POS was measured using a 6-item scale adapted from the 8-item POS scale of Eisenberger, Cummings, Armeli, and Lynch, (1997). Customer contact employees indicated the extent of their agreement with each item using a seven-point Likert-type scale ranging from (1), “strongly disagree” to (7), “strongly agree.” Sample items include “My branch cares about my opinions” and “My branch strongly considers my goals and values”. The scale’s alpha reliability is .91.

#### ***4.6.1.3 Psychological Empowerment***

I used Spreitzer’s (1995) 12-item psychological empowerment scale to measure customer contact employee’s perceptions of empowerment. Response options ranged from (1), “strongly disagree,” to (7), “strongly agree.” An example item from each subscale is “The work I do is meaningful to me” (meaning); “I am confident about my ability to do my job” (competence); “I have significant autonomy in determining how I do my job” (self-determination); and “My impact in what happens in my branch is large” (impact). I modified the three impact items to refer to “my branch” rather than “my department.” The scale’s alpha reliability in this study is .89.

#### ***4.6.1.4 Service OCB***

Customer contact employee’s service-OCB was evaluated by his her direct supervisor (senior customer contact employee) using a 16-item scale developed by Bettencourt et al. (2001). Response options ranged from (1), “strongly disagree,” to (5), “strongly agree.” Sample items include, “Says good things about the branch to others” (loyalty), “Follows up in a timely manner to customer requests and problems” (service delivery), “encourages coworkers to contribute ideas and suggestions for service improvement” (participation).

Following LePine, Erez, and Johnson (2002) and Koys (2001), I treated service-oriented OCB as a global construct. The scale's alpha reliability in this study is .91.

#### ***4.6.1.5 Service Quality***

Customer contact employee's service quality was evaluated by his or her direct supervisor (senior customer contact employee), using a 4-item customer service quality scale developed by Chen, & Klimoski, (2003). The response options ranged from (1), "Needs much improvement," to (5), "Excellent". Sample items include, "Accurately anticipates customers' needs" and "Provides high quality service to customers." The scale's alpha reliability in this study is .86.

#### ***4.6.1.6 Task Performance***

Customer contact employee's task performance was evaluated by his or her direct supervisor (senior customer contact employee), using a 6-item abridged version of a scale developed by Tsui, Pearce, Porter, & Tripoli, (1997). The 6 items were selected based on their appropriateness (suitability) for the service context. The seven-point scale ranged from (1), "strongly disagree" to (7) "strongly agree." Sample items include, "This employees quantity of work is higher than average" and "This employee's efficiency is much higher than average". The scale's alpha reliability in this study is .92.

### **4.6.2 Measures of Management-Level Variables**

#### ***4.6.2.1 Management-rated HPWS***

Branch level HPWS for customer contact employees was measured using a 37-item scale developed by Liao et al., (2009) but based on measures reported in Zacharatos et al., (2005)

study 1, Delery, & Doty, (1996), and Schneider et al., (1998). The branch manager rated the extent to which each of these items was used to manage customer contact employees. Response options ranged from (1), “strongly disagree” to (5) “strongly agree.” The measure of management HPWS include 8 dimensions: which are *service training* (6 items, e.g., “The formal orientation programs to new employees are helpful for them to perform their job,”), *information sharing* (8 items, e.g., “The findings from employee surveys are communicated to employees of this branch,”), *interdepartmental service* (two items, e.g., “Departments of this branch cooperate well with each other,”), *teams and participation* (5 items, e.g., “The development of work teams among employees is an important element of this branch’s strategy,”), *Service discretion* (5 items, e.g., “Employees have the authority to resolve customer complaints on their own,”), *performance appraisal* (4 items, e.g., “To what extend does your branch evaluate the performance of employees based on a track record of the employees’ courteous service to customers,”), *pay*, (3 items, e.g., “This branch pays above market wages to employees,”), and *job design for quality work*, (4 items, e.g., “Fostering involvement in decision-making of employees is an important element of the corporate strategy”). The scale’s alpha reliability for this study is .91.

#### **4.6.2.2 Collective Human Capital**

A 5-item human capital scale developed by Subramaniam and Youndt (2005), and Youndt, Subramaniam, & Snell, (2004) was used to measure the average level of human capital for the customer contact employees in the branch. Response options ranged from (1) “strongly disagree” to (7) “strongly agree.” The items were adapted to describe service-related knowledge, skills and abilities (KSAs). Sample items are “Our employees working in the

branch are highly skilled in serving customers,” and “Our employees working in the branch are creative and bright.” The scale’s alpha reliability is .87.

#### ***4.6.2.3 Competitive Advantage***

We used a 15-item scale developed by Newbert (2008) to measure how each branch manager uses his or her resources and capabilities to attain competitive advantage. The measure is composed of three subscales (CA1 – *cost reduction*, CA2 – *market opportunities*, CA3 – *competitive threats*), describing how a firm uses its resource/capability combinations for the purposes of (i) reducing cost, (ii) exploiting market opportunities, and (iii) defending against competitive threats. The scale is designed to reflect Barney’s (1991) operational definition of competitive advantage as suggested by Kerlinger and Lee (2000: chap. 3). Response options ranged from (1) “strongly disagree” to (5) “strongly agree.” A sample item from each subscale is “The manner in which my branch combines Resources and Capabilities enables it to reduce its costs to a highly competitive level” (cost reduction); “The manner in which my branch combines Resources and Capabilities enables it to fully exploit all targeted market opportunities” (market opportunities); “The manner in which my branch combines Resources and Capabilities enables it to defend against all known competitive threats” (competitive threats). We slightly modified the three subscale items to refer to “my branch” rather than “my firm.” The responses to these subscales were summed for each resource/capability category, resulting in five scores that reflected the competitive advantages the firm had attained from the exploitation of its (a) financial, (b) human, (c) intellectual, (d) organizational or (e) physical resource-capability combinations. For example, the competitive advantage attained from a firm’s financial resource-capability

combinations was calculated as: CA1a + CA2a + CA3a. Finally, a composite score reflecting the average level of competitive advantage across all resource/capability categories was created by averaging these five scores. The alpha reliability for the scale is .85.

#### **4.6.2.4 Branch level Market Performance**

Branch managers rated branch level performance using a 4-item market performance scale developed by Delaney and Huselid (1996). The 4-item scale focused on marketing, sales growth, profitability, market share. Although there has been a concern about the use of subjective performance measures, such as increased measurement error and the potential for common method bias, there is a precedent in the literature for using a subjective measure of organizational performance (Chuang, & Liao, 2010; Delaney, & Huselid, 1996; Sun et al., 2007; Takeuchi et al., 2007). As previously noted, Wall and colleagues (2004) reported evidence for convergent, discriminant, and construct validity of subjective and objective measures of company performance. The branch level market performance variable was operationalized by summing responses to the four items (marketing, sales growth, profitability, and market share). Response options ranged from (1) “much worse” to (4) “much better.” These items are positively coded such that the higher the response, the greater the firm’s performance. The scale’s alpha reliability is .66.

#### **4.6.3 Controls**

Following previous research (Collins, & Smith, 2006; Liao, & Chuang, 2004; Liao et al., 2009), I controlled for respondent’s *age* and *gender* since these variables have been found to be related to job attitudes or relationships involving job attitudes and behaviour (Judge, Thoreson, Bono, & Patton, 2001; Mathieu, & Zajac, 1990; Takeuchi et al., 2007). Age and sex



were measured using a single item that requested respondents to indicate age at last birthday and to indicate their sex (Female = 0 and Male = 1). I also controlled for age of each firm to isolate the impact of any advantages associated with the evolution or adoption of high-performance work practices (Guthrie, 2001).

At the branch level, I controlled for branch *size* (Collins, & Smith, 2006; Liao et al., 2009; Sun et al., 2007). Size was included as a control variable because it may be associated with the use of HPWS. Larger organizations may be more likely than smaller ones to use well-developed or more sophisticated HR practices (Jackson, & Schuler, 1995; Guthrie, 2001; Youndt et al., 1996; Sun et al., 2007) and may have a greater market power and a larger resource base (Barney, 1991; Collins, & Clark, 2003). Further, size is assumed to have a direct effect on financial performance because of economies of scale and market power (Shepherd, 1975). Branch size was defined in terms of number of employees and was measured with a single item (What is the current estimated number of employees in this branch?).

In addition, I controlled for percentage of *unionized* employees (Batt, 2002; Datta et al., 2005; Lepak, Taylor, Tekleab, Marrone, & Cohen, 2007), based on estimates provided by survey respondents, because unions might influence the use of HPWS (Lepak et al., 2007), and organizational performance (marketing, sales growth, profitability, and market share) (Freeman, & Medoff, 1984; Cook, 1994). An estimated 90 percent of survey respondents indicated they are union members. Unions may lead to inflexible operations, but they provide a channel for voice and thus stabilize the employment relationship and improve morale (Freeman & Medoff, 1984). Percent of unionized employees at the branch was

measured with a single item (What percentage of the employees in this branch are union members?). Following precedent (e.g., Guthrie 2001; Datta et al., 2005), I obtained data from the branch manager for the two branch level variables (firm size and union representation).

## 4.7 DATA ANALYSIS

### 4.7.1 Data Analytic Techniques

Two data analytic techniques were used to analyse the data – ***Structural Equation Modeling (SEM) and Hierarchical Linear Modeling (HLM)***. SEM can best be defined as a class of methodologies that seeks to represent hypotheses about the means, variances, and covariances of observed data in terms of a smaller number of structural parameters defined by a hypothesized underlying model (Kaplan, 2000). In other words, SEM is a comprehensive statistical approach to testing hypotheses about relations among observed and latent variables (Hoyle, 1995) and one of the more popular statistical methodologies available to quantitative management researchers.

SEM begins with the specification of a model to be estimated. A *model* is a statistical statement about the relations among variables. *Specification* is the exercise of formally stating a model and it is central to the SEM approach. Indeed, no analysis can take place until the researcher has specified a model of the relations among the variables to be analyzed (Hoyle, 1995). In SEM, model specification involves formulating a statement about a set of parameters. Parameters typically are specified as either fixed or free. *Fixed parameters* are not estimated from the data and their value typically is fixed at zero. *Free parameters* are estimated from the data and are those that the investigator believes to be

nonzero (Hoyle, 1995). There are two components of the general structural equation model: The *measurement model* is that component of the general model in which latent variables are prescribed. The *structural model* is that component of the general model that prescribes relations between latent variables and observed variables that are not indicators of latent variables (Hoyle, 1995; Kaplan, 2000). A fundamental consideration when specifying models in SEM is identification. Identification concerns whether a single unique value for each and every free parameter can be obtained from the observed data (Hoyle, 1995).

Once a model has been specified, the next task is to obtain estimates of the free parameters from a set of observed data. Although single-stage least squares methods such as those used in standard ANOVA or multiple regression can be used to derive parameter estimates, iterative methods such as maximum likelihood or generalized least square are preferred. When the estimation procedure has converged on a solution, a single number is produced that summarizes the degree of correspondence between the implied and observed covariance matrix. That number is referred to as the *value of the fitting function*. A model is set to *fit* the observed data to the extent that the covariance matrix it implies is equivalent to the observed covariance matrix (i.e. elements of the residual matrix are near zero). The most common index of fit is the  $\chi^2$  goodness-of-fit test, which is derived directly from the value of the fitting function (Hoyle, 1995; Kaplan, 2000).

The Index of Fit provides a perspective on the fit of structural equation models (Kaplan, 2000). The basic idea behind indices is that the fit of the model is compared to the fit of some baseline model that usually specifies complete independence among the observed variables. Some of these indices include *normed fit index* (NFI), Tucker-Lewis index (TLI), and

comparative fit index (CFI). According to Kaplan, (2000), these indices are typically scaled to lie between zero and one, with one representing perfect fit relative to the baseline model. He noted that 0.95 is indicative of good fit relative to the baseline model. In other words, the value of 0.95 is considered evidence that the target model fit is a good fit to the data relative to the baseline model.

While SEM shares some similarities with standard approaches like correlation, multiple regression and ANOVA, it differs from the standard approaches in some way and has some strengths over the other approaches. The SEM approach is a more comprehensive and flexible approach to research design and data analysis than any other single statistical model in standard use by management and social scientists. Although there are research hypotheses that can be efficiently and completely tested by standard methods, the SEM approach provides a means of testing more complex and specific hypotheses than can be tested by those methods ((Hoyle, 1995; Kaplan, 2000), hence the reason for its use to analyze the group-level hypotheses in this study.

