

LONG-TERM ORIENTED INTERNAL MANAGEMENT PHILOSOPHIES,  
THEIR EFFECTS ON HRM IMPLEMENTATION AND SHOP CLIMATES IN  
FRANCHISED SMALL BUSINESSES



by  
EDA AKSOY

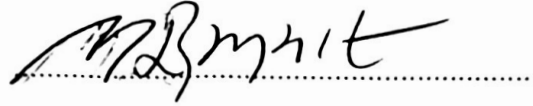
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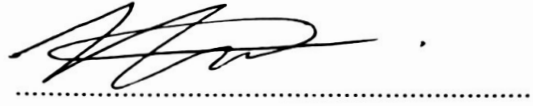
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FRANCHISED SMALL BUSINESSES

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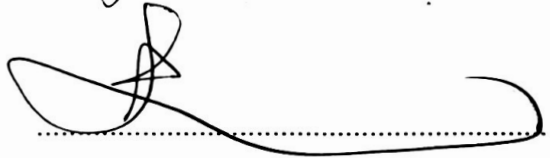
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## ABSTRACT

### LONG-TERM ORIENTED INTERNAL MANAGEMENT PHILOSOPHIES, THEIR EFFECTS ON HRM IMPLEMENTATION AND SHOP CLIMATES IN FRANCHISED SMALL BUSINESSES

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Keywords: HRM strength, high performance work systems,  
long-term orientation, organizational climate, SMEs

This dissertation examines the effects of (1) owner's long-term oriented internal management philosophies and (2) owner's and shop manager's transformational and transactional leadership styles on HRM content (i.e., HPWS) and process (i.e., HRM strength), shop climates (i.e., climates of concern for employees and service), and service quality. The study context consisted of franchised sales and service shops of a corporation operating in the Turkish retail sector providing technological products and services to the mass market. The research model and measures were constructed after a qualitative study conducted through visits to 15 shops and 73 in-depth interviews with various parties. Survey responses were collected from 1,278 employees, 587 shop managers, and 277 shop owners from a total of 1,031 shops. The results of the multi-level analyses indicated that owner's long-term orientation was positively related to HRM strength, but not related to use of HPWS practices. Owner's and shop manager's transformational and transactional leadership behaviors were generally positively linked to HPWS and HRM strength. Owner's long-term orientation was found to buffer the negative influence of manager's transactional leadership on HRM strength. In addition to the positive main effect of HRM strength, HPWS and HRM strength had joint influences on both climate types. The interactions were such that HRM strength dominated over the positive influence of HPWS on shop climates. Furthermore, group cohesion moderated the HRM strength-climate relationships. Finally, service climate was positively related to service quality and this effect was also moderated by group cohesion. The implications of the results for theory and practice are discussed.

## ÖZET

# BAYİLİK SİSTEMİYLE ÇALIŞAN KÜÇÜK İŞLETMELERDE UZUN VADELİ YÖNETİM FELSEFELERİ VE BUNLARIN İK UYGULAMALARINA VE MAĞAZA İKLİMİNE ETKİLERİ

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Doktora Tezi, Aralık 2016

Danışman: Doç. Dr. Mahmut Bayazıt

Anahtar sözcükler: İKY'nin kuvveti, yüksek performanslı iş sistemleri, uzun vadeli eğilim, örgütsel iklim, küçük ve orta ölçekli işletmeler

Bu doktora tezinde (1) işletme sahiplerinin uzun vadeli iç yönetim felsefeleri ve (2) işletme sahipleri ve mağaza müdürlerinin dönüştürücü ve etkileşimli liderlik tarzlarının İKY'nin içeriğine (yani yüksek performanslı iş sistemleri veya YPİS) ve süreçlerine (yani İKY'nin kuvvetine), mağaza iklimlerine (yani çalışanlara verilen önem ve hizmet iklimleri) ve hizmet kalitesine olan etkileri araştırılmıştır. Araştırma bağlamı Türkiye'de perakende sektöründe teknolojik ürün ve hizmetler sunan bir büyük bir kurumun bayi mağazalarından oluşmuştur. 15 mağaza ziyareti ve 73 derinlemesine mülakattan oluşan bir niteliksel inceleme sonucunda araştırma modeli ve ölçekleri geliştirilmiştir. Yürütülen anketlerle toplam 1.031 mağazada 1.278 çalışan, 587 mağaza müdürü ve 277 işletme sahibinden veri toplanmıştır. Yapılan çok kademeli analizler sonucunda, işletme sahiplerinin uzun vadeli eğilimlerinin İKY'nin kuvvetiyle pozitif ilişkili olduğu, ancak YPİS uygulamalarıyla ilişkili olmadığı bulunmuştur. Mağaza müdürünün etkileşimli liderlik tarzının İKY'nin kuvveti üzerindeki negatif etkisini işletme sahibinin uzun vadeli eğilimlerinin azalttığı tespit edilmiştir. İKY'nin kuvvetinin yaptığı pozitif etkinin yanı sıra, YPİS ve İKY'nin kuvveti değişkenlerinin her iki iklim tipi üzerinde birleşik etkileri de olduğu ortaya konmuştur. Bu etkileşimlerin şekline bakıldığında İKY'nin kuvvetinin YPİS'nin mağaza iklimleri üzerindeki pozitif etkisini bastırarak tek başına yüksek iklim algılarına yol açtığı görülmüştür. Ayrıca grup uyumu İKY'nin kuvveti ile iklim arasındaki ilişkiyi düzenlemiştir. Son olarak hizmet ikliminin hizmet kalitesi ile pozitif ilişkili olduğu ve bu ilişkinin de yine grup uyumuna bağlı olduğu bulunmuştur. Bulguların kuramsal ve uygulamaya yönelik sonuçları tartışılmıştır.

**«To my daughter, Eylül, who is my greatest gift in life»**



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All dissertation journeys are undoubtedly long and arduous. Mine, however, proved to be a particularly challenging one. It consisted of moments filled with vastly inspiring opportunities as well as utterly debilitating despairs. On the one hand I struggled to push through my own shortcomings to produce the best that I possibly could. On the other hand I was forced to face unpredictable stalemates due to external factors that were beyond my control. Inevitably, I often felt like I was walking through a dark and indeterminately long tunnel with a faint, flickering light at the end. Needless to say, despite all my best efforts there were times that I lost heart. But I was lucky enough to have some very important people in my life who cheered me on through the good and the bad and helped me find my way.

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## LIST OF ABBREVIATIONS and SYMBOLS

ANOVA	Analysis of variance
CFA	Confirmatory factor analysis
CFI	Comparative fit index
EFA	Exploratory factor analysis
HPWS	High performance work systems
HRM	Human resource management
ICC	Intra-class coefficients
ML	Maximum likelihood
MLR	Robust maximum likelihood
RMSEA	Root mean square error of approximation
SEM	Structural equation modeling
SME	Small and medium sized enterprise
SRMR	Standardized root mean square residual
$\alpha$	Cronbach's index of internal consistency
$\beta$	Population values of regression coefficients
$\chi^2$	Chi-square test
$\Delta$	Increment of change
$F$	$F$ test
$M$	Sample mean, arithmetic average
$N$	Number of cases
$r_{wg}$	Index of interrater agreement
$p$	Probability
$r$	Estimate of the Pearson product-moment correlation coefficient
$s$	Slope
$SD$	Standard deviation
$SE$	Standard error

## 1.

### INTRODUCTION

In strategic human resources management (HRM) literature, one of the most important recent trends involve a shift of focus from a content-based approach—which entails the examination of which set of HRM practices are adopted for reaching particular organizational goals—to the development of an understanding of how these practices are actually implemented and perceived by employees. This new approach, called the process-based HRM, was pioneered by an important theoretical framework put forward by Bowen and Ostroff (2004). Their model has triggered and guided the subsequent efforts to uncover employees’ collective subjective experiences with HRM practices and examine the extent to which these are shared within work groups, units as well as entire organizations to form strong HRM systems. Such perceptions are particularly meaningful since they act as a means through which the HR system shapes employees’ attitudinal and behavioral outcomes in line with the overarching organizational strategies (Nishii & Wright, 2008). This process-based approach also has high fidelity since it reflects the practical complexities of HRM implementation within organizations by calling attention to the potential gap between intended and actual practices and the variability in employees’ experiences. The process-model of strategic HRM (depicted in Figure 2.1) also makes it possible to theorize and examine relationships at multiple levels of analysis and from the viewpoint of various different organizational stakeholders (including organizational leaders, HR departments, middle managers, and other employees) (Nishii & Wright, 2008).