SEM was used in my data analysis for various reasons. First, there was the need to conduct a series of confirmatory factor analysis (CFA) for my group-level data and individual-level data to ensure model fit. For instance with the group-level, I tested the hypothesized four factor model that included management-rated HPWS, collective human capital, competitive advantage, and organizational performance. With the individual-level data, I tested a 6-factor model which included experienced HPWS, psychological empowerment, POS, service-OCB, service quality, and task performance. Second, I needed to test complex (direct and mediated) hypotheses at the branch level. SEM provides a means of controlling not only

extraneous variables or confounding variables but for measurement error as well (Hoyle, 1995), hence the use of SEM for my data analysis.

***Hierarchical Linear Modeling (HLM)*** was used to analyze the individual-level and cross-level hypotheses. Hierarchical linear modeling is a software package used as a description for a broader class of models – random coefficient models, and models designed for hierarchically nested data structures (Hofmann, Griffin, & Garvin, 2000). To study individual behaviour within organizations, one needs not only to measure individual attributes but also to measure aspects of the environment within which they are performing. In this case, the resulting data will include variables that reside at different levels of analysis (i.e., variables describing the lower level units as well as the higher level context) (Hofmann, 1997).

Research has suggested that in cases where variables exist at more than one level of analysis (e.g., a lower level outcome and both lower level and higher level predictors), there are three main options for data analysis (Hofmann, 1997). First, one can disaggregate the data so that the lower-level units are assigned a score representing their value on the higher-level variable. The data analysis for this option, therefore, would be based on total number of lower level units included in the study (ordinary least square regression analysis [OLS]) (Bryk, & Raudenbush, 1992). For instance, all individuals might receive a score representing their work group's cohesion, with the investigation between cohesion and satisfaction carried out at the individual level. The problem with this solution is that multiple individuals are in the same work group, and, as a result, are exposed to similar stimuli within the group. Thus, one cannot satisfy the independence of observations assumptions that underlies traditional statistical approach (Bryk, & Raudenbush, 1992; Hofmann, 1997). In

addition to violating this assumption, the disaggregation approach results in another problem. Statistical tests involving the variable at the higher level unit are based on the total number of lower level units which can influence estimates of the standard errors and associated statistical inferences (Bryk, & Raudenbush, 1992; Hofmann, 1997).

The second major approach is to aggregate the lower-level variables to the same level as the higher level variables. For example, one could investigate the relationships between group characteristics and individual outcomes by aggregating the individual outcomes to the group level (Hofmann, 1997). The disadvantage of this approach is that potentially meaningful individual-level variance is ignored both in the outcome measure and in one of the predictors (Hofmann et al., 2000; Klein, Dansereau, and Hall, 1994). In summary, neither of these two options seems to be satisfactory for the testing of my hypotheses - consisting of individual-, and cross-level relationships, since potentially meaningful individual-level variance ignored might result in a group-level variable with questionable construct validity.

Hierarchical linear models represent the third major approach to dealing with hierarchically nested data structures. These models are specifically designed to overcome the weaknesses of the disaggregated and aggregated approaches discussed above. First, these models explicitly recognize that individuals within a group may be more similar to one another than they are to individuals in another group and may not, therefore, provide independent observations. In other words, these approaches explicitly model both the lower-level and the higher-level random-error components, therefore recognizing the partial interdependence of individuals within the same groups (Hofmann, 1997; Hofmann et al., 2000). This aspect of hierarchical linear models is in contrast to OLS approaches, where

individual- and group-level random errors are not separately estimated. In addition, these models allow one to investigate both lower-level and higher-level variance in the outcome variable while maintaining the appropriate levels of analysis for the independent variables (Hofmann et al., 2000). Thus, hierarchical models overcome the disadvantages of the previous two approaches.

HLM models variance at two levels of analysis. Conceptually, the hierarchical linear modelling approach is a two-stage strategy that investigates variables occurring at two levels of analysis. Level 1 involves estimating a separate regression for each group including the individual-level predictor and individual-level outcome. Level 2 models the variance in the level 1 intercepts and slopes using the group-level variable (Hofmann 1997; Hofmann et al., 2000). It should be noted that the level 1 and level 2 models are estimated simultaneously.

Three key terms that arise in estimating these models are *fixed effects*, *random coefficients*, and *variance components*. Fixed effects are parameter estimates that do not vary across groups. The hierarchical linear models, and the HLM software estimates these fixed effects by using a generalized least squares (GLS) regression approach (Hofmann et al., 2000). Although these 2 regression parameters could be estimated with an Ordinary Least Squares (OLS) regression approach, this is not appropriate, given that the precision of the level 1 parameters (that is the level 2 dependent variable) will likely across groups, and it is this variation in precision that is taken into account in the level 2 analysis (Griffin, 1997; Hofmann et al., 2000). This GLS estimates provides a weighted level 2 regression so that groups with more reliable (that is more precise) level estimates receive more weight and

therefore have more influence in the level 2 regression; *t*-test statistical tests are provided for these fixed effects (Hofmann, 1997; Hofmann et al, 2000).

The variance of the level residuals and variance-covariance of the level residuals comprise the variance components. The variances and covariances of the level 2 residuals are contained in the *T* matrix. The HLM procedure uses the EM algorithm to produce maximum-likelihood estimates of the variance components. With regard to statistical tests, HLM provides a chi-square test for the level 2 residual variances assessing whether the particular variance component departs significantly from zero (Griffin, 1997; Hofmann, 1997).

Random coefficients are those coefficients that are allowed to vary across groups. For instance the level 1 intercepts and slopes are random coefficients. The HLM procedure does not provide any statistical tests for these parameters. However, one can assess whether the mean and variance of these parameters depart significantly from zero (Hofmann et al., 2000).

Since hierarchical linear models use the level-1 regression parameters (i.e., intercepts and slopes) as outcome variables in the level-2 equation, it is imperative that researchers fully understand the specific interpretation of these parameters. HLM provides several 'centering' options to assist in the interpretation of results concerning the intercept term in the level-2 analysis (Bryk, & Raudenbush, 1992; Hofmann 1997; Hofman, & Gavin, 1998). "Centering" describes the rescaling of the level-1 predictors for which three primary options have emerged: (1) raw metric approaches where no centering takes place and the level-1 predictors retain their original metric, (2) grand mean centering where the grand mean is subtracted from each individual's score on the predictor, and (3) group mean centering



where the group mean is subtracted from each individual's score on the predictor. With grand mean centering, the intercept represents the expected level of the outcome for a person with an "average" on the predictor. It is significant to note that the appropriate choice of centering depends on the model (theoretical paradigm) (Hofmann, 1997).

As with any statistical technique, there are certain assumptions required for statistical inference. Hofmann (1997, p. 739) notes the following statistical assumptions of HLM (see also Bryk, & Raudenbush, 1992, p. 200):

1. Level-1 residuals are independent and normally distributed with a mean of zero and variance for every Level-1 unit within each Level-2 unit;
2. The Level-1 predictors are independent of the Level-1 residuals;
3. The random errors at level-2 are multivariate normal, each with a mean of zero, some variance, and a covariance among random elements, and are independent among level-2 units;
4. The set of Level-2 predictors are independent of every Level-2 residual. (This assumption is similar to assumption 2, but for Level-2);
5. The Level-1 and Level-2 residuals are also independent.

With respect to sample-size requirements, Kreft, (1996) concludes that, in general relatively large sample sizes are required. Studies have indicated that in order to have sufficient power of 0.90 to detect cross-level interactions it is necessary to have a sample size of 30 groups containing 30 individuals. However, there are trade-offs (either large number of groups, with fewer individuals within or small number of groups with more individuals per

group) (Hofmann et al., 2000). With regard to the necessary conditions that must be met before hypotheses are to be supported, these are discussed in the main analysis section.

In sum HLM has several strengths over the other approaches discussed earlier. First, HLM explicitly models both individual and group level residuals, therefore, recognising the partial interdependence of individuals within the same group. Second, the method allows researchers to identify and partition different sources of variance in outcome variables. In view of these strengths, HLM is used to test my individual- and cross-level hypotheses. The ensuing discussion provides a vivid description of how and why SEM and HLM were used to test my group-, individual-, and cross-level hypotheses.

Figure 1 shows that our hypotheses consist of group-, individual-, and cross-level relationships. To analyze the group-level hypotheses, I utilized structural equation modeling (SEM) approach. The SEM approach has several advantages, including correcting for attenuation due to measurement error and providing the best balance of Type I error rates and statistical power (MacKinnon, Lockwood, Hoffman, West, & Sheets, 2002). Because the sample size for the group-level variables was relatively small ( $n = 37$ ), I further utilized bootstrapping strategy (e.g., Efron, & Tibshirani, 1993) to provide a more rigorous test for the mediation hypotheses. According to MacKinnon, Lockwood, & Williams, (2004) and Shrout and Bolger (2002), bootstrapping strategy can be effectively utilized with smaller sample sizes (between 20 and 80) to increase the stability of parameter estimates, because the strategy does not require the normality assumption to be met.

To examine the individual- and cross-level hypotheses, I utilized hierarchical linear modeling (HLM; Raudenbush, & Bryk, 2002). The HLM was deemed particularly appropriate because

the approach accounts for the nested nature of data while maintaining the appropriate level of analysis for the predictors (Raudenbush, & Bryk, 2002). Thus, HLM allowed us to account for potential non-independence effects and cross-level effects, thereby providing more correct estimates of the standard errors of the Level 1 and Level 2 effects. Any cross-level analysis was tested using intercepts-as-outcomes, because I hypothesized effects of group-level variables on individual-level outcomes. In all the HLM analyses, I used grand-mean centering to facilitate the interpretation of the HLM results (Hofmann, & Gavin, 1998). A Sobel (1982) test was used to confirm the indirect effects.

#### **4.7.2 Conclusion**

In this chapter, I discussed research design and described the politico-economic context of Ghana. I also provided an in-depth discussion of the two data analytic techniques used to analyze the data – SEM and HLM, highlighting their advantages over other data analytic techniques, and providing rationale for their use. SEM was used to analyze the group-level hypotheses, while HLM was used to analyze individual- and cross-level hypotheses. In the ensuing chapter, the results of the data analytic techniques used to test the study hypotheses are presented.

## **Chapter 5 - Results**

### **5.2 Introduction**

The objectives of my study are first, to test RBV, by examining at the unit level, collective human capital and competitive advantage as intervening mechanisms through which HPWS influences – organizational market performance. Second, using a multi-level perspective, to test social exchange and intrinsic motivation, by examining at the individual level, perceptions of organizational support (POS) and psychological empowerment as mechanisms through which the use of HPWS influences employees' experience of HPWS and ultimately, performance. To analyze my data, I used SEM to test the group-level hypotheses, and HLM to test the individual- and cross-level hypotheses. In this chapter, I present the results of the data analytic techniques used to test the study hypotheses.

### **5.3 Measurement Issues**

Because some of my data were collected from the same source (managers and employees, respectively), I conducted a series of competing confirmatory factor analyses (CFA) to examine whether these variables captured distinct constructs for the branch-level data (group-level) and individual data (individual-level). To maintain favourable indicator-to-sample-size ratio, I used two randomly created parcels of items for each construct for the group-level data (e.g., management-rated HPWS, collective human capital, competitive advantage, and branch level market performance). For individual-level data, I used four randomly created parcels of items for Experienced HPWS and two randomly created parcels

of items for psychological empowerment, perceived organizational support, service-OCB, service quality, and task performance.

The CFA results for the group-level data showed that the hypothesized four-factor measurement model that included management-rated HPWS, collective human capital, competitive advantage, and branch level market performance fit the data well ( $\chi^2 = 21.51$ ,  $df = 14$ ,  $p < .05$ , TLI = .93, CFI = .96, RMR = .04, RMSEA = .06) better than the alternative models where indicators of other variables were set to load together. For example, relative to the hypothesized four-factor model, an alternative model in which indicators of management-rated HPWS and collective human capital are set to load on a single construct fit the data significantly worse ( $\chi^2 = 49.32$ ,  $df = 17$ ,  $\Delta\chi^2[3] = 27.81$ ,  $p < .05$ , TLI = .72, CFI = .83, RMR = .07, RMSEA = .23), as was an alternative model, in which indicators of management-rated HPWS and competitive advantage ( $\chi^2 = 45.84$ ,  $df = 17$ ,  $\Delta\chi^2[3] = 24.33$ ,  $p < .05$ , TLI = .75, CFI = .85, RMR = .07, RMSEA = .22), and HPWS and branch level market performance ( $\chi^2 = 45.03$ ,  $df = 17$ ,  $\Delta\chi^2[3] = 21.51$ ,  $p < .05$ , TLI = .76, CFI = .86, RMR = .07, RMSEA = .21), respectively, are set to load on a single construct. Similarly, an alternative model in which indicators of collective human capital and competitive advantage ( $\chi^2 = 38.33$ ,  $df = 17$ ,  $\Delta\chi^2[3] = 17.84$ ,  $p < .05$ , TLI = .82, CFI = .90, RMR = .06, RMSEA = .19) and collective human capital and branch level market performance ( $\chi^2 = 46.98$ ,  $df = 17$ ,  $\Delta\chi^2[3] = 25.47$ ,  $p < .05$ , TLI = .75, CFI = .86, RMR = .07, RMSEA = .22), respectively, are set to load on a single construct demonstrated a poorer fit to the data compared to the hypothesized four-factor model, as was an alternative model, in which indicators of competitive advantage and branch level market performance are set to load on a single construct ( $\chi^2 = 44.98$ ,  $df = 17$ ,  $\Delta\chi^2[3] = 23.47$ ,  $p < .05$ , TLI = .76, CFI = .86, RMR = .07, RMSEA = .21). These results provided support for the

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discriminant validity of the group-level measures of management-rated HPWS, collective human capital, competitive advantage, and branch level market performance.

To examine the psychometric properties of the individual-level data, I first examined a measurement model that included all six measures (a 6-factor model including Experienced HPWS, psychological empowerment, POS, service-OCB, service quality, and task performance). I then tested this six-factor measurement model against two alternative models. In the first alternative model, all the measures collected from junior customer contact employees (e.g., HPWS, psychological empowerment, and POS) are set to correlate at 1.0 and senior customer contact employee measures (e.g., service-OCB, service quality, and task performance) freely estimated. In the second alternative model, all senior customer contact employee measures are set to correlate at 1.0 and all measures collected from junior customer contact employees freely estimated.

Results showed that the hypothesized six-factor model fit the data well ( $\chi^2 = 94.49$ ,  $df = 62$ ,  $p < .05$ , TLI = .97, CFI = .98, RMR = .02, RMSEA = .05). Relative to the hypothesized model, an alternative model in which all measures collected from junior customer contact employees are set to correlate at 1.0 and senior customer contact employee measures freely estimated fit the data significantly worse ( $\chi^2 = 360.77$ ,  $df = 65$ ,  $\Delta\chi^2[3] = 266.28$ ,  $p < .05$ , TLI = .79, CFI = .85, RMR = .79, RMSEA = .13). Similarly, relative to the hypothesized model, an alternative model in which all senior customer contact employee measures are set to correlate at 1.0 and junior customer contact employee-rated measures freely estimated fit the data significantly worse ( $\chi^2 = 293.56$ ,  $df = 65$ ,  $\Delta\chi^2[3] = 198.07$ ,  $p < .05$ , TLI = .84, CFI = .88, RMR = .32, RMSEA = .12). These results support the discriminant validity of the individual-level

measures of HPWS, psychological empowerment, perceived organizational support, service-OCB, service quality, and task performance.

Table 2 presents the descriptive statistics, internal consistency reliabilities, and correlations among the study variables.

As shown in Table 2 (upper half), management-rated HPWS related to collective human capital ( $r = .52, p < .01$ ) and competitive advantage ( $r = .73, p < .01$ ). Collective human capital related to competitive advantage ( $r = .71, p < .01$ ) and branch market performance ( $r = .16, p < .05$ ). Competitive advantage related to branch market performance ( $r = .26, p < .05$ ). As shown in the (lower half), experienced HPWS related to psychological empowerment ( $r = .46, p < .01$ ), perceptions of organizational support ( $r = .59, p < .01$ ) and service OCB ( $r = .16, p < .05$ ). Psychological empowerment related to service OCB ( $r = .23, p < .01$ ), service quality ( $r = .16, p < .01$ ), and task performance ( $r = .15, p < .05$ ). Perceptions of organizational support related to service OCB ( $r = .20, p < .01$ ), service quality ( $r = .15, p < .05$ ) and task performance ( $r = .16, p < .01$ ).

Table 2  
Means, Standard Deviations, and Correlations

Variables	<i>M</i>	<i>s.d.</i>	1	2	3	4	5	6	7	8
<i>Group level (n = 37)</i>										
1. Supervisor age	43.3	8.2								
2. Supervisor sex	1.2	.42	.15							
3. Company size	18.9	13.3	.10	.33*						
4. % of unionized employees	80%	22%	.74**	.12	.06					
5. Management—HPWS	3.8	.42	-.30	-.05	-.35*	-.50**	.91			
6. Collective human capital	5.2	.85	-.15	-.06	-.06	-.17	.52**	.87		
7. Competitive advantage	18.9	2.9	-.25	-.09	-.14	-.36*	.73**	.71**	.85	
8. Organizational performance	3.2	.40	-.02	.03	.26*	-.01	.11	.16*	.26*	.64
<i>Individual level (n =258)</i>										
1. Age	33.9	9.0								
2. Sex	1.6	.50	-.03							
3. Employee—HPWS	3.4	.48	-.15*	-.06	.92					
4. Psychological empowerment	5.4	.92	-.03	-.03	.46**	.89				
5. Organizational support	4.8	1.3	.02	-.11	.59**	.60**	.91			
6. Service OCB	3.9	.49	-.08	-.08	.16*	.23**	.20**	.91		
7. Service quality	4.0	.57	-.14*	-.04	.14*	.16**	.15*	.72**	.86	
8. Task performance	5.2	.93	-.07	-.10	.13*	.15*	.16**	.64**	.66**	.92

*Note.* The reliability coefficients are in diagonal. HPWS = high-performance work systems; OCB = organizational citizenship behavior. Company size is the number of employees.

\*  $p < .05$  (two tailed).

\*\*  $p < .01$  (two tailed).



### ***5.3.1 Group-Level Predictions***

I predicted in Hypothesis 1 that management-rated HPWS would be positively related to collective human capital, which, in turn, would be positively related to competitive advantage (Hypothesis 2a). Hypothesis 3a suggested that competitive advantage would directly influence branch level market performance. Because all these variables were conceptualized and measured at the group/branch level, I utilized SEM to test these direct and mediated hypotheses. I controlled for company size and the percentage of unionized employees. To maintain favorable indicator-to-sample-size ratio, each variable was represented by a single observed variable. However, I corrected for measurement error by setting an error variance equal to:  $([1-\alpha] \times s.d.^2)$  to ensure that I obtained reliable estimates. Figure 2 shows the results and the structural model demonstrated a good fit to the data ( $\chi^2 = 14.78$ ;  $df = 5$ ;  $p < .01$ ; CFI = .95, RMR = .06; RMSEA = .07).

Figure 2

Structural Equation Modeling Results

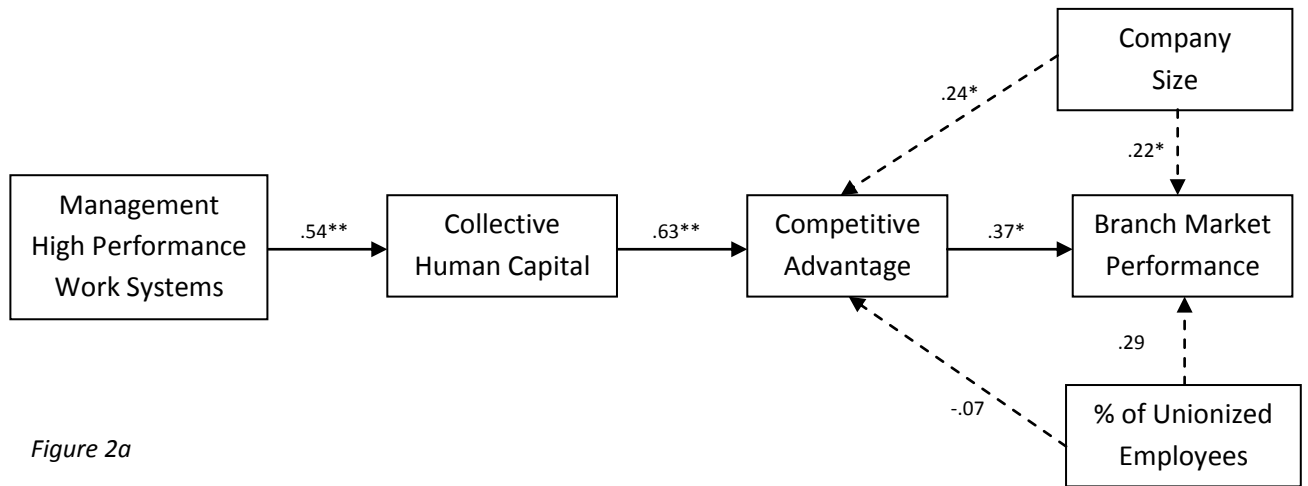


Figure 2a

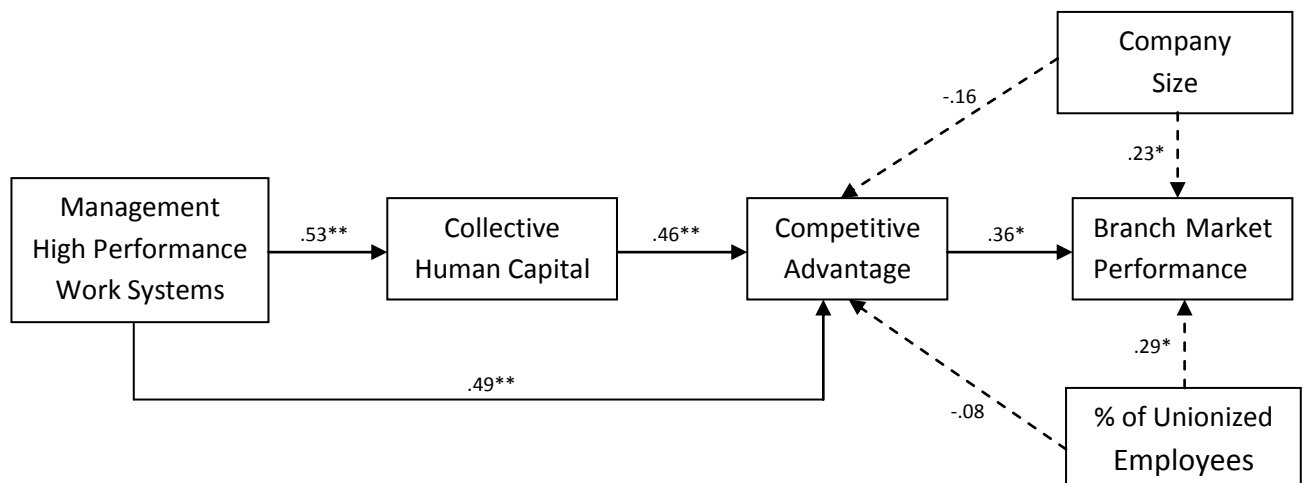


Figure 2b

Note. Dotted lines are controls

\*  $p < .05$  (two tailed).

\*\*  $p < .01$  (two tailed).

Figure 2a shows that the path from management-rated HPWS to collective human capital was positive and significant ( $\beta = .53, p < .01$ ), supporting Hypothesis 1. Similarly, the path from collective human capital to competitive advantage was positive and significant ( $\beta = .64, p < .01$ ) as was the path from competitive advantage to branch level market performance ( $\beta = .37, p < .05$ ). These results support Hypotheses 2a and 3a. What is not clear in Figure 2a is the degree to which there is full or partial mediation among the variables of interest as suggested in Hypotheses 2b and 3b. I now turn to the mediation analyses.

To test Hypothesis 2b, which suggested that collective human capital would mediate the relationship between management-rated HPWS and competitive advantage, I compared the fit of the model shown in Figure 2a to an alternative model where I added a direct path from management-rated HPWS to competitive advantage (see Figure 2b). This alternative model showed a significant improvement over Figure 2a as demonstrated by the appreciation in fit indexes ( $\chi^2 = 2.13; df = 4; p < .01; CFI = .99, RMR = .01; RMSEA = .01$ ), and the chi-square difference was significant ( $\Delta\chi^2[1] = 12.65, p < .01$ ). These results suggest that collective human capital partially mediated the relationship between management-rated HPWS and competitive advantage.