The newly developing process-based HRM literature has so far focused mainly on conceptualizing and empirically testing the effects of actual and perceived HRM practices on various individual and group level outcomes (Aksoy & Bayazit, 2014; Chen, Lin, Lu, & Tsao, 2007; Katou, Budhwar, & Patel, 2014; Kehoe & Wright, 2013; Sanders, Dorenbosch, & De Reuver, 2008; Sanders & Yang, 2016). The studies conducted in this field so far have constituted an important initial step in validating the effects of perceptual HRM processes by testing the relationships suggested in the middle and latter parts of the model. However, the first part of the process model, which explains the transition from the intended HRM to the actual and perceived HRM, has not yet been adequately investigated. This part portrays the essential strategies and intentions that drive the employment relationships established within the organization by explaining how implicit or explicit management strategies are translated into actual HRM policies and practices through the implementation process.

Despite its critical role in the achievement of desired organizational outcomes, HRM implementation process has received very little attention in the existing strategic HRM literature (Guest & Bos-Nehles, 2013). Nishii and Wright (2008) pointed out the need for further investigation of the leaders' role in the HRM process given the fact that "we know little as to what might explain the differences in implementation as well as the variability in outcomes that result from such differences" (p. 239). Indeed, the existing body of literature does not yet offer a comprehensive model that depicts which managerial strategies and philosophies drive HRM decisions. A few recent studies (Piening, Baluch, & Ridder, 2014; Purcell & Hutchinson, 2006; Woodrow & Guest, 2014) have provided an introduction into the issue through the use of case studies as well as some initial quantitative evidence confirming the impact of effective implementation on employee perceptions and performance. Nishii, Lepak, and Schneider (2008) addressed the notion of "intended" HRM policies and practices; although their study only approached the issue from the employees' perspective. In that study, Nishii et al. developed a model of HRM attributions, which indicate employees' causal explanations about why the management has implemented those practices. These essentially reflect employees' perceptions of the underlying managerial philosophies that drive HRM policies and practices in their organizations. While Nishii et al.'s results substantiate the importance of these attributions by demonstrating their significant

effects on individual and unit level outcomes, their study, however, did not tap into the actual sources of these attributions or how they were formed.

The process model of HRM suggests that employees' perceptions about the HRM system are formed through personal observations of the individual and collective policies and practices which are communicated to them by the organizational leaders throughout their encounters within their organizations (Nishii & Wright, 2008). However, taking a step back in the causal chain of events allows us to see that these actual and perceived practices are indeed rooted in the HRM-related managerial philosophies and strategies that drive organizational decision-makers. As the "upper-echelons theory" suggests (Hambrick & Mason, 1984), driven by their existing set of values, personalities, and experiences, those who are at the top of the organizational hierarchy implicitly or explicitly determine the organizational strategies that shape all aspects of organizational functioning, including the employment relationships and organizational outcomes. Thus, to explain the variance in implementation across work groups or organizations, it is critical that we develop a comprehensive understanding of how their leaders conceptually and strategically think about the management of human resources. While our existing knowledge about the leaders' impact on HRM is very limited, recent findings suggest that top-level managers' HRM-related beliefs and values are indeed significantly related to firms' adoption of complex HRM systems as well as employees' perceptions about those systems (Arthur, Herdman, & Yang, 2014).

In order to fill the gap in the strategic HRM literature about the leaders' conception and implementation of the employment relationship, I develop a model that examines the process starting from its point of origin: The philosophies (which consist of an interrelated set of management values) that managers hold regarding how they should run the internal dynamics of their businesses and treat their employees and customers—their most significant stakeholders—in order to reach their organizational objectives. This model advocates that managers' mindsets constitute the intended HRM, which are translated into actual HRM strategies, policies, and practices through a process of implementation. The resulting policies, systems, practices, and decisions are communicated to and observed and experienced by employees (Salancik & Pfeffer, 1978). During the implementation process, owners' and managers' actual leadership capabilities and behaviors largely determine the extent to which their intentions are



effectively and comprehensively communicated and actualized (McDermott, Conway, Rousseau, & Flood, 2013). In terms of HRM, to the extent that implicit and explicit messages from the decision-makers are distinctive, consistent, and indicate consensus, a strong climate of collectively shared perceptions emerges in the organization where employees develop an understanding of “what their organization is like in terms of practices, policies, procedures, routines, and rewards” (Bowen & Ostroff, 2004, p. 205) and what is expected of them. Formation of these specific strategic climates are crucial in facilitating the desired individual and collective employee behaviors (Ehrhart & Raver, 2014). My research focuses specifically on climates of concern for employees and service—which are critical to the business functioning of the firms consisting of small retail firms, such as those in my sample—and their impact on organizational outcomes such as service quality, customer satisfaction, and sales performance.

The main aim of this study is to investigate the answer to the following questions: In a context of small and medium sized enterprises (SMEs) in the retail sector (particularly in a franchised system of small shops), (1) how do long-term oriented internal management philosophies and their manner of enactment (i.e., transformational and transactional leadership behaviors) shape the way HRM is conducted by managers and perceived by employees and (2) do these practices and perceptions lead to the emergence of a shop climate (with respect to concern for employees and service) that facilitates customers’ satisfaction with the delivery of high quality service?

To seek answer to the aforementioned focal questions, I have utilized a research framework and a number of variables of interest that can be broadly categorized into six main headings: The investigation of (1) owners’ internal management philosophies (i.e., long vs. short-term orientated values), (2) the types of leadership behaviors (i.e., transformational and transactional leadership) that the owners of the franchised firms and shop managers exhibit in an effort to communicate and implement the aforementioned management philosophies, (3) HRM-related decisions and practices executed within firms as well as employees’ perceptions about the strength (i.e., distinctiveness, consistency, and consensus) of the HRM system, (4) the degrees of climate of concern for employees and service climate that emerge among employees within shops, (5) the types of social interaction patterns among employees (i.e., group cohesion) that strengthen the compliance to service-related group norms as indicated by

service climate, and (6) the outcome of customer satisfaction with service quality. In line with these different types of variables of interest, throughout my dissertation I draw from various theoretical and empirical literatures to build and support my theoretical model. The complete research model depicted in Figure 2.2.

The organizational setting in which I examined the aforementioned HRM processes is comprised of small franchised sales and service shops of a large multinational corporation operating in the Turkish retail sector offering technological products and services to the mass market. For the purpose of developing a comprehensive understanding of this setting I adopted a research approach that combines both deductive and inductive methodologies. In order to have access to the breadth of information that I need for my study, I first established a collaboration with the organization which constitutes my research context. I initiated my data collection by conducting an in-depth qualitative inquiry of the specific study context. Based on the information that I collected through 73 in-depth interviews (which ranged from one to three hours in length) with various parties (including corporate HR executives, corporate regional sales managers, shop owners, managers and other personnel) and my own observations conducted in 15 shops, I developed a highly contextualized theoretical model that aims to fill in the aforementioned theoretical and empirical gaps that exist in the management literature.