I followed a similar strategy to assess Hypothesis 3b, which suggested competitive advantage would mediate the relationship between collective human capital and branch level performance. I compared the fit of the model shown in Figure 2a to an alternative model where I added a direct path from collective human capital and branch level market performance. This third alternative model showed a significantly poorer fit to the data ( $\chi^2 = 16.07; df = 5; p < .01; CFI = .80, RMR = .16; RMSEA = .29$ ). Compared to Figure 2a, the chi-

square difference was not significantly different from Model 1 ( $\Delta\chi^2[1] = 1.29, n.s.$ ). However, the paths from human capital to branch level market performance and from competitive advantage to branch level market performance were not significant. On the basis of these results and under rules of model parsimony, I concluded that competitive advantage completely mediated the influence of human capital on branch level market performance.

To provide a more rigorous test for mediation, I conducted bootstrap analyses to confirm whether the mediated effects found above were statistically significant and set the number of bootstraps at 1000 (Shrout, & Bolger, 2002). I first tested the influence of management-rated HPWS on competitive advantage as mediated by collective human capital. Across the bootstrap samples, the values of the mediated effect as demonstrated by the bias-corrected (BC) confidence interval ranged from -.09 to .81. Of the 1000 bootstrap samples, only 17 had values less than zero, indicating that the mediated effect revealed above was significant ( $p < .01$ ). Next, I tested the effect of collective human capital on branch level market performance through the mediating effect of competitive advantage. Results showed that across the bootstrap samples, the values of the mediated effect ranged from .05 to .56 and none of the 1000 bootstrap samples had a value less than zero, suggesting that the mediated effect revealed above was significant ( $p < .01$ ). Taken together, the results suggest that HPWS influence competitive advantage through collective human capital. Similarly, the influence of collective human capital on branch level market performance is exerted through competitive advantage. These results provide support for Hypotheses 2b and 3b.

It must be noted that although lower values of chi-square test indicates a better fit and should be non-significant, a common outcome in everyday research is that chi-square test is

significant. The meaning of a significant chi-square test is particularly critical. With very large samples, because the chi-square test is proportional to sample size, there is a danger of rejecting a valid model; with small sample sizes, there is a danger of accepting an invalid model, on the basis of chi-square test (Bagozzi, 2010). In this study, the chi-square test is significant because of the large sample size (258), which researchers (e.g., Bagozzi, 2010) suggest is meaningful, and the large number of variables tested (10 variables) (Rahim & Magner, 1995), hence, the reason the structural models demonstrated a good fit to the data with higher values of chi-squares.

### ***5.3.2 Cross-Level Predictions***

I utilized HLM to test my cross-level hypothesis. Hypothesis 4 posited that management-rated HPWS would directly influence experienced HPWS. This is a cross-level prediction. Before testing this cross-level hypothesis, I examined whether there was a significant systematic between-group variance in experienced HPWS. Results of a null model, where I partitioned the total variance into within- and between-individual components, revealed that 26% of variance in experienced HPWS resides between groups. The chi-square test revealed that this between-group variance was significant; that is, the intercept term significantly varied across groups. The HLM results for testing Hypothesis 4 are presented in Table 3 (Model 1). Specifically, the results revealed that after I controlled for employees' age and sex as Level 1 predictors and company size and % of unionized employees as Level 2 predictors, management-rated HPWS significantly influenced experienced HPWS ( $\hat{\gamma} = .28, p < .01$ ; Model 1). Thus, Hypothesis 4 is supported.

Table 3

HLM Results: Effects of High Performance Work Systems on Service Organizational Citizenship Behavior (OCB)

	Experience	Perceived	Psychological	Service	Service	Quality	Task	Quality	Task
Level and variable	HPWS	Support	Empowerment	OCB	OCB	Service	Performance	Service	Performance
	(Model 1)	(Model 2)	(Model 3)	(Model 4)	(Model 5)	(Model 6)	(Model 7)	(Model 8)	(Model 9)
Level 1 (n = 258) <sup>a</sup>									
Intercept	3.43(.04)*	4.78(.08)*	5.44(.06)*	3.92(.15)*	3.94(.04)*	3.94(.05)*	5.22(.07)*	3.96(.03)*	5.22(.07)*
Employee age	.01(.00)*	.00(.01)	-.01(.01)	-.00(.00)	-.00(.00)	-.01(.00)*	-.01(.01)	.00(.00)	-.01(.00)*
Employee sex	.03(.06)	.07(.13)	.03(.08)	-.09(.07)	-.10(.07)	-.06(.07)	.12(.13)	.00(.00)	.01(.09)
Experienced HPWS		.89(.20)*	.66(.14)*		.02(.06)				
Organizational support				.08(.02)*	.06(.02)*	.06(.03)†	.09(.04)†	-.02(.03)	.01(.04)
Psychological empowerment				.10(.03)*	.09(.03)*	.08(.04)†	.08(.04)†	.02(.04)	.04(.06)
Service OCB								.84(.07)*	.88(.09)*
Level 2 (n = 37) <sup>a</sup>									
Company size	-.01(.00)	-.00(.00)	-.01(.00)*	.00(.00)	.00(.00)	.00(.00)	-.01(.00)*	-.01(.01)	-.01(.01)
% of unionized employees	.00(.00)	.00(.00)	.00(.00)	.00(.00)	.00(.00)	.00(.00)	-.00(.00)	.04(.05)	.00(.00)
Management- rated HPWS	.21(.08)*								

*Note.* <sup>a</sup> Values in parenthesis are standard errors; entries are unstandardized coefficients. Company size represented by number of employees; HPWS = high performance work systems. In all models, Level 1 variables are grand-mean centered.

†  $p < .05$ ; \*  $p < .01$  (two-tailed tests).

### **5.3.3 Individual-Level Predictions**

I utilized HLM to test the individual-level hypotheses. I examined the degree of between group variance in POS, psychological empowerment, service OCB, service quality, and task performance. Results of a null model revealed that 21% of the variance in POS, 15% of the variance in psychological empowerment, 23% of the variance in service OCB, 16% of the variance in service quality, and 25% of the variance in task performance resides between groups. The chi-square test revealed that these between group variances were significant; that is, the intercept terms significantly varied across groups.

Hypotheses 5a and 5b posited that experienced HPWS would be positively related to POS (H5a) and psychological empowerment (H5b), respectively. The results for testing Hypotheses 5a and 5b are also shown in Table 3. I controlled for employees' age and sex as Level 1 predictors and company size and % of unionized employees as Level 2 predictors in our analyses. Specifically, the HLM results indicate that experienced HPWS was positive and significantly related to POS ( $\hat{\gamma} = .89, p < .01$ ; Model 2) and psychological empowerment ( $\hat{\gamma} = .64, p < .01$ ; Model 3). These results support Hypotheses 5a and Hypotheses 5b, respectively.

Hypotheses 6a and 6b suggested that POS (H6a) and psychological empowerment (H6b), respectively, would be positively related to service OCB. As shown in Table 3, the HLM results indicate that after I controlled for employees' age and sex as Level 1 predictors and company size and % of unionized employees as Level 2 predictors, POS ( $\hat{\gamma} = .08, p < .01$ ; Model 4) and psychological empowerment ( $\hat{\gamma} = .10, p < .01$ ; Model 3) positively and significantly relate to service OCB. Thus, Hypotheses 6a and 6b received support.

Hypothesis 7 posited that POS and psychological empowerment would jointly mediate the positive relationship between experienced HPWS and service OCB. I followed the

four-step procedure for testing mediation described by Kenny, Kashy, and Bolger (1998), once again controlling for employees' age and sex as Level 1 predictors and company size and % of unionized employees as Level 2 predictors in the analyses. These results are also shown in Table 3 (Model 5). As a first step, experienced HPWS should be related to service OCB. This requirement was supported by the results I reported in Table 2 ( $r = .16$ ,  $p < .05$ ). Note that this requirement does not have to be met to establish mediation. As Kenny et al. (1998) note "Step 1 is not required ... the essential steps in establishing mediation are Steps 2 and 3" (p. 260; see also Shrout & Bolger, 2002, p. 140).

Step 2 requires that experienced HPWS should be related to both POS and psychological empowerment. This condition was supported by the test of Hypotheses 5a and 5b, respectively. The third step requires that POS and psychological empowerment should be related to service OCB. The results of Hypotheses 6a and 6b provide support for this third condition. In testing the fourth requirement, I included experienced HPWS, POS and psychological empowerment plus the Level 1 and Level 2 controls in the same HLM model. As shown in Table 3, the HLM results revealed that both POS ( $\hat{\gamma} = .06$ ,  $p < .01$ , Model 5) and psychological empowerment ( $\hat{\gamma} = .09$ ,  $p < .01$ , Model 5) significantly related to service OCB; the effect of experienced HPWS on service OCB as expected was not significant ( $\hat{\gamma} = .02$ , *n.s.*, Model 5). These results suggest that POS and psychological empowerment fully mediated the influence of experienced HPWS on service OCB. A Sobel (1982) test confirmed that the indirect effect of experienced HPWS on service OCB was significant (POS:  $z = 2.98$ ,  $p < .01$ ; psychological empowerment:  $z = 2.72$ ,  $p < .01$ ). These results support Hypothesis 7

Hypothesis 8 predicted that service OCB positively relates to (8a) service quality and (8b) task performance. This hypothesis was supported by the results reported in Table 2



(service quality:  $r = .16, p < .01$ ; task performance:  $r = .15, p < .05$ ). Finally, Hypothesis 9 suggested that the influence of POS and psychological empowerment on task performance and service quality would be mediated by service OCB. I followed procedure used in testing Hypothesis 7, once again, controlling for employees' age and sex as Level 1 predictors and company size and % of unionized employees as Level 2 predictors in my analyses. These results are also shown in Table 3 (Models 6-9). In support of the first condition, the HLM results indicate that POS and psychological empowerment positively and significantly predict service quality (POS:  $\hat{\gamma} = .06, p < .01$ ; psychological empowerment:  $\hat{\gamma} = .08, p < .01$ , Model 6) and task performance (POS:  $\hat{\gamma} = .09, p < .05$ ; psychological empowerment:  $\hat{\gamma} = .08, p < .05$ , Model 7). Step 2 requirement was supported by the results of Hypotheses 6a and 6b, respectively. Requirement for condition 3 was met. Specifically, HLM results revealed that service OCB significantly predicted service quality ( $\hat{\gamma} = .86, \text{s.e.} = .07, p < .01$ ) and task performance ( $\hat{\gamma} = .94, \text{s.e.} = .09, p < .01$ ), respectively. In the fourth requirement, I included POS, psychological empowerment, and service OCB plus the Level 1 and Level 2 controls in the same HLM model. As shown in Table 3, HLM results revealed that service OCB significantly predicted service quality ( $\hat{\gamma} = .84, p < .01$ , Model 8) and task performance ( $\hat{\gamma} = .88, p < .01$ , Model 9). However, the effects of both POS ( $\hat{\gamma} = -.02, n.s.$ , Model 8) and psychological empowerment ( $\hat{\gamma} = .02, n.s.$ , Model 8) on service quality were not significant. Similarly, the effects of both POS ( $\hat{\gamma} = .01, n.s.$ , Model 9) and psychological empowerment ( $\hat{\gamma} = .04, n.s.$ , Model 8) on task performance were not significant. A Sobel (1982) test confirmed that the indirect effect of POS and psychological empowerment on service quality was significant (POS:  $z = 3.80, p < .01$ ; psychological empowerment:  $z = 3.21, p < .01$ ) as was the indirect effect of POS and psychological empowerment on task

performance (POS:  $z = 3.74$ ,  $p < .01$ ; psychological empowerment:  $z = 3.18$ ,  $p < .01$ ).

Taken together these results support Hypothesis 9.

## **5.4 Conclusion**

In this chapter, I presented the CFA results for the group-level and individual level data, and reported the descriptive statistics, internal consistency reliabilities, and correlations among the study variables. Group-level predictions of Hypotheses 1-3 are discussed and structural equation modelling results reported. The findings suggest that HPWS influence competitive advantage through collective human capital. Similarly, the influence of collective human capital on branch level market performance is exerted through competitive advantage. Furthermore, the cross-level predictions of Hypothesis 4, and individual-level predictions of Hypotheses 5-9 are discussed, and the HLM results of level 1 and level 2 variables reported. The findings suggest that management-rated HPWS significantly influenced experienced HPWS. Individual-level findings suggest that experienced HPWS positively and significantly influenced POS and psychological empowerment, and POS and psychological empowerment fully mediated the influence of experienced HPWS on service OCB. Furthermore, service-OCB mediated the influence of POS and psychological empowerment on service quality and task performance. Thus, all the 9 hypotheses were supported. In the ensuing chapter, I discuss the findings of the research.

## **Chapter 6 - Discussion**

### **6.2 Introduction**

This chapter pulls the threads together by recapitulating the objectives of the study and its salient findings. Specifically, I summarize the salient findings and discuss their theoretical implications. Furthermore, I discuss the practical implications of the findings. Finally, I discuss the limitations of the study and map out some directions for future research.

### **6.3 Summary of Findings**

#### ***6.3.1 Branch-Level Findings***

In general, the findings supported the hypotheses tested. First, collective human capital partially mediated the relationship between management-rated HPWS and competitive advantage. Similarly, competitive advantage completely mediated the influence of human capital on branch level market performance. Second, management-rated HPWS positively influenced competitive advantage through collective human capital. Similarly, the influence of collective human capital on branch level market performance is exerted through competitive advantage.

#### ***6.3.2 Cross- and Individual-level Findings***

First, management-rated HPWS significantly influenced experienced-HPWS supporting the cross-level main effect of management-rated HPWS on experienced-HPWS. Second, experienced-HPWS positively and significantly influenced POS and psychological empowerment. Third, POS and psychological empowerment positively and significantly influenced service-OCB. Fourth, POS and psychological empowerment fully mediated the

influence of experienced-HPWS on service-OCB. Furthermore, service-OCB significantly predicted service quality and task performance. Additionally, service-OCB mediated the influence of psychological empowerment and POS on service quality and task performance, respectively. The implications of these findings are discussed below.

#### **6.4 Theoretical Implications**

First, my findings show the relationship between branch-level HPWS and branch level market performance to be indirect through collective human capital and competitive advantage. Prior strategic HRM research testing RBV showed collective human capital to directly link HPWS and organizational performance (see Takeuchi et al., 2007). However, these findings revealed that competitive advantage mediated the collective human capital-organizational performance relationship. In other words, competitive advantage acts as an important link in the relationship between HPWS and branch level market performance. The implications of my findings for the resource-based view (RBV), is that in testing the HPWS-organizational performance relationship, the focus should particularly be on competitive advantage. This is because in order to reap any performance gains from its human resources/capabilities combination, a firm must first attain the competitive advantage that result from the effective exploitation of the human resources/capabilities (Barney & Wright, 1998; Pfeffer, 2005; Newbert, 2008). The findings are also important for two reasons. First, they respond to calls to acknowledge the conceptual differences between competitive advantage and performance in empirical research (Newbert, 2008; Powell, 2001). Second, these findings confirm Newbert's (2008) observation that studies that test the direct relationship between human resource and/ human capital (a capability) and performance

may be incomplete. This study, therefore extends previous research on RBV by fully testing the role of competitive advantage in the link between HPWS and performance at the branch level providing further evidence that strengthens the resource-based view (RBV)'s status as a rigorous theory of strategic HRM.

Second, I examined cross-level effects of branch level HPWS on performance at the individual level. Previous research has examined performance effects at either the individual level or organizational level but not both simultaneously (Kehoe, & Wright, 2010; Liao et al., 2009; Snape, & Redman, 2010). My findings demonstrate the cross-level intervening mechanisms through which branch level HPWS influence performance at the individual level. The finding that branch level HPWS related to experienced-HPWS in the cross-level prediction reinforces the importance of moving beyond managerial claims of their organization's use of HPWS to an examination of employees' experience of HPWS as a source of motivational implications of these practices. This is because to be effective, employees must understand the HR practices to which they are exposed and the expected behaviours that they are to display in response to this exposure. Furthermore, these findings provide empirical support for the argument of Bowen, & Ostroff, (2004) that individual employees may experience and interpret the same set of HR practices differently, and thus adds to this stream of research.

Further, a major implication of the findings is the demonstration that POS and psychological empowerment fully mediated the influence of experienced-HPWS on service-OCB. Although research has shown HPWS to be related to service-oriented OCB at the organizational level (Sun et al., 2007), my findings suggest that this relationship is indirect

through psychological empowerment and POS at the individual level. My findings suggest that influencing employee's motivation to perform is dependent on the clarity or level of understanding that the employee has regarding the intended purpose of the HPWS practices to which he/she is exposed (Lepak, 2007; Liao et al., 2009). Experienced HPWS leads employees to experience feelings of self determination, impact, competence, and meaning at work, resulting in employees engaging in extra-role behaviours or activities (Conger, & Kanungo, 1988; Liden & Tewsbury, 1995; Spreitzer, 1995; Thomas, & Velthouse, 1990) that impact service quality and task performance. Similarly, experienced HPWS helps employees form global perceptions of the extent to which they are valued and cared for by the organization (POS; Eisenberger et al., 1986) and reciprocate by engaging in actions favourable to the organization that go beyond assigned responsibilities (Rhoades & Eisenberger, 2002). Thus, the findings revealed an individual level motivational mechanism (POS & psychological empowerment) through which HPWS exerts its influence on individual-level behavioural outcomes, highlighting the appropriateness of SET and intrinsic motivation as theories underpinning this study. Furthermore, with the exception of Liao et al., (2009), prior research has not examined employee motivation in models of HPWS. Yet it is clearly highlighted in HPWS theorizations (see Becker et al., 1997; Guest, 1997; Wright, & Gardner, 2001). By empirically testing employee motivation (POS and psychological empowerment) as fully mediating the influence of experienced HPWS on service OCB, I provide a more complete test of theorizing in SHRM that conceptualizes employee motivation as a mechanism through which HPWS influence performance.

Additional implication of the findings is the demonstration that service OCB fully mediated the influence of POS and psychological empowerment on service quality and task

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performance. Service OCBs are emerging as an important element of the customer contact employee's job. Several researchers have argued that managers consider OCB-like behaviours to be an important part of an expanded employee job performance domain (Borman, & Motowidlo, 1993; Mackenzie et al., 1993; Podsakoff et al., 2000; Podsakoff et al., 2009; Rotundo, & Sackett, 2002). Hence, the need for managers to create a supportive and empowering work environment, through the use of HPWS to help employees exhibit the necessary service-OCBs that lead to service quality and task performance. Furthermore, most OCB research has focused on its antecedents and not much research has focused on outcomes of OCB (Organ et al., 2006). My findings extend this stream of research by highlighting service quality and task performance as outcomes of service OCBs at the individual level. The service OCB outcomes are particularly important especially with recent research evidence indicating that OCBs have generally functional effects not only for individuals who exhibit them but also for the organization as well (Podsakoff et al., 2009).

Researchers (e.g., Wright, & Boswell, 2002; Bowen, & Ostroff, 2004) have suggested that adopting a multilevel theoretical approach will help to clarify and provide solutions to some of the methodological pitfalls in SHRM - performance research. By adopting a multilevel approach, this study exemplifies how integration of micro and macro HRM can enhance our understanding of the processes linking strategic HRM constructs and outcomes across organizational levels (see Wright, & Boswell, 2002).

## **6.5 Practical Implications**

In service sector organizations, competitive advantage is defined in terms of customer service excellence which has been shown to lead to customer satisfaction and retention

(Parasuraman et al., 1988). Customer satisfaction can help firms increase both the volume and the stability of their future cash flow, hence creating greater shareholder value (Liao et al., 2009). In the service sector, firms can create competitive advantage through the delivery of superior service to their customers that go beyond their customers' expectations. My findings suggest that competitive advantage acts as an important link in the relationship between management-rated HPWS and branch-level market performance. This suggests that investment in HPWS pays off. However, to reap the full benefits of such investment, firms must invest in HPWS as an interventions strategy for promoting the skills and capabilities necessary to execute the strategy leading to market level performance.

Second, my finding that service OCB significantly predicted service quality and task performance also has particular implications for managers. First, in the past, businesses sought to specify customer-oriented behaviours in order to account for service variability and, ultimately, service quality (Bell, & Menguc, 2002). It now seems that encouraging service-OCBs among customer contact employees is a viable approach to building service quality. My findings suggest that an organization's HPWS is one feature that can influence service OCBs, confirming previous research findings (see Sun et al., 2007). Hence, managers who intend to encourage service-OCBs among employees must begin to design their HPWS in ways that are instrumental in eliciting or promoting high levels of service OCBs among customer contact employees.

Furthermore, the finding that POS and psychological empowerment mediated the influence of experienced HPWS on service OCB suggest that for any HPWS intervention strategy to make the desired impact, managers need to understand the employee motivation



mechanisms through which HPWS leads to performance to ensure facilitating conditions for psychological empowerment and POS. This can be accomplished if managers put in place HPWS intervention strategy that is aimed at enhancing employee motivation.

## **6.6 Limitations and Directions for Future Research**

This study has a number of limitations. First, given the use of cross-sectional data, causality cannot be inferred. Although this study used the resource-based view (RBV), social exchange and intrinsic motivation theories, and the relationships are consistent with the theoretical predictions, it is possible that the effects of HPWS on individual employees may take a longer time to materialize. Future research that employs a longitudinal research design that examines the relationship between HPWS and important outcomes may provide unique insights into not only the nature of the relationship, but also the time lag necessary to realize the benefits of the HPWS.

Second, I could not verify the interrater reliability of HPWS measures (Gerhart et al., 2000) because the branch level HPWS data were obtained from one person (the branch manager) undermining the reliability of this data (Huselid, & Becker, 2000). The importance of using multiple raters and establishing interrater reliability as a way of enhancing confidence in HPWS data is very much acknowledged. However, researchers (e.g., Huselid, & Becker, 2000; Wright et al., 2001) have argued that raters or key informants must be knowledgeable about HR systems or activities in use. Given the size of the bank branches that took part in the study and the extent of operational autonomy they enjoy, the Branch Managers should be knowledgeable about HR practices used in managing customer contact employees. To

enhance the validity of the HPWS measure, I cross-validated the responses with another member of the management team responsible for HR issues.

Third, I used a subjective measure of organizational performance. Although there is precedent for such a measure (e.g. Chuang, & Liao, 2010; Takeuchi et al., 2007), and Wall et al., (2004) found that subjective measures (self reports) compared favourably with 'objective' measures in terms of their convergent, discriminant, and construct validities, branch manager-reported market performance cannot be translated into a meaningful metric, such as the dollar increases associated with one-standard-deviation increase in the use of HPWS (Datta, Guthrie, & Wright, 2005; Huselid, 1995). Moreover, the scale's relatively low alpha reliability in our study suggests that the branch level performance implications of HPWS reported should be cautiously interpreted. Given this concern, future research may include both objective and subjective organizational performance measures, particularly when a study is conducted within a single industry.

Lastly, although I proposed and tested hypotheses drawn from a context-free model, the cultural context of the study (i.e. using data from a sample of Ghanaian Banks) may have influenced the findings which may limit the generalizability of the findings to other cultural contexts as well as economic sectors. However, this limitation is mitigated by the fact that much of strategic HRM research has been conducted in the emerging economies of Asia (Chuang, & Liao, 2010; Gong et al., 2009; Liao et al., 2009; Sun et al., 2007) that share relevant cultural values such as high power distance and relationship orientation with countries in the sub-Saharan Africa. I would encourage future studies to collect data from multiple cultural settings and replicate and extend my findings.

In terms of directions for future research, researchers have been urged to focus on the need for workforce differentiation and integration *within* firms (Becker, & Huselid, 2011). The essence of the argument is that some jobs are more valuable (strategic) than others, and they should be managed accordingly (Becker, & Huselid, 2010; Becker, Huselid, & Beatty, 2009; Huselid, & Becker, 2011). Consequently, researchers (e.g., Huselid, & Becker, 2011) have called for more research focus on the antecedents and consequences of workforce differentiation. This is because it represents a significant opportunity for the HR strategy literature, one that has the potential to provide the theoretical and empirical foundation for a deeper understanding of the causal processes linking HPWS with firm performance. I discuss some of the salient (specific) concerns on workforce differentiation for future research below:

The first challenge as noted by Huselid, & Becker, (2011) is to develop and validate new measures of organizational strategy. While prior work has often focused on identifying strategic type or positioning strategy, I believe that new work will be needed to focus on extracting the workforce implications of a given competitive strategy. Future research must move beyond simply identifying what a strategy *is* to identifying what *must happen* for it to be executed effectively. This will also entail the adoption of an HPWS strategy that will enhance the effective execution of the strategy.

Second, implementation of HPWS or implementing an HR architecture. When introducing the strategic job construct, scholars and practitioners will need to think differently about the design and implementation of the HR architecture (Huselid, & Becker, 2011). I believe that an important focus for future research is rethinking HR practices in light of strategic jobs. An

important source of tension to be addressed in this process is the relative emphasis on differentiation versus integration of HPWS such as job design, recruitment, selection, performance management, rewards and promotions and exits. Indeed, one of the key challenges in this line of research as Huselid, & Becker, (2011) noted is that the choice is not *whether* to recruit, select, appraise, reward, and so on, for strategic versus non strategic jobs, but *how* these practices will differ across categories of employees.