One of the focal points of this dissertation is the role of owner philosophies in internal organizational functioning, particularly in SMEs in the retail service sectors (which often fall into the category of family-run firms). Particularly, I conceptualize and examine the effects of owners' temporal choices, which are reflected in a long-term oriented internal management philosophy. I discuss the context-driven manifestations of these temporal orientations, which involve managerial values that prioritize the preservation of long-term relationships with two key groups of organizational stakeholders: employees and customers. I also purport that the long-term oriented managerial mindset that underlie these values also drive the decisions made and practices implemented within these organizations. Hence, they are expected to explain an important amount of the variability we see across SMEs in the adoption and implementation of performance and employee development oriented HRM practices.

Prior literature has discussed the importance of long-term orientations in family-owned SMEs by indicating the tendency of the owners of such firms to prioritize long-term gains over immediate monetary gains (Lumpkin & Brigham, 2011). This pattern of preference has previously been explained by the stewardship theory (Davis, Schoorman, & Donaldson, 1997), which purported that “organizational actors see greater long-term utility in other-regarding prosocial behavior than in self-serving, short-term opportunistic behavior” (Hernandez, 2012, p.172). Stakeholders such as employees and customers are the most important beneficiaries of these prosocial values. While the importance of leaders’ approach towards these two particular groups of stakeholders on organizational functioning and performance have been discussed and demonstrated to some extent in various literatures (in studies on stewardship theory, HRM philosophies, and service profit chain), a comprehensive conceptual model that clearly identifies these managerial values as part of coherent internal management philosophy, describes and tests their linkages with one another and on subsequent organizational decisions and practices has never been developed. Furthermore, existing deliberations on stewardship theory and long-term orientation viewed the management choices that are made as a result of these employee and customer oriented values from a mutual-obligation based moral and altruistic perspective rather than a strategically functionalistic one. While the proponents of the stewardship theory indicate that stewards’ prosocial choices ultimately benefit the overall organizational functioning and outcomes in the long-run, they did not explain exactly how this is the case. In this study I aim to bring more comprehensive approach that integrates how these choices align or misalign with the strategic objectives of quality and customer service, especially in service-intensive settings where they matter the most.

Aside from the aforementioned need for further strategic explication, existing studies on stewardship theory and long-term orientation only compare family-owned companies against non-family-owned ones, based on the assumption that long-term orientation is the predominant approach among such firms (e.g., Brigham, Lumpkin, Payne and Zachary, 2014; Gentry, Dibrell, & Kim, 2014; Miller, Le Breton-Miller, & Scholnick, 2008). However, firm owners’ and managers’ self vs. other-serving and temporal goal preferences may be driven also by many individual-level psychological and situational factors (Davis et. al., 1997). Hence, even within family-run SMEs, we

are likely to see significant variability across owners with regard to the extent to which they exhibit a long-term oriented outlook. A gap exists in the literature in discussing and examining how and to what extent these managerial tendencies impact internal organizational functioning and the consequent outcomes. My research aims to fulfill this gap by offering a more detailed discussion of these managerial philosophies with respect to their relations with employee and customer-related orientations and examining how they impact the choice and execution of HRM practices.

This study also aims to make important theoretical and empirical contributions to the literature on HRM. HRM strength research is still at its infancy and there is still very little research that build on the process model and examine its outcomes. There are also no established and comprehensive measures that capture this construct (Ostroff & Bowen, 2016). This dissertation is the first empirical study in the literature to deliberate on and examine the unique and joint effects of both HRM content (defined as the use of high performance work system practices) and process (defined as HRM strength) on employees' collective perceptions of climate. I also extend the existing theorization by showing its cross-level connections with managerial strategies and behaviors as well as its group level attitudes and outcomes. This objective is in line with the call made by Ostroff and Bowen in their recent paper (2016), which summarized the developments that took place in the field since the publication of their original seminal paper on HRM strength (2004). They examined over 1500 Google Scholar citations that appeared during this time period and contended that "the concept of HRM system strength still remains largely underexplored" since most papers failed to directly test the concept and instead utilized HRM strength for the purpose of either providing theoretical rationales or interpreting results (p. 6). Furthermore, those papers that did conduct an empirical test of the construct often examined the individual-level attitudes and outcomes rather than the higher level effects that were originally purported. The authors also pointed out the need for more research to be conducted that examine the "trickle-down effect among leaders" (p. 28) and "explore leader factors and styles that work in conjunction with features of a strong HRM system in order to reduce gaps between intended, actual, and experienced practices and climate" (p. 29). Accordingly, I adopted a multi-level, multiple constituency approach to explain how small business owners' managerial orientations impact HRM system practices and implementation as well as how owners'

and shop managers' leadership styles jointly shape employees' perceptions of HRM system strength within these shops.

The extant body of theoretical and empirical literature on HRM focuses almost entirely on the corporate context of larger organizations that have extensive formal HRM systems. My research also extends the existing HRM content and process conceptualizations to explain SMEs, which is a type of organizational setting that has not received sufficient attention in the past. Investigation of the context of small franchised retail businesses is particularly relevant and makes a unique contribution to our understanding of HRM process since typically in such firms HRM complexity is low and HRM practices are typically informal in nature (Harney & Dundon, 2006a). To capture these effects I developed a measure of HRM strength that is geared specifically towards capturing the informal nature of HRM decisions and practices within smaller firms.

Another advantage of the study setting that I've chosen is that it is possible to analyze the differences among organizational outcomes due to HRM in a context where variability in external influences are minimized as much as possible, which will allow me to isolate the effects of internal decision-making and management processes. By looking at the array of small businesses that are operating in the same sector, operating in considerably similar economic and institutional conditions under the same corporate umbrella through a franchising business model that subjects them to the same rewards and allocation mechanisms, we can assume that the majority of the differences we detect in employee perceptions and behaviors as well as collective outcomes are attributable to the variability across firms in how they manage their internal functioning. In this study one of the main contributors of this mechanism is identified as the owners' internal management philosophies.

In this dissertation I also aim to contribute to the climate literature by studying how work group dynamics (i.e., group cohesion) can enhance the emergence strategic focused climates or their performance outcomes. Existing literature on work group norms point out the significance of groups' social dynamics in performance outcomes (Langfred, 1998), yet this effect has not yet been adequately investigated for climate formation. This constitutes a considerable deficiency, especially in the case of service climate, given that delivering high quality service is a task that entails high levels of

interdependence between all parties involved—including both the customer contact employees and other employees who support them but do not necessarily interact directly with customers (such as back office staff) (Yagil, 2014). Empirical findings show that, in contexts that necessitate coordination, communication, and mutual performance monitoring among group members, the effect of cohesion on performance is even more pronounced than when task interdependence is low (Gully, Devine, & Whitney, 2012). Hence, investigation of the social dynamics among team members in service contexts is particularly crucial and needed.

In the upcoming sections I discuss the theoretical and empirical background of the study variables and the proposed interrelationships between them, which I determined based on the findings of the preliminary qualitative field study that I conducted. I then present the results of the preliminary quantitative analysis I've conducted and proceed with the research methodology and measures utilized to test my hypothesized research model.

## 2.

### **THEORETICAL FRAMEWORK**

#### **2.1. Human Resources Management (HRM)**

HRM signifies the process of managing work and people in an organization, which is vital for the survival and growth of all organizations (Boxall, Ang, & Bartram, 2011). The broad topic of HRM can be categorized into three main headings: Micro, strategic, and international HRM (Boxall, Purcell, & Wright, 2007). Micro HRM comprises subfunctions of HRM policy and practice. Among these, management of individuals and small groups constitutes the largest group, which typically includes practices such as recruitment, selection, induction, training and development, performance management, and remuneration. The other smaller group of subfunctions pertain to activities concerned with work organization and employee voice systems, including labor management and union relations.