Third, researchers have noted that there may be several reasons why organizations adopt HPWS, and knowing these underlying reasons may provide further insights into our understanding of the relationship between HPWS and performance. Future research that examines some of the underlying reasons why organizations adopt HPWS may help broaden our understanding of the HPWS-performance relationship.

Lastly, little empirical work has examined the moderating role of employee characteristics on their perceptions and reactions to HR systems (c.f., Wright & Boswell, 2002). Future research must examine potential moderators between HPWS and performance at the individual level and organizational level (such as employees' past experiences with the HR practices in different organizations, employees' service orientation, and employees' personal experiences with leaders). Understanding the boundary conditions of this relationship should provide valuable knowledge for managers in enhancing the effectiveness of HPWS.

These limitations are counterbalanced by a number of methodological strengths. First, researchers (e.g. Wright, & Boswell, 2002; Bowen, & Ostroff, 2004) have called for a multi-level approach to understanding the HPWS-performance relationship. I propose and tested

hypotheses drawn from a multi-level model of the intervening mechanisms through which HPWS enhances performance outcomes in the organization. Second, data were collected from multiple sources including junior customer contact employees (respondents), senior customer contact employees, and branch managers. The multiple source data helped to reduce common method bias suggesting that our findings are substantive in nature. Third, unlike previous research studies, I simultaneously examined mechanisms through which HPWS influence performance at both individual and organizational levels of analysis.

## **6.7 Conclusion**

Although research interest in why and how HPWS is related to organizational performance continues to accumulate (Wright & Boswell, 2002), our understanding of the mechanisms through which HPWS influences performance is still unclear. The motivations for this study were to examine the intermediate linkages (mechanisms) through which high performance work systems (HPWS) influence individual and organizational performance. While SHRM researchers agree that employee experiences of HR practices are important in understanding the HPWS-performance relationship, not much research has considered employee perceptions of HPWS (Wright, & Boswell, 2002; Nishii, & Wright, 2007). Secondly, there are calls to use a multi-level approach to simultaneously examine the impact of HPWS on performance outcomes and the processes that underlie this relationship at both the individual and organizational levels of analysis (Ostroff, & Bowen, 2000). Thirdly, despite the critical role of competitive advantage in theorizations of the HPWS – performance relationship (Barney, 1991; Barney & Wright, 1998; Lado & Wilson, 1994; Wright, Dunford, &

Snell, 2001), most strategic HRM research (e.g., Takeuchi, et al., 2007) has neglected to model the influence of competitive advantage in the intermediate linkages between the use of HPWS and organizational performance outcomes (Newbert, 2008; Powell, 2001).

To address these research needs, I developed and tested a multilevel model grounded in the resource-based view of the firm (i.e. human capital), and motivation (i.e. SET and empowerment), with data obtained from customer contact employees drawn from 37 branches of two major banks in Ghana. My findings suggest that competitive advantage acts as an important link in the relationship between HPWS and organizational performance, and that in testing HPWS-performance relationship at the branch level, the focus should particularly be on competitive advantage. Second, my findings that branch level HPWS related to experienced-HPWS in the cross-level prediction reinforces the importance of moving beyond managerial claims of their organizations use of HPWS to an examination of employees' experience of HPWS as a source of motivational implications of these practices. Third, the findings demonstrate that POS and psychological empowerment fully mediated the influence of experienced-HPWS on service-OCB. Furthermore, service OCB fully mediated the influence of POS and psychological empowerment on service quality and task performance.

In conclusion, this study contributes to the current understanding of the link between HPWS and performance. It highlights the critical role of competitive advantage as an important link in the relationship between HPWS and organizational performance and therefore provides a more complete test of RBV. Furthermore, my findings suggest a cross-level influence of HPWS on individual level motivational mechanisms (POS & psychological empowerment)

through which the use of HPWS exerts its influence on individual-level behavioural outcomes. This highlights the need to include employee perspective in any HPWS intervention strategy, as a way of enhancing individual motivation to perform, in ways that allow the organization to achieve desirable performance outcomes.

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## **8. APPENDICES**

- 8.1 APPENDIX 1 CUSTOMER CONTACT EMPLOYEE QUESTIONNAIRE DESIGN
- 8.2 APPENDIX 2 SENIOR CUSTOMER CONTACT EMPLOYEE QUESTIONNAIRE DESIGN
- 8.3 APPENDIX 3 BRANCH MANAGER QUESTIONNAIRE DESIGN
- 8.4 APPENDIX 4 MEASURE ITEMS OF SELECTED VARIABLES

Our Ref W&OP/YMS

Dear Respondent

**Re: Survey of the Employment Relationship**

I am writing to kindly request your participation in the above survey by completing the attached questionnaire. Your name was randomly selected from your organization's workforce.

The objective of the survey is to examine employees' perceptions of the employment relationship in your organization. Specifically, it aims to examine the influence of an organization's human resource policies and practices on employees' experience of work and ultimately, their quality of work life.

Your participation is vital. It will contribute to a greater understanding of employees' perceptions of an organization's human resource practices, reveal important aspects of the employment relationship, and suggest ways to satisfy employee and organizational needs.

Please read each question carefully and answer it according to how you personally feel about it. There are no right or wrong answers. For the study to be meaningful, it is important that you complete all the questions in the survey.

In accordance with the ethics of behavioural science research, individual responses will be completely anonymous and aggregated. Return your completed questionnaire to the survey coordinator in your branch.

Thank you for your participation in this survey.

Yours sincerely

**Emmanuel Y M Seidu**  
**Doctoral Student**



## SECTION A

**1. In this section, we would like to know how you think this bank branch manages employees who are like you. For each item, indicate the extent of your agreement or disagreement with each statement below.**

1 = strongly disagree

2 = disagree

3 = neither agree nor disagree

4 = agree

5 = strongly agree

	Strongly disagree			Strongly agree	
	1	2	3	4	5
The training programs I went through in this branch effectively prepared me to provide high quality customer service.					
The branch provides me sufficient training to handle the introduction of new products and services.					
Employees in my job category normally go through training programs every few years to improve our customer service skills.					
The branch supports me to join the customer service training program provided by the Headquarters.					
I have a say in how much training I receive.					
If I get extra training on my own time, the branch will pay me back.					
I have enough information to do my job well.					

Information about how well my branch is doing financially is shared with me.	1	2	3	4	5
Customers' suggestions on how to improve service quality is shared with me.	1	2	3	4	5
Complaints or negative comments about this branch's service from external customers are shared with me.	1	2	3	4	5

Strongly  
disagree

Strongly  
agree

I have the manuals and resource materials I need for the network systems I work with.	1	2	3	4	5
I have, or have access to, the product and policy information I need to do my work.	1	2	3	4	5
It is easy for me to communicate my thoughts to management.	1	2	3	4	5
I am given enough information to understand my role in this branch.	1	2	3	4	5
Employees in the other departments of this branch cooperate well with me to get my job done.	1	2	3	4	5
I get the needed materials for my job from other departments in a timely fashion.	1	2	3	4	5
I feel I am really part of my work group.	1	2	3	4	5
If there is a decision to be made, everyone	1	2	3	4	5



is involved in it.

My branch places a great deal of importance on team development for employees like me.	1	2	3	4	5
--	---	---	---	---	---

I feel in control of things that occur around me while at work.	1	2	3	4	5
---	---	---	---	---	---

Our managers ask our opinions about how to improve the customer service of this branch.	1	2	3	4	5
---	---	---	---	---	---

Suggestions for improving customer service from employees like me are usually implemented in full or in part within this branch.	1	2	3	4	5
--	---	---	---	---	---

I have the authority to resolve customer complaints on my own.	1	2	3	4	5
--	---	---	---	---	---

I have the discretion to customize the service offering to meet customer needs.	1	2	3	4	5
---	---	---	---	---	---

	Strongly disagree			Strongly agree	
I may decide how to personalize the service for the customer.	1	2	3	4	5

I may use a variety of strategies to satisfy the customer.	1	2	3	4	5
--	---	---	---	---	---

I am encouraged to adapt my behaviours to the needs of the customer.	1	2	3	4	5
--	---	---	---	---	---

Part of my compensation is based on how well I do my job.	1	2	3	4	5
---	---	---	---	---	---

How much I get paid is based totally on how	1	2	3	4	5
---	---	---	---	---	---

200

long I have been with the company.

Part of my compensation is based on how well the branch is doing financially.	1	2	3	4	5
---	---	---	---	---	---

Our pay in this branch is higher than what competitors offer.	1	2	3	4	5
---	---	---	---	---	---

Part of my compensation is based on the bank's corporate-wide performance.	1	2	3	4	5
--	---	---	---	---	---

I believe that I would be paid more fairly if I worked at another organization.	1	2	3	4	5
---	---	---	---	---	---

My pay is tied to the quality of service I deliver to customers.	1	2	3	4	5
--	---	---	---	---	---

My compensation level is connected to the results of my working performance.	1	2	3	4	5
--	---	---	---	---	---

My job is simple and quite repetitive.	1	2	3	4	5
--	---	---	---	---	---

I have lots of opportunity to decide how to do my work.	1	2	3	4	5
---	---	---	---	---	---

If a problem emerges with my work, I can take action to remedy it.	1	2	3	4	5
--	---	---	---	---	---

	Strongly disagree			Strongly agree	
I have little opportunity to use my own judgement when doing my work.	1	2	3	4	5

I often feel bored at work.	1	2	3	4	5
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To a Very Small Extent	To a Moderate Extent	To a Great Extent
------------------------	----------------------	-------------------

your performance based on the following factors?

A track record of your courteous service to customers.	1	2	3	4	5
Your ability to resolve customer complaints or service problems in an efficient manner.	1	2	3	4	5
Your ability to innovatively deal with unique situations and/or meet customer needs.	1	2	3	4	5
Your commitment to customers.	1	2	3	4	5

## SECTION B

**I. The statements below describe an employee's experience of control and fulfilment at work. For each statement, indicate the extent of your agreement or disagreement.**

1 = strongly disagree

2 = disagree

3 = slightly disagree

4 = neutral

5 = slightly agree

6 = agree

7 = strongly agree

	Strongly disagree				Strongly agree		
The work I do is very important to me.	1	2	3	4	5	6	7
My job activities are personally meaningful to me.	1	2	3	4	5	6	7
The work I do is meaningful to me.	1	2	3	4	5	6	7
I am confident about my ability to do my job.	1	2	3	4	5	6	7

I am self-assured about my capabilities to perform my work activities.	1	2	3	4	5	6	7
I have mastered the skills necessary for my job.	1	2	3	4	5	6	7
I have significant autonomy in determining how I do my job.	1	2	3	4	5	6	7
I can decide on my own how to go about doing my work.	1	2	3	4	5	6	7
I have considerable opportunity for independence and freedom in how I do my job.	1	2	3	4	5	6	7
My impact on what happens in my branch is large.	1	2	3	4	5	6	7
I have a great deal of control over what happens in my branch.	1	2	3	4	5	6	7
I have significant influence over what happens in my branch	1	2	3	4	5	6	7

**II. The statements below describe perceptions of support an employee receives from his/her employing organization. For each statement, indicate the extent of your agreement or disagreement.**

1 = strongly disagree

2 = disagree

3 = slightly disagree

4 = neutral

5 = slightly agree

6 = agree

7 = strongly agree

Strongly

Strongly

	disagree				agree		
My branch cares about my opinions.	1	2	3	4	5	6	7
My branch really cares about my well-being.	1	2	3	4	5	6	7
My branch strongly considers my goals and values.	1	2	3	4	5	6	7
Help is available from my branch when I have a problem.	1	2	3	4	5	6	7
My branch would forgive an honest mistake on my part.	1	2	3	4	5	6	7
My branch is willing to help me if I need a special favour.	1	2	3	4	5	6	7

## SECTION C

**II. Differences in background often influence the way individuals perceive their work situation as well as how they feel about it. We are asking the following questions so that we can study the effects of such background factors. Please check (✓) okay or write in your response.**

Sex: Male \_\_\_\_\_ Female \_\_\_\_\_

Age at last birthday: \_\_\_\_\_ years

Highest educational attainment:

High school/ Senior Secondary school or below \_\_\_\_\_

Undergraduate degree (e.g. BSc, BA) \_\_\_\_\_

Postgraduate degree (e.g., MA, MSc, MBA)/

Professional qualification (e.g., ACIB, ACCA; CA) \_\_\_\_\_

Marital status: Single \_\_\_\_\_ Married \_\_\_\_\_

How long have been with your present organization? \_\_\_\_\_ years

How long have you worked under your present supervisor \_\_\_\_\_ years

On average, how many hours do you work per week? \_\_\_\_\_ hours

**THE END**

**Please go over the questionnaire and ensure that all questions have been answered.**

**Return your completed questionnaire to the survey coordinator. Once again, thank you for your patience in completing the questionnaire.**

Our Ref W&OP/EYMS

Dear Senior Customer Contact Employee

**Re: Survey of the Employment Relationship**

As the senior customer contact employee of potential respondents in this survey, I should be grateful if you would respond to the questions in this survey for each of your subordinates.

The aim of the survey is to examine employee perceptions of employment relationships in your organization. Specifically, the purpose is to examine the influence of an organization's human resource policies and practices on employees' experience of work and their contributions to organizational success.

Please read each question carefully. Answer each question according to how you personally feel about it as a description of this particular subordinate's work-related behaviour. For the survey to be meaningful, I urge you to answer all questions.

In accordance with the ethics of behavioural science research, your responses would be completely anonymous and aggregated, and will be used only for the purposes of this study.

Kindly return your completed questionnaire for each of your subordinates to the survey coordinator. Thank you for your time and patience in completing the questionnaires.

Yours sincerely

**Emmanuel Y. M. Seidu**  
Doctoral Student



## Senior Customer Contact Employee Questionnaire

Subordinate's Name: \_\_\_\_\_

### SECTION A

**I. Below are statements that describe behaviours an employee may engage in while performing his/her job. Indicate the likelihood of this employee engaging in each of these behaviours.**

1 = strongly disagree

2 = disagree

3 = neither agree nor disagree

4 = agree

5 = strongly agree

	Strongly disagree			Strongly agree	
Tells outsiders this is a good place to work.	1	2	3	4	5
Says good things about the branch to others.	1	2	3	4	5
Generates favourable goodwill for the branch.	1	2	3	4	5
Encourages friends and family to use the branch's products and services.	1	2	3	4	5
Actively promotes the branch's products and services.	1	2	3	4	5
Follows customer service guidelines with extreme care.	1	2	3	4	5
Conscientiously follows guidelines for customer	1	2	3	4	5



promotion.

	Strongly disagree		Strongly agree		
Follows up in a timely manner to customer requests and problems.	1	2	3	4	5
Performs duties with unusually few mistakes.	1	2	3	4	5
Always has a positive attitude at work.	1	2	3	4	5
Regardless of circumstances, exceptionally courteous and respectful to customers.	1	2	3	4	5
Encourages co-workers to contribute ideas and suggestions for service improvement.	1	2	3	4	5
Contributes many ideas for customer promotions and communications.	1	2	3	4	5
Makes constructive suggestions for service improvement.	1	2	3	4	5
Frequently presents to others creative solutions to customer problems.	1	2	3	4	5
Takes home brochures to read up on products and services.	1	2	3	4	5

**II. The statements below ascertain an employee's performance of his/her core or basic tasks as specified in his/her job description. For each item, indicate the extent to which you agree or disagree that the employee's performance on the core job was higher than that of other employees in a similar job.**

1 = strongly disagree

2 = disagree

3 = slightly disagree

4 = neutral

5 = slightly agree

6 = agree

7 = strongly agree

	Strongly disagree				Strongly agree			
This employee’s quantity of work is higher than average.	1	2	3	4	5	6	7	
The employee’s quality of work is much higher than average.	1	2	3	4	5	6	7	
This employee’s efficiency is much higher than average.	1	2	3	4	5	6	7	
This employee’s standards of work quality are higher than the formal standards for this job.	1	2	3	4	5	6	7	
This employee strives for higher quality work than required.	1	2	3	4	5	6	7	
This employee upholds highest professional standards.	1	2	3	4	5	6	7	

**III. The statements below ascertain an employee's customer service performance. For each item, indicate the extent to which this employee has achieved his/her customer service performance role.**

	Needs much improvement			Excellent	
Accurately anticipates customers' needs.	1	2	3	4	5
Establishes excellent rapport with customers.	1	2	3	4	5

Interacts professionally with customers.                      1            2            3            4            5

Provides high-quality service to customers.                      1            2            3            4            5

**IV. Differences in background often affect the way people see their work situation as well as how they feel about it. We are asking the following questions so that we can study the effects of such background factors. Please check (v) or write in your response as appropriate.**

Sex:     Male \_\_\_\_\_     Female \_\_\_\_\_

Age at last birthday: \_\_\_\_\_ years

Years of formal education:

'A' levels and below \_\_\_\_\_ years

Undergraduate degree (BA, BSc) \_\_\_\_\_ years

Postgraduate degree (MSc, MA, MBA) \_\_\_\_\_ years

Professional Qualification ( ACIB, ACCA, CA, etc) \_\_\_\_\_ years

How long have you been with this branch? \_\_\_\_\_ years

Number of employees who report directly to you: \_\_\_\_\_ employees

How long have you supervised this particular employee? \_\_\_\_\_ years

What is this employee's sex? Male \_\_\_\_\_ Female \_\_\_\_\_

**THE END**

**Kindly go over the questionnaire and ensure that all questions have been answered for each of your immediate subordinates participating in this survey. Please return completed questionnaires to the survey coordinator. Once again, thank you for your time and patience in completing the questionnaires**

Our Ref W&OP/EYMS

Dear Branch Manager

Re: Survey of the Employment Relationship

As a member of the management team of this branch, I should be grateful if you would respond to the questions in this survey in connection with policies, practices, and strategies management adopt to enhance employee performance.

The objective of the survey is to examine employees' perceptions of the employment relationship in your organization. Specifically, it aims to examine the influence of an organization's human resource policies and practices on employees' experience of work and their contributions to organizational success.

Please read each question carefully. Answer each question according to how you personally feel about it as a description of the way management policies, practices and strategies affect employees' performance. For the survey to be meaningful, I urge you to answer all questions.

In accordance with the ethics of behavioural science research, your responses would be completely anonymous and aggregated and will be used only for the purposes of this study.

Kindly return your completed questionnaire to the survey coordinator in your branch. Thank you for your time and patience in completing the questionnaire.

Yours sincerely

**Emmanuel Y M Seidu**  
Doctoral Student



## SECTION A

**I. This section of the survey focuses on the management practices relevant to core employees of your branch. For each item, please indicate your response by circling the number that best represents your bank's branch.**

1 = strongly disagree

2 = disagree

3 = neither agree nor disagree

4 = agree

5 = strongly agree

	Strongly disagree				Strongly agree
The formal orientation programs of new employees are helpful for them to perform their job.	1	2	3	4	5
Training programs other than corporate-wide orientation program are effective in teaching employees the skills they need in serving customers.	1	2	3	4	5
Our training programs effectively prepare employees to provide high quality customer service.	1	2	3	4	5
Employees will normally go through training programs to improve their customer service skills every few years.	1	2	3	4	5
Employees are adequately trained to handle the introduction of new products and services.	1	2	3	4	5
This branch assists employees to join the	1	2	3	4	5

customer service training program provided  
by the Headquarters.

The findings from employee surveys are	1	2	3	4	5
communicated to employees of this branch.					

The findings from customer surveys are	1	2	3	4	5
communicated to employees of this branch.					

All business memos of this branch are shared	1	2	3	4	5
with employees.					

Strongly  
disagree

Strongly  
agree

Customers' suggestions for how to improve	1	2	3	4	5
service quality are shared with employees.					

Information about how well the branch is	1	2	3	4	5
performing financially is shared with employees.					

Complaints or negative comments about this	1	2	3	4	5
branch's service from external customers are					
shared with employees.					

Employees have the manuals and individual	1	2	3	4	5
computers they need for the network systems					
they work with.					

Employees have, or have access to, the product	1	2	3	4	5
and policy information they need to do their work.					

Departments of this branch cooperate well with	1	2	3	4	5
each other.					

In this branch, employees in one department	1	2	3	4	5
get the needed materials from other departments					

in a timely fashion.

The development of work teams among employees is an important element of this branch's strategy.	1	2	3	4	5
--	---	---	---	---	---

This branch supports team development and training for employees.	1	2	3	4	5
---	---	---	---	---	---

This branch asks employees for their suggestions on how to improve customer service.	1	2	3	4	5
--	---	---	---	---	---

Employees' suggestions on customer service are implemented in full or in part within this branch.	1	2	3	4	5
---	---	---	---	---	---

Decision-making by employees is encouraged in this branch.	1	2	3	4	5
--	---	---	---	---	---

Employees have the authority to resolve customer complaints on their own.	1	2	3	4	5
---	---	---	---	---	---

Strongly  
disagree

Strongly  
agree

Employees have the discretion to customize the service offering to meet customer needs.	1	2	3	4	5
---	---	---	---	---	---

Employees may decide how to personalize the service for the customer.	1	2	3	4	5
---	---	---	---	---	---

Employees may use a wide variety of strategies to satisfy the customer.	1	2	3	4	5
---	---	---	---	---	---

Employees are encouraged to adapt their behaviours to the needs of the customer.	1	2	3	4	5
--	---	---	---	---	---

This branch pays above market wages to	1	2	3	4	5
--	---	---	---	---	---

employees.

The way in which employees in this branch are compensated encourages them to adopt a long-term focus.	1	2	3	4	5
---	---	---	---	---	---

Employees' pay is tied to the quality of service they provide.	1	2	3	4	5
--	---	---	---	---	---

Fostering involvement in decision-making of employees is an important element of the corporate strategy.	1	2	3	4	5
--	---	---	---	---	---

Many employees in this branch perform simple and repetitive tasks as part of their work.	1	2	3	4	5
--	---	---	---	---	---

Providing employees with high quality jobs (i.e., jobs that are challenging, fulfilling, etc.) is a priority in this branch.	1	2	3	4	5
--	---	---	---	---	---

Employees of this branch are given lots of opportunity to decide how to do their work.	1	2	3	4	5
--	---	---	---	---	---

To a small	To a moderate	To a large
------------	---------------	------------

Not at all	extent	extent	extent	Completely
------------	--------	--------	--------	------------

To what extent does your branch evaluate the performance of employees based on the following factors?

A track record of the employees' courteous service to customers.	1	2	3	4	5
--	---	---	---	---	---

The ability of the employees to resolve	1	2	3	4	5
---	---	---	---	---	---



customer complaints or service problems in  
an efficient manner.

The ability of the employees to innovatively      1      2      3      4      5  
deal with unique situations and/or meet  
customer needs.

The employees' commitment to customers.      1      2      3      4      5

## SECTION B

**I. Below are statements that describe the overall skill, expertise, and knowledge level of an employee. Indicate the extent to which you agree or disagree as a description of the skill, expertise, and knowledge of your employees.**

1 = strongly disagree

2 = disagree

3 = slightly disagree

4 = neutral

5 = slightly agree

6 = agree

7 = strongly agree

Strongly  
disagree

Strongly  
agree

Our employees working in the branch are highly      1      2      3      4      5      6      7  
skilled in serving customers.

Our employees working in the branch are      1      2      3      4      5      6      7  
widely considered to be the best in our industry.

Our employees working in the branch are creative      1      2      3      4      5      6      7  
and bright.

Strongly

Strongly

	disagree				agree		
Our employees working in the branch are experts in their particular jobs and functions.	1	2	3	4	5	6	7
Our employees working in the branch develop new ideas and knowledge.	1	2	3	4	5	6	7

**II. Below are statements that will help us learn how you use your Capabilities and Resources for the purpose of reducing costs to a competitive level, exploiting targeted market opportunities, and/or defending against known competitive threats. When responding to these questions, please select your answer based on the following definitions:**

**Resources:** the tangible or intangible *assets* a firm possesses or has access to. Important classes of Resources are as follows:

Financial Resources: capital, cash, equity, retained earnings, etc.

Human Resources: training, experience, judgement, intelligence, relationships, etc. of individual employees.

Intellectual Resources: patents, copyrights, trademarks, trade secrets, etc.

Organizational Resources: relationships with other firms (such as partners, suppliers, buyers, creditors), channels of distribution, corporate culture, etc.

Physical Resources: physical technology, plant and equipment, geographic location, raw materials, etc.

**Capabilities:** the intangible *processes* (such as skills, abilities, know-how, expertise, designs, management, etc.) with which a firm exploits Resources in the execution of its day-to-day operations.