Recruitment, selection, and staffing practices involve choice of tools to be used to attract (e.g., personal and employee referrals, and newspaper ads, college recruitment activities, professional employer organizations, etc.) and select (e.g., determining the selection criteria, use of job descriptions, structured/unstructured interviews, tests, realistic job previews, reference and background checks, contingent labor, etc.) candidates to fulfill a firm's labor needs. Compensation involves a series of decisions a firm makes concerning payment of its workers, including pay levels, pay mixes, pay structure, and pay raises. Training and development practices use of formal (e.g.,

trainings by trade associations, college seminars, and in-house training, orientation programs, etc.) and informal (e.g., job instruction, and organizational socialization, multitasking, and role transitions, etc.) methods for improving employees' knowledge, skills, and abilities, which in turn enhance productivity. Performance management practices entail those that communicate performance expectations and reinforce desired behaviors of employees, such as performance evaluation processes, disciplinary procedures, or dismissals of employees. Lastly, labor relations involve the management of unionized workforces and relations with unions.

In contrast to micro HRM, the strategic (a.k.a. macro) HRM literature deals with questions and issues related to the systemic properties and consequences of the people management process. It particularly focuses on the ability of HRM systems to enable a firm to achieve its goals—most prominent of which are the organization's effectiveness and long-term survival (Jackson, Schuler, & Jiang, 2014). However, there are three different approaches in the literature regarding the way in which an HRM system should be constituted to attain these organizational outcomes: the universalistic (i.e., "best practice"), contingency (i.e., "best fit"), and the configurational perspectives (Delery & Doty, 1996).

The best practice approach seeks to uncover a set of universally valid practices that allow organizations to capitalize on their human resources as the most important source of competitive advantage (Huselid, 1995; Pfeffer, 1994). This universalistic HRM approach stresses the importance of horizontally integrating the practices that internally fit together and mutually reinforce each other to create synergistic effects for improving organizational performance, irrespective of the overall organizational strategy that is adopted (Delery & Doty, 1996). Leading examples of these are called 'high performance' (Huselid, 1995) (also called high performance work systems or HPWS), 'high commitment' (Wood & de Menezes, 1998), and 'high involvement' (Lawler, 1986) HRM systems. Despite the fact that there are some differences in the specific organizational objectives that they aim to facilitate, they can generally be viewed as similar to one another in that they entail making substantial investments in employees to enhance their capabilities, engagement and performance, which are in contrast to practices that are geared toward exerting control over employees (Lepak, Liao, Chung, & Harden, 2006).



Contrary to the best-practice approach, the best fit or contingency model of strategic HRM does not accept the existence of universally beneficial set of practices. Instead, it aims to uncover the boundary conditions for HRM effectiveness by examining their external or vertical fit, which indicates the degree to which HRM systems and practices are in alignment with the firms' overall competitive strategies (Schuler & Jackson, 1987). This line of research seeks to uncover the role of a firm's strategic orientation (e.g., cost, customer service, innovation) as a moderator of the HRM-performance relationship and contends that the right fit or match between the business strategy and HR practices is essential in achieving a high level of performance.

A third perspective, called the configurational model, aims to combine both internal and external fit by examining how different combinations (or bundles) of practices enhance performance under specific organizational contexts (MacDuffie, 1995). This line of research focuses on building conceptual typologies of ideal types and indicates that different bundles can result in the same organizational outcomes (which is called the principle of equifinality) (Delery & Doty, 1996).

Delery and Doty (1996) conducted a study in the banking industry to test the theoretical arguments developed in line with these three perspectives and found empirical evidence that supports all of them. Therefore they concluded that all three perspectives are viable and can be utilized by future researchers when formulating arguments about the HRM-performance relationship. More recently, integrative articles that review the existent body of literature on HRM research (e.g., Boselie, Dietz, & Boon 2005; Jackson et al., 2014; Wright & Boswell, 2002) have provided a detailed overview of how HRM systems and practices are tied to organizational performance in support of each of these theoretical perspectives.

### **2.1.1. A process-based approach to HRM**

In examining the impact of HRM in organizational functioning, it is important to distinguish between and examine both the content and the process of HRM. In general, HRM content refers to the specific and actual HRM practices that firms adopt. Practices that are aimed to develop human resource potential are suggested to constitute a high

involvement / commitment / performance work system that works synergistically in bundles to generate desired performance outcomes. Prior studies (conducted mostly with large organizations with dedicated HR departments) have utilized some comprehensive lists of activities that are thought to reflect the cutting-edge of HRM, but the contents of these lists have varied somewhat across studies (Posthuma, Campion, Masimova, & Campion, 2013). HPWS is the most commonly investigated of these, and entails a large array of practices geared toward improving employees' general abilities, motivation, and empowerment to perform. These include selective staffing, individual and group incentives, benefits, intensive training and development, performance appraisal, self-managed teams, employee involvement, work-life balance programs, and information sharing (Lepak et al., 2006).

One drawback of these content-based models of HRM is that their focus is limited to the starting and end points of HRM–performance relationship. However, it was suggested that relatively little is known about the factors that mediate this link, which have been referred to as the “black box” of HRM (Boselie et al., 2005). In response to this deficiency, researchers have attempted to devise theoretical models that illuminate this unknown portion by examining the organizational processes that constitute the causal performance chain (Purcell & Hutchinson, 2007). In aiming to achieve this purpose, the examination of how specific HRM practices and procedures are implemented by the responsible parties (such as top and middle level management as well as the HR department) and ultimately how they are perceived by the employees becomes central. This line of research suggests that collective perceptions regarding HRM practices and systems are central in that they shape the formation of other group-level employee cognitions (e.g., climate) and behaviors, which are ultimately expected to produce high levels of organizational performance (Bowen & Ostroff, 2004).

The newly developing process-based approach to HRM attempts to shed some light on specifically how HRM strategy is implemented within organizations. One of the pathways for this is through development of an understanding in organizational climates. Organizational climate is defined as “the shared perceptions of employees concerning the practices, procedures, and kinds of behaviors that get rewarded and supported in a particular setting” (Schneider, White, & Paul, 1998, p. 151). In other words, climates signal the employees how they should or should not behave within their

organizations to reach their desired ends. To explain how HRM systems are related to the formation of organizational climates Bowen and Ostroff (2004) built on the prior conceptualizations of “strong situation” (Mischel, 1973), causal attribution theory (Kelley, 1973), and “strong climate” (Schneider, Salvaggio, & Subirats, 2002). They defined the meta-features of an HRM system that results in the formation of an “intended” and “strong” work climate. Since then, a line of studies have emerged that follow this process-based approach (Aksoy & Bayazit, 2014; Bednall, Sanders, & Runhaar, 2014; Katou et al., 2014; Kehoe & Wright, 2013; Li, Frenkel, & Sanders, 2011; Nishii et al., 2008; Sanders et al., 2008; Sanders & Yang, 2016; Takeuchi, Chen Lepak, 2009). In the next sections I describe each of these metafeatures and discuss how they pertain to my small business research context.

### **2.1.2. HRM strength**

Following the process-based approach to HRM, Bowen and Ostroff (2004) described the *metafeatures* of an HRM system (presented in Table 2.1) that “creates strong situations in which unambiguous messages are communicated to employees about what is appropriate behavior” (p. 207). Thus, in essence, HRM strength indicates how effectively employers are able to communicate their intended messages to their employees.

Distinctiveness, consistency, and consensus are the three main components that constitute the strength of an HRM system. *Distinctiveness*, which refers to a system’s “features that allow it to stand out in the environment, thereby capturing attention and arousing interest” (Bowen & Ostroff, 2004, p. 208), is fostered by the degree of visibility of the practices, understandability of the content of these practices, the legitimacy of the authority that imposes these practices, and the relevance of these practices to important personal and organizational goals. *Consistency* refers to a system’s ability “to establish an effect over time and modalities whereby the effect occurs each time the entity is present, regardless of the form of the interactions” (Bowen & Ostroff, 2004, p. 210). It is comprised of perceptions of instrumentality, validity and consistency of HRM messages. The last dimension, *consensus*, which “results when

there is agreement among employees in their view of the event-effect relationship” (Bowen & Ostroff, 2004, p. 212), is fostered by the agreement among principal HRM decision makers as well as by the perceptions about the fairness of the HRM system.