**For each item below, indicate the extent to which you agree or disagree as a description of how your organization uses its Resources and Capabilities to reduce costs, exploit market opportunities, and neutralize threats.**

1 = strongly disagree

2 = disagree

3 = neither agree nor disagree

4 = agree

5 = strongly agree

1. The manner in which my branch combines Resources and Capabilities enables it to reduce its costs to a highly competitive level.

	Strongly disagree			Strongly agree	
a. Financial Resources and Capabilities	1	2	3	4	5
b. Human Resources and Capabilities	1	2	3	4	5
c. Intellectual Resources and Capabilities	1	2	3	4	5
d. Physical Resources and Capabilities	1	2	3	4	5
e. Organizational Resources and Capabilities	1	2	3	4	5

2. The manner in which my branch combines Resources and Capabilities enables it to fully exploit all targeted market opportunities.

a. Financial Resources and Capabilities	1	2	3	4	5
b. Human Resources and Capabilities	1	2	3	4	5
c. Intellectual Resources and Capabilities	1	2	3	4	5

- |  |   |   |   |   |   |
|--|---|---|---|---|---|
| d. Physical Resources and Capabilities       | 1 | 2 | 3 | 4 | 5 |
| e. Organizational Resources and Capabilities | 1 | 2 | 3 | 4 | 5 |

3. The manner in which my branch combines Resources and Capabilities enables it to defend against all known competitive threats.

- |  |   |   |   |   |   |
|--|---|---|---|---|---|
| a. Financial Resources and Capabilities      | 1 | 2 | 3 | 4 | 5 |
| b. Human Resources and Capabilities          | 1 | 2 | 3 | 4 | 5 |
| c. Intellectual Resources and Capabilities   | 1 | 2 | 3 | 4 | 5 |
| d. Physical Resources and Capabilities       | 1 | 2 | 3 | 4 | 5 |
| e. Organizational Resources and Capabilities | 1 | 2 | 3 | 4 | 5 |

**III. The statements below ascertain the branch's performance. For each item, indicate the extent to which you agree or disagree as a description of the branch's performance.**

1 = much worse

2 = worse

3 = better

4 = much better

Compared to other branches that do the same kind of work, how would you compare this branch's performance over the past 3 years in terms of . . .

- |                     | Much<br>Worse |   |   | Much<br>better |
|---------------------|---------------|---|---|----------------|
| 1. Marketing?       | 1             | 2 | 3 | 4              |
| 2. Growth in sales? | 1             | 2 | 3 | 4              |
| 3. Profitability?   | 1             | 2 | 3 | 4              |
| 4. Market share?    | 1             | 2 | 3 | 4              |

**IV. The statements below ascertain the characteristics of the organization. Please write in your response as appropriate.**

The current estimated number of employees in this branch is? \_\_\_\_\_

What percentage of the employees are union members? \_\_\_\_\_

How many years has this branch been in operation? \_\_\_\_\_

Which of these ownership types applies to your bank? Public (state-owned), or not public (share-holding, foreign-invested, and privately owned)

The most recent estimates of annual sales per employee in this branch is? \_\_\_\_\_

The previous years' estimate of annual sales per employee in this branch is?  
\_\_\_\_\_

**THE END**

**Kindly go over the questionnaire and ensure that all questions have been answered. Please return your completed questionnaires to the survey coordinator. Once again, thank you for your time and patience in completing the questionnaire.**

## APPENDIX 8.4

### Measure items of Selected Variables

#### *Branch level High-Performance Work System for service quality*

This section of the survey focuses on the management practices relevant to core employees of your branch. For each item, please indicate your response by circling the number that best represents your bank's branch.

#### Training

1. The formal orientation programs to new employees are helpful for them to perform their jobs.
2. Training programs other than corporate-wide orientation program are effective in teaching employees the skills they need in serving customers.
3. Our training programs effectively prepare employees to provide high quality customer service.
4. Employees will normally go through training programs to improve their customer service skills every few years.
5. Employees are adequately trained to handle the introduction of new products and services.
6. This branch assists employees to join the customer service training program provided by the Headquarters.

#### Information Sharing

7. The findings from employee surveys are communicated to employees of this branch.
8. The findings from customer surveys are communicated to employees of this branch.
9. All business memos of this branch are shared with employees.
10. Customers' suggestions for how to improve service quality are shared with employees.
11. Information about how well the branch is performing financially is shared with employees.

12. Complaints or negative comments about this branch's service from external customers are shared with employees.
13. Employees have the manuals and individual computers they need for the network systems they work with.
14. Employees have, or have access to, the product and policy information they need to do their work.

#### Interdepartmental Services

15. Departments of this branch cooperate well with each other.
16. In this branch, employees in one department get the needed materials from other departments in a timely fashion.

#### Teams and Participation

17. The development of work teams among employees is an important element of this branch's strategy.
18. This branch supports team development and training for employees.
19. This branch asks employees for their suggestions on how to improve customer service.
20. Employees' suggestions on customer service are implemented in full or in part within this branch.
21. Decision-making by employees is encouraged in this branch.

#### Service Discretion

22. Employees have the authority to resolve customer complaints on their own.
23. Employees have the discretion to customize the service offering to meet customer needs.
24. Employees may decide how to personalize the service for the customer.
25. Employees may use a wide variety of strategies to satisfy the customer.
26. Employees are encouraged to adapt their behaviours to the needs of the customer.

#### Pay

27. This branch pays above market wages to employees.

28. The way in which employees in this branch are compensated encourages them to adopt a long-term focus.
29. Employees' pay is tied to the quality of service they provide.

#### Job Design for Quality Work

30. Fostering involvement in decision-making of employees is an important element of the corporate strategy.
31. Many employees in this branch perform simple and repetitive tasks as part of their work.
32. Providing employees with high quality jobs (i.e., jobs that are challenging, fulfilling, etc.) is a priority in this branch.
33. Employees of this branch are given lots of opportunity to decide how to do their work.

#### Performance Appraisals

34. A track record of the employees' courteous service to customers.
35. The ability of the employees to resolve customer complaints or service problems in an efficient manner.
36. The ability of the employees to innovatively deal with unique situations and/or meet customer needs.
37. The employees' commitment to customers.

#### *Collective Human Capital*

Below are statements that describe the overall skill, expertise, and knowledge level of an employee. Indicate the extent to which you agree or disagree as a description of the skill, expertise, and knowledge of your employees.

1. Our employees working in the branch are highly skilled in serving customers.
2. Our employees working in the branch are widely considered to be the best in our industry.
3. Our employees working in the branch are creative and bright.
4. Our employees working in the branch are experts in their particular jobs and functions.
5. Our employees working in the branch develop new ideas and knowledge.

#### *Competitive Advantage*

1. The manner in which my branch combines Resources and Capabilities enables it to reduce its costs to a highly competitive level.



- a. Financial Resources and Capabilities
  - b. Human Resources and Capabilities
  - c. Intellectual Resources and Capabilities
  - d. Physical Resources and Capabilities
  - e. Organizational Resources and Capabilities
- 2. The manner in which my branch combines Resources and Capabilities enables it to fully exploit all targeted market opportunities.
  - a. Financial Resources and Capabilities
  - b. Human Resources and Capabilities
  - c. Intellectual Resources and Capabilities
  - d. Physical Resources and Capabilities
  - e. Organizational Resources and Capabilities
- 3. The manner in which my branch combines Resources and Capabilities enables it to defend against all known competitive threats.
  - a. Financial Resources and Capabilities
  - b. Human Resources and Capabilities
  - c. Intellectual Resources and Capabilities
  - d. Physical Resources and Capabilities
  - e. Organizational Resources and Capabilities

#### *Branch Market Performance*

Compared to other branches that do the same kind of work, how would you compare this branch's performance over the past 3 years in terms of . . .

- 1. Marketing?
- 2. Growth in sales?
- 3. Profitability?
- 4. Market share?

#### *Experienced-High-Performance Work System*

Training

1. The training programs I went through in this branch effectively prepared me to provide high quality customer service.
2. The branch provides me sufficient training handle the introduction of new products and services.
3. Employees in my job category normally go through training programs every few years to improve our customer service skills.
4. The branch supports me to join the customer service training program provided by the headquarters.
5. I have a say in how much training I receive.
6. If I get extra training on my own time, the branch will pay me back.

#### Information sharing

7. I have enough information to do my job well.
8. Information about how well my branch is doing financially is shared with me.
9. Customers' suggestions on how to improve service quality is shared with me.
10. Complaints or negative comments about this branch's service from external customers are shared with me.
11. I have the manuals and resource materials I need for the network systems I work with.
12. I have, or have access to, the product and policy information I need to do my work.
13. It is easy for me to communicate my thoughts to management.
14. I am given enough information to understand my role in this branch.

#### Interdepartmental Service

15. Employees in the other departments of this branch cooperate well with me to get my job done
16. I get the needed materials for my job from other departments in a timely fashion.

#### Teams and Participation

17. I feel I am really part of my work group.
18. If there is a decision to be made, everyone is involved in it.
19. My branch places a great deal of importance on team development for employees like me.
20. I feel in control of things that occur around me while at work.
21. Our managers ask our opinions about how to improve the customer service of this branch.

22. Suggestions for improving customer service from employees like me are usually implemented in full or in part within this branch.

#### Service Discretion

23. I have the authority to resolve customer complaints on my own.
24. I have the discretion to customize the service offering to meet customer needs.
25. I may decide how to personalize the service for the customer.
26. I may use a variety of strategies to satisfy the customer.
27. I am encouraged to adapt my behaviours to the needs of the customer.

#### Pay

28. Part of my compensation is based on how well I do my job.
29. How much I get paid is based totally on how long I have been with the company.
30. Part of my compensation is based on how well the branch is doing financially.
31. Our pay in this branch is higher than what competitors offer.
32. Part of my compensation is based on the bank's corporate-wide performance.
33. I believe that I would be paid more fairly if I worked at another organization.
34. My pay is tied to the quality of service I deliver to customers.
35. My compensation level is connected to the results of my working performance.

#### Job Design for Quality Work

36. My job is simple and quite repetitive.
37. I have lots of opportunity to decide how to do my work.
38. If a problem emerges with my work, I can take action to remedy it.
39. I have little opportunity to use my own judgement when doing my work.
40. I often feel bored at work.

#### Performance Appraisals

41. A track record of your courteous service to customers.
42. Your ability to resolve customer complaints or service problems in an efficient manner.
43. Your ability to innovatively deal with unique situations and/or meet customer needs.

44. Your commitment to customers.

*Psychological empowerment*

Meaning items:

1. The work I do is very important to me.
2. My job activities are personally meaningful to me.
3. The work I do is meaningful to me.

Competence items:

1. I am confident about my ability to do my job.
2. I am self-assured about my capabilities to perform my work activities.
3. I have mastered the skills necessary for my job.

Self determination items

1. I have significant autonomy in determining how I do my job.
2. I can decide on my own how to go about doing my work.
3. I have considerable opportunity for independence and freedom in how I do my job.

Impact items

1. My impact on what happens in my branch is large.
2. I have a great deal of control over what happens in my branch.
3. I have significant influence over what happens in my branch

*Perceived Organizational Support*

1. My branch cares about my opinions.
2. My branch really cares about my well-being.
3. My branch strongly considers my goals and values.
4. Help is available from my branch when I have a problem.
5. My branch would forgive an honest mistake on my part.
6. My branch is willing to help me if I need a special favour.

*Service Organizational Citizenship Behaviour*

1. Tells outsiders this is a good place to work.
2. Says good things about the branch to others.
3. Generates favourable goodwill for the branch.
4. Encourages friends and family to use the branch's products and services.
5. Actively promotes the branch's products and services.
6. Follows customer service guidelines with extreme care.
7. Conscientiously follows guidelines for customer promotion.
8. Follows up in a timely manner to customer requests and problems.
9. Performs duties with unusually few mistakes.
10. Always has a positive attitude at work.
11. Regardless of circumstances, exceptionally courteous and respectful to customers.
12. Encourages co-workers to contribute ideas and suggestions for service improvement.
13. Contributes many ideas for customer promotions and communications.
14. Makes constructive suggestions for service improvement.
15. Frequently presents to others creative solutions to customer problems.
16. Takes home brochures to read up on products and services.

#### *Service Quality*

1. Accurately anticipates customers' needs.
2. Establishes excellent rapport with customers.
3. Interacts professionally with customers.
4. Provides high-quality service to customers.

#### *Task Performance*

1. This employee's quantity of work is higher than average.
2. The employee's quality of work is much higher than average.
3. This employee's efficiency is much higher than average.
4. This employee's standards of work quality are higher than the formal standards for this job.
5. This employee strives for higher quality work than required.
6. This employee upholds highest professional standards.