Bowen and Ostroff (2004) point out that HRM processes that are high in distinctiveness, consistency, and consensus lead to strategically focused strong organizational climates (e.g., climate for service, innovation, safety etc.) by creating a convergence in the employees’ perceived psychological climates. This model makes an immensely valuable contribution to the strategic HRM literature since it provides a multi-level and multi-perspective approach that integrates different organizational and individual processes.

The underlying assumption in Bowen and Ostroff’s account of HRM strength is that the HRM “system” adopted by firms is composed of formally established and mostly written rules and procedures. This also presupposes that the top-level organizational decision makers, HRM system designers, and those who are influenced by the outcomes of these processes are different parties within organizations. While this may be true for a large organizations, the realities of small firms are quite different. Thus, we need to understand and describe how the strength of HRM concept applies specifically to the context of SMEs.

### **2.1.3. HRM in the context of SMEs**

It has been pointed out that the vast majority of the existing strategic HRM research has focused on the context of large organizations and that our knowledge of the employment relations in the context of small firms remains rather limited (Cardon & Stevens, 2004). Even less is known regarding the practices of SMEs operating in countries outside the U.S. (Heneman, Tansky, & Camp, 2000). More recently researchers have acknowledged the importance of SMEs for the economies of both developed and developing countries, and described how HRM is likely to play a strategic role in achieving success in such firms (Bacon & Hoque, 2005; Jack, Hyman, & Osborne, 2006; Marlow, 2006; Verreynne, Parker, & Wilson, 2013). Yet, there is still more need for theory building and empirical examination to understand HRM in SMEs,

since the deficit in these areas poses a significant problem for the development of theory, research, and practice in these organizations (Dobbs & Hamilton, 2007; Heneman et al., 2000).

The practice of HRM in SMEs is important due to the fact that such firms typically face severe pressures that threaten their effectiveness and survival. In contexts with high levels of market competition and environmental instability, firms that have consistent and effective approaches to staffing, compensation, training and development, performance management, organizational change, and labor relations are likely to obtain significant advantages over their competitors (Cardon & Stevens, 2004; Jack et al., 2006; Saridakis, Muñoz Torres, & Johnstone, 2012). However, despite its importance, the management of human resources in SMEs is also quite problematic. Literature clearly indicates that SMEs tend to have poor adoption of formal HRM practices, mainly due to lack of financial resources, and an increased reluctance to engage in costly or restrictive practices (Bacon & Hoque, 2005; Cardon & Stevens, 2004; Kotey & Slade, 2005). Such firms may not even have dedicated HRM personnel. Instead, the management of HR in most SMEs is usually the responsibility of owners and the members of the management team. They are likely to manage and execute HR functions such as conducting their own recruitment interviews, monitoring and tracking their employees' performance and handing out monetary and non-monetary rewards without the support of a dedicated HRM department to guide their decisions and actions. In these firms HRM is informal, idiosyncratic, and flexible in nature, driven by ad hoc decision making, practicality and under the influence of internal and external social relationships (Bacon & Hoque, 2005; Barrett & Mayson, 2007; Marlow, 2005). On the other hand, it has also been noted that "all firms have some form of HR, even if informal" (Mayson & Barrett, 2006, p. 449).

Informal employment relations has been defined as "a process of workforce engagement, collective and/or individual, based mainly on unwritten customs and the tacit understandings that arise out of the interactions of the parties at work" (Ram, Edwards, Gilman, & Arrowsmith, 2001, p. 846). Despite the prevalence informality, there is also quite a bit of variation in the extent and complexity of HRM practices in SMEs. Indeed it has been indicated that "informality is dynamic and often co-exists with more formal practices" (p.3, Harney & Dundon, 2006a).

For scholars who view HRM strictly through a universalistic best-practices perspective, the lack of complex and formal practices and systems in small organizations may indicate lack of foresight and/or resources. On the other hand, some scholars indicated that the informal nature of the management of human resources in SMEs is actually quite functional in that it allows them flexibility needed to cope with the higher levels of environmental uncertainty and risk that they typically face (Hill & Stewart, 1999). In opposition to authors who view SMEs' minimalistic and informal approach to HRM as "deviant" since they do not conform to the normative prescriptions of mainstream corporate HRM research (Mayson & Barrett, 2006, p. 445), others suggested that the problem arises from the conceptualization of what HRM is and the lack of socially embedded theorization in the mainstream literature (Marlow, 2006). Similarly, to be able to understand the management of employees in SMEs, Taylor (2006) suggested that HRM theory should incorporate the interaction of managerial or employee agency and structure. In line with this approach, he advised HRM practices to be examined as "a series of agents' actions, accomplished within a series of conditioning structures" (p. 484), rather than in terms of how well a particular formalized and prescriptive HRM practice or system is implemented. Thus, looking into the process of HRM by examining owners' and managers' both formal and informal actions and their effects on employees' perceptions appears to be a particularly suitable way to understand a small business context.

The strength of HRM concept is pertinent to SMEs as much as it is to large corporations, if not more. It has been argued that it is easier for small firms to build strong cultures through sharing of common values and beliefs due to the relative ease of communication in the workplace (Sathe, 1983). Furthermore, the small and more intimate nature of such firms can cause managerial actions to be more salient and influential from the employees' point of view. Hence, in light of the growing body of literature that indicates the importance of effectively managing human resources for the survival and success of small firms (Rauch, Freese, & Utsch, 2005) it is possible to see how the enhancement of organizational climate by establishing perceptions of strong employment practices would be especially valuable in such firms.

Understanding the strength of HRM from the eyes of organizational stakeholders is important even in cases where HRM formalization is low. Even though not all firms

have extensive documentation regarding their HRM practices and many may not have specialized HR staff, all firms have recruitment and HRM policies, even if they are only implicit (Cardon & Stevens, 2004). These implicit policies are reflected in the decisions taken by managers and, over time, they are likely to be closely observed by employees in SMEs, just as much, if not more than those working in large organizations. For example, during my interviews with the firm owners, some indicated that they have certain preferences when it comes to hiring new personnel, such as not hiring candidates who have previously worked at shops owned by rival or same company's investors, or not hiring candidates who are university graduates or come from families that are financially well-off. While implicit policies such as these are often not openly discussed or written down, they nevertheless reflect the owners' and managers' mindsets and shape the way in which employment relations are formed in those organizations.

To further understand how strength of HRM concept is manifested in the organizational functioning of SMEs we should take a closer look at the constituents of the concept. The dimensions and indicators described by Bowen and Ostroff (2004) are presented in Table 2.1. With regard to distinctiveness, important components that cause features of a situation to capture attention are identified as visibility, understandability, and relevance. Visibility of HRM practices indicates that HRM practices should be disclosed to employees without any secrecy. This disclosure can be executed by formal methods through written memos, supply of procedures, and documentation of past practices. However, it can also be passed on informally through open communication with firm owners, managers and other stakeholders. Similarly understandability, which includes the lack of ambiguity and ease of comprehension of HRM practices, is quite relevant to SMEs since it can be observed through the written documents as well as the informal communications with managers about their decision rules and rationales. Bowen and Ostroff (2004) explained the legitimacy of authority as a notion indicating the degree to which the HRM function is seen as high-status and credible across the organization. While this description is pertinent only to larger organizations that have dedicated HR departments, the issue they raise under this heading about "submitting to performance expectations as formally sanctioned behaviors" is also relevant for smaller organizations (p. 209). The difference is that, in small firms the resultant perceptions would emerge with respect to whoever is responsible for making the employee-related

decisions (who typically are owners in SMEs). Finally, relevance is ensured when individuals see the situation as relevant to an important goal. This is particularly important for managers of SMEs since they need to ensure that the small number of stakeholders they have strongly and coherently strive to achieve the same organizational goals. Informal communication of goals and rationales is the key for employees to develop an appreciation of the relevance of practices.

Consistency dimension is composed of instrumentality, validity, and consistent HRM messages properties. Instrumentality perceptions entail cause-effect relationship in reference to the desired behaviors and employee consequences. Allocation of rewards and punishments for employee behaviors consistently and repeatedly over time is key to instilling employee expectations of continued extrinsic tangible or social payoffs in the future and thereby establish perceptions of continued instrumental value (Lepper & Henderlong, 2000). Limited resources generally available in SMEs are likely to make it difficult for managers to efficiently provide rapid rewards to employees. However, firms that are sensitive towards these issues and able to generate a perception of performance contingency among its employees are likely to enhance their overall employee motivation and commitment (Boswell, Colvin, & Darnold, 2008). Validity of HRM practices entail the “consistency between what they purport to do and what they actually do” (Bowen & Ostroff, p. 211). This may be problematic if owners or managers choose to execute an HRM practice indicating one purpose and the results obtained do not comply with that declared purpose. For example, the owner or manager may choose to hire a person whom he/she has previously known rather than generating a pool of candidates and claim that this guarantees that he/she would make a ‘good’ hire. But perceptions of validity regarding such a practice may suffer in the eyes of employees if the new hire does not adequately perform afterwards. Lastly, consistent HRM messages convey compatibility and stability across HRM practices. This entails compatibility of HRM practices with organizations’ declared goals and values, execution of internally consistent practices, and consistency of practices over time. As an example to the first type of consistency, it would be problematic if employees are maliciously fired in a firm where the management declares that their aim is to create a friendly family-like atmosphere. An example of the second type of inconsistency may take place if a firm



decides to eliminate bonuses due to budget cuts, but chooses to spend money on new employee orientation and training at the same time.

The last component, consensus, reflects the extent to which there is agreement among employees regarding event-effect relationships influenced by the HRM system. These perceptions can be fostered by the existence of agreement among HRM decision makers as well as the perceptions of fairness of the HRM system. In organizations the extent of agreement among company owners and management team regarding employment principles, policies, and practices are likely to enhance the consensus perceptions. Conversely, for example, if the owner emphasizes and advocates building family-like employment relationships but the members of the management team do not show any benevolence in the management of employees (e.g., show little flexibility in personal matters such as sickness or maternity leaves), there is likely to be little consensus among employees regarding what the company's HRM principles entail. Second component, the fairness perceptions, are likely to suffer if employees do not perceive existence of distributive, procedural, and interactional justice in the HRM decisions and practices. Distributive justice entails the perceptions about the distribution rules within the company, which can be equality, equity or individual need based. Also, procedural and interactional justice perceptions act to enhance the transparency of these distribution rules, thereby enhancing consensus on event-effect relationships. In this regard, in firms where procedures of HRM practices are not clarified (either formally through written account or through verbal communication), employees are likely to develop their own idiosyncratic perceptions of what HRM system entails, which hampers firm-wide consensus.

#### **2.1.4. Franchisor's role in the current study setting**

In the current research context, all shops were privately owned by small businesses, operating under a franchising contract in which the corporate brand's retail and service functions were carried out through the shops distributed across Turkey. To understand this particular business setting, it is important to also have some insight into

the franchising business model and its implications for the internal management of these firms.

The franchising model of business is one that is typically utilized when a firm's geographically distant customer base is to be served through a network of local units (Cox & Mason 2007). It allows the company to deal with issues related to monitoring and motivating the units by delegating some or all of these responsibilities to its franchisees and enhances its adaptability to the conditions of the local market (Brand & Croonen, 2010). Granting latitude to the franchisees also poses an essential dilemma for the franchisor since it also undermines the centralized control and standardization of practices that are necessary to achieve economies of scale and ensure a consistent public brand image (Cox & Mason 2007). Thus franchisors often choose to centralize decisions regarding the product, its production, and associated marketing efforts while leaving decisions regarding local operations, such as HRM, to franchisees' discretion (Michael, 1996). HRM in franchises is generally viewed as peripheral (thus likely to be decentralized) with the exception of the training function, which is seen as an exception and given special attention since it is considered central to ensuring quality and protecting the brand image (Kellner, Townsend, Wilkinson, & Peetz 2014). On the other hand, there can also be a wide range of variability among franchisors in the extent of operational independence and autonomy allowed to the franchisees. Kellner et al. (2014) indicated that franchisors' involvement in franchisees' HRM decision making can be high, moderate or low, based on their strategic decision to prioritize brand protection or liability avoidance.

In terms of the management model implemented by the franchisor in the current dissertation context, the corporate structure that governs these shops can be described as exerting moderate to low control. While the franchisor did employ a centralized HR team for the management of the shops, their influence on the shops' internal processes had so far been very limited. This is due to the fact that the franchisor multinational corporation had entered into the Turkish market by acquiring a local company ten years ago. The previous management of the corporate franchisor was behind its competitors in terms of managerial sophistication, technology, and reputation, and exerted almost no control on the franchisees. Since the acquisition, the new management had been

working towards establishing the reputation of its new brand and renovating existing shops, business model, and infrastructure in line with the realities of the Turkish market.

In the current business model, the franchisees were responsible from developing and implementing their own HR systems and practices and the franchisor generally does not intervene with these decisions. My communication with the HR officials indicated that there has recently been efforts to expand the headquarters' role in the building of human capital at the shops. For this purpose, the franchisor has increased the amount and coverage of existing trainings delivered to shop personnel. They had tried to develop programs for providing assessment and development opportunities to shop managers and offer centralized employee recruitment, selection and placement services for shops. They had also attempted to track and measure the employee turnover rates of shops and include these in the performance goals that they assign to franchisees. However, most of these attempts at increasing the control of centralized HR over shops had failed and were suspended. Thus, at the time of the study, it was not possible to say that the franchisor corporation had significant presence at the shops regarding HRM except for the centralized trainings that they delivered.

## **2.2. Shop Owner's Internal Management Philosophies**

Those who are at the top of an organization's chain of command, such as owners or founders, are likely to have significant impact on the employment systems and cultural blueprints adopted by their organizations (Baron, Hannon & Burton, 2001; Schein, 2010). Strategic choice (Child, 1972) and upper echelons (Hambrick & Mason, 1984) theories have focused predominantly on the role of managerial agency to explain the emergence of organizational processes and outcomes. Utilizing a bounded rationality approach, these theories suggest that, organizational leaders perceive their environments from a perspective of values that constitute their cognitive base (i.e., ideologies), which are deeply rooted in their past experiences and personalities (Child, 1997; Hambrick, 2007). These perceptions are in turn reflected in the strategic choices

they make regarding key organizational issues. Thus, to understand how and why organizations operate the way they do, it is imperative that we examine and understand these cognitive and psychological processes of their most powerful actors. In line with this mandate, in this study I examine the types and nature of management philosophies held by key organizational decision-makers of the small businesses in my study context, the most important of which are firm owners.

So, what is a management philosophy? Management philosophy is a set of values that constitute an overall approach owners and managers may hold regarding how they should run their organizations to serve their personal and organizational goals. It defines what individuals value and believe to be most vital to be accomplished by their organizations. These goals typically are rather abstract (e.g., being financially successful or ensuring employee well-being). Management philosophy also encompasses the general principles and preferences that individuals may have regarding how to reach those central goals.

Values that constitute a philosophy are central to organizational functioning since they may “guide the selection of actions and the evaluation of people and events by their associations with these abstract goals” (Verplanken & Holland, 2002). Since values are hierarchically ordered based on personal significance, choosing an action to be pursued often entails a trade-off between competing values (e.g., Schwartz, 1992). For example, a manager may value both employee welfare and cost minimization, but since actualizing these conflicting values involves a trade-off, the managerial act of giving an employee a pay raise is determined in-part by which value is deemed more important.

Management philosophies develop over time as a result of an array of personal and/or situational factors. Individual-level differences such as personal backgrounds, early life socializations, education, societal culture that one belongs to, professional experience, etc. are all likely to contribute to the formation of this mindset. Managerial values, however, like other types of personal value systems, need to be activated to impact the actual choices, behaviors, and actions (Verplanken & Holland, 2002). Situational factors—such as systems, reward mechanisms and constraints posed by the overarching organizations as well as the larger bodies of influence such as industries and economic systems that individuals are part of—are likely to impact transition from

values to behaviors. Therefore, specifying or controlling for the general organizational conditions in effect is important in examining how managerial values are turned into actions.

Seeing the link between values and organizational decisions and actions, management philosophies are also key in understanding the strategies that are adopted and implemented by organizations. Hambrick (1980) defined strategy as “a pattern of important decisions that (1) guides the organization in its relationships with its environment, (2) affects the internal structure and processes of the organization, and (3) centrally affects the organization’s performance” (p. 567). However, in order to understand how managerial values are linked to strategic decision-making, we need to look into how strategy emerges within firms. Hart (1992) provided a detailed overview of the field of strategy formation. His account indicates that, throughout the strategy literature, scholars have adopted a number of different perspectives regarding how organizational strategies are formed. The strategy literature has its foundations in the highly analytical rational model, which is based on the premise that a comprehensive and exhaustive analysis is conducted by a highly rational decision maker who considers all available alternatives, consequences and pursues the most effective way to achieve desired ends. This approach, however, was subsequently challenged by scholars who recognized the restrictions to organizational leaders’ analytical abilities. Instead, an alternative interpretive approach was put forward to understand top management’s role in the strategy process. According to this symbolic perspective, organizational stakeholders understand their environments through metaphors and frames of reference (Chaffee, 1985). Through ideologies, they form visions that result in shared beliefs and intentions for all organizational members (Mintzberg & Waters, 1985). This particular type of strategy formation suggests that managerial philosophies and values are translated into strategic action and disseminated across members of the organization through leadership.

Among the possible range of strategic decisions and actions that may take place in organizations, in this study, I specifically focus on managerial values that determine those mentioned by Hambrick (1980) in the second part of his strategy definition: the decisions that influence the internal structure and processes of particular organization. Hence, this research is focused on conceptualizing internal management philosophies

and investigating its effects on internal organizational functioning. The concept of internal management that I utilize restricts the domain of managerial latitude to those functions that pertain to the acts of organizing within the shops rather than those outside. This constitutes a different domain of strategic action compared to Porter's (1980) generic business strategy conceptualization, which depicts the possible avenues of strategic action that firms can take with particular attention to the external market forces and positioning against the competitors. The internal management philosophy that I examine, on the other hand, is only pertinent to the choices owners make with regard to how the business is carried out and organized within the boundaries of the firm rather than the external market.

Since I adopted a combination of inductive and deductive approaches to develop and test a contextualized theory, my research program began with a qualitative study that included in-depth interviews with various stakeholders at the shops. Hence, in the next section the observations and findings that I have made throughout this initial qualitative study are described and discussed. Using these findings, I then turn to extant relevant literature that explains the concepts and relationships that I have uncovered. Identifying and combining the pertinent aspects of several separate but interrelated theories and building on them with my own unique contributions, I will then define the constructs that I use, describe the premises of the model that I propose and the hypothesized relationships among variable of interest; starting with the construct of internal management philosophies of owners, shop managers, and regional sales managers and respectively moving on to the subsequent constructs of leadership, HRM, climate, and service quality.

### **2.2.1. Employee and customer oriented management approaches in current study context**

During my interviews with the owners of the franchised shops, I have observed a large variance in the approach that the owners exhibited regarding what they deem as most important for success and how they think they should be managing the shops. Some owners tended to put a heavy emphasis on the role and importance of employees

in the success of their businesses. They saw their employees as an extremely valuable, irreplaceable, and integral part of their business functioning. For these owners retaining their most valuable employees was very important. This approach was summarized by one owner whom I interviewed through following words:

*İyi kalifiye personel olduktan sonra, onlar hangi müşteriye nasıl davranacağını bildikten sonra, satıcı personel... hizmet veren personel... ekip her şeyden önemli. Ekibinize iyi davranırsanız, iyi ücretlendirirseniz, siz kazandıkça onlara da kazandırırmanız işi çok iyi sonuca ulaştırırsınız.*

They typically tried to achieve this goal by establishing a shop environment where employees can feel part of a family-like team. They treated their employees with respect and cared for their well-being both in and outside the shop. They put an emphasis on rewarding them for their hard work with what they deemed as a fair compensation in accordance with their market value. They believed that, despite the high short-term costs associated with it, sharing a major part of their financial gains with their employees was essential to retaining them and ensuring success of the shops in the long-term. For others, their commitment to ensuring employees' welfare and happiness was driven by their ideologies rather than a calculated effort to reap long-term materialistic benefits. Whatever the driving reasons may be, employee-oriented owners indicated a willingness to forgo their short-term profitability, particularly in times of financial slowdown, in order to ensure that they can retain their key personnel. For example one owner expressed his internal management strategy as follows:

*Elinizdeki mevcudu olabildiğince koruduğunuz takdirde... çok fazla belki hızlı yol alamayabilirsiniz. İşin maliyet taraflarını da hesap eder bazen ticari kafa. 5 yıldır çalışana 3 milyar maaş ödüyorsunuz, yeni gelen adam 1 sene sonra işi öğrenecektir ama 1000 liraya yanınızda çalışıyor olur. 2000 lira kârdasınızdır. Onun yerine 2 kişi daha alırsınız daha çok müşteriye bakabilir. Ama her zaman çoğunluk demek daha çok kişiye bakacak anlamına gelmiyor. İş kolektif ve verimli yapabilmek, efektif yapabilmek önemli. Bazen 2 kişiyle 5 kişilik iş yaparsınız. (...) Ben verimli çalışarak para kazanabiliyorum, ama birileri daha çok kazanıyor benim tam tersimi yaparak. Ben böyle rahat ediyorum. (...) Tüm personelime çok ihtiyacım var. Bugün onların içinden herhangi birinin alınması demek bütün dengelerin bozulması anlamına gelir.*

While some owners exhibited these employee-friendly attitudes in their management style, not all of them had the same sensitivities. Rather than employees' well-being, some owners' discourse placed a heavier emphasis on the financial

profitability, efficiency, and survival of their shops. They adopted a more short-term perspective towards management and focused mainly on the immediate monetary gains they obtained from the franchisor corporation. They indicated that, if the conditions were ideal, they would prefer to be able to offer higher levels of compensation and better working conditions for their employees, but that their current market conditions and profitability structures did not allow them to make such long-term investments in human capital. Some owners could even be seen in the exact opposite end of the spectrum in that they saw employees from a more antagonistic perspective. Rather than seeing their employees as business partners, these owners tended to perceive them as a mere source of cost and a burden to their profitability. Some of them complained that employees have a tendency to slack off, that they never embraced their workplace as their own and blamed them for the shops' inability to perform as expected. They typically did not exhibit trust in their employees and thus they preferred to exert a high level of control in the management of their shops. This low level of perceived value of employees was also reflected in their managerial decisions. For example, some of these owners also told me about past incidences where they did not hesitate to fire the employees at will when they believed that employees' behaviors were not in line with what they had expected and demanded. One owner explained the reason behind why there were no employees in his shop who had tenure more than one year by following statement:

*Mesela bir yıl çalışmışsınız, bir yere getirmişsiniz personeli. Tam yetkilendirme döneminde, yukarı taşıyacaksınız onu, maaşı artacak, yetkilerini artıracaksınız, fakat bu kırılma noktasında bir güven testi var. (...) Örneğin adam çok bunalmış, izin yapmak istiyor. İzin yapma anı, şirketin bunalımlı olduğu bir an. O noktada ben o adamı izne çıkartırsam o kırılma noktasında şirket zarar edecek. Personelden biz şunu bekliyoruz: Ya şurayı bir atlayalım. Adam o kırılma noktasında, olmazsa olmaz ben gideceğim diyor. Burada şirketin menfaatlerinin önde olması lazım. Özel zevk ve planlar ertelenebilir, onlara her zaman ulaşabiliriz. Ama kaybedilen başarı ve kazanca ulaşamayız. Kazanç bir kere gitti mi..."*

This line of reasoning clearly demonstrates that the owner prioritized the shop's short-term earnings over the goal of retaining valuable employees in the long-term. In some cases owners completely blamed employees for the past instances of dismissal by indicating reasons such as disloyalty to the firm and stood by their decisions.



*En büyük problem sadakatsiz olmaları. Biz personeli yetiştirmek için 1-2 yıl emek vermişizdir. O anlık nedenlerle doğru tercihi yapmamıştır. Dolayısıyla ben de kendileriyle yola devam etmemeyi düşünmüşümdür. (...). Pişmanlık olmadı. Bu zamana kadar gidenlerin içinde 1 tane pişmanlık olmuştur. (...) Çok kıymetli bir personelim vardı. O personel mesela işler yetişmedi, stok sayımları vardı. Neden böyle olduğunu sorduğumuzda verilen cevaplardan tatmin olmadık. Tatmin olmayınca sesimizi de yükselttiğimizden dolayı o personelimiz bizi bırakıp gitmişti.*

However, in other cases owners acknowledged the unsuitable organizational conditions that they have created as a major culprit in the loss of potentially valuable personnel.

*Biz burada çalışan personelin hepsinden çok memnunduk. Hiçbir tanesinden memnunsuzluğumuz yoktu. Birçok personele... hedef yüzünden çocuğa söylemediğim laf kalmamıştır. Adam artık bir yere kadar, daha yeter artık dedi. Adam çıktı gitti... Çünkü biz onlara sürekli olarak psikolojik baskı yaptık. Hedef hedef hedef hedef... Al çantayı çık dışarıya... Standda dur. Niye boş boş oturuyorsun? Adamın psikolojisini bozduk. Aslında niye o kadar zorladın ki? Sabah 9 akşam 9 zaten çalışıyor bu adam. Biz ayın son günü son saati bile çalışıyoruz. Personel bu kadar çalışırken ben bunu niye bu kadar zorlayıp bu noktaya getirdim diye düşünüyorum yani. ... Çocuklar zaten elinden geleni yapıyorlar, biz fazlasını istedik. ... Şimdi ben o beğenmediğim personeli mumla arıyorum. Şimdikiler elli kere anlat, yüz kere anlat... Hiç... Adam kasayı yapamıyor ya! Keşke (ana şirket) bana bu kadar baskı yapmasaydı, ben de bu kadar baskı yapmasaydım, bu adamlar da keşke gitmeseydi. Ama bugün aynı sıkıntıyı halen yaşıyorum.*

Despite the differences in the extent to which owners were cognizant of their role in and took responsibility for the emergence of personnel-related issues, the end result was that such owners appeared to face significant challenges in effectively managing employee satisfaction and retention in the long term due to the fact that they failed to reach a sustainable balance between the short-term interests of the firm and the long-term collective interests (including their own and those of the employees).

Situational factors generated by the corporate environment further accentuated the impact of variability in the owners' approach towards their employees. The choice of making an investment in human capital emerged as a particularly important issue due to

the system that was established by the franchisor to compensate their investors. According to this system, investors of the franchised shops received incentives from the franchisor corporation for the sales and services they delivered to customers. This system involved monthly objectives to be achieved for a wide array of products and services. Unless the shops achieved their objectives at a certain level, they did not receive enough incentives from the franchisor corporation to be profitable. Considering that reaching these objectives consistently is usually highly difficult, every month investors faced a real danger of losing money if their shops did not perform sufficiently. At times they even had difficulty covering their fixed costs. This month-to-month struggle to make ends meet made it difficult for investors to make large costly investments in human capital which would have made it even more difficult to stay financially afloat.

Owners also indicated that, from their perspective, HRM practices that would increase fixed costs (such as paying wages that are above the minimum wage or employing a greater number of employees to institute a shift system that would allow employees to have more convenient working hours) are seen as “risky” since they could not predict their future earnings due to the fluctuations in the franchisee compensation system. As a result, the system reinforced the owners to adopt a rather short-term managerial perspective and made them hesitant to invest into human capital. The end result of this approach was an increased number of disgruntled employees and very high levels of employee turnover. In some places this problem was so extreme that the majority of the shops’ staff were in a constant state of outflux where employees did not stay more than six months. Due to a lack of competent workforce, critical tasks in such shops had to be conducted by a small number of remaining experienced employees. Inevitably this caused an excessive amount of strain on these key employees’ workloads. I have heard cases where the recent loss of such essential personnel led to a downward spiral in the overall performance of shops.

Investment in human resources was not the only area that this differentiation of short-term versus long-term perspectives played itself out. For businesses that operate in the retail sector, an emphasis on the quality of customer services is extremely important. Apart from being retail centers, these shops also serve as the main customer contact points for the franchisor corporation. Customers often come to the shops thinking that

they are owned by the franchisor corporation itself and seek solutions to their wide range of problems. Thus, the level of service offered by these shops has a vast impact on the overall satisfaction of the brand's customers. However, achieving high level of quality service is not a very easy task in the current shop structure. It requires employees to have a rather high level of knowledge regarding a wide range of products and services offered. Employees' level of experience with retailing and competence in customer problem-solving techniques are critical for success. However, most shops do not have an adequate supply of skilled personnel. In fact, due to high levels of turnover, many shops are either understaffed or staffed mostly with inexperienced employees. The small number of existing experienced and knowledgeable employees are overburdened with carrying out most of the critical tasks within the shops, which limits their ability to put enough time and effort into providing a high quality of customer service. The franchisor corporation's management is also aware of the importance of this issue. The franchisor aims to encourage shops to elevate their customer service quality by systematically measuring customers' satisfaction with shops and giving the shop owners targets in customer satisfaction (which impact their compensation). However my observation is that merely assigning targets is not enough for shops to perform adequately in this regard since the problems in customer service quality are closely tied to the issues shops have in managing their human resources. The owner's approach towards management heavily determines the type of employee environment that has been created within the shops, which in turn impacts how successful shops are in satisfying their customers.

An important conflict also exists within shops between retail and customer services. On one hand shops need to focus on selling products to both new and existing customers. The sale of these various products and services constitute the bulk of shops' monthly objectives and largely determine the amount of compensation investors (hence also employees) receive from the franchisor corporation. On the other hand, as I have previously mentioned, shops are the main service centers in the regions that they operate. Therefore shops also have to give service to disgruntled customers and allocate considerable amount of time to understand and bring effective solutions to difficult problems, even though the financial payoff from these efforts are comparatively small in the short-term. This problem was described by one of the owners as follows:

*Eğer yüksek maaş verip düşük prim uygularsanız orada hizmeti ve kaliteyi öne çıkarırsanız. Benim için çok önemli yatırımcı olarak. Bu sektöre on beş yıl verdim; bir 50 yıl daha istiyorum. O yüzden bu sektöre yatırım yapıyorum. Hizmeti primlendiremiyoruz. Personel için de geçerli, benim için de geçerli. (...) Çok müşteriyle ilgileniyor, satışı kaçırıyor. Müşteri çok meşakkatli... Bir servis hizmeti verecek, yirmi dakika sürüyor. Adam soru soruyor, tanımak istiyor... Hizmet verenlerle satış yapanların birbirinden ayrılabilir olması lazım. Herkes satış yapsın diye bir şey yok.*

Challenged with the issue of inadequate staffing, shops continually face the dilemma of choosing how much time and effort they will allocate to selling products versus dealing with customer problems. Adopting a short-term business mentality results in a heavy emphasis on retailing of new goods and services, which increases the chance of performing adequately in achieving monthly objectives. Furthermore, challenging monthly objectives that are predominantly focused on sales are likely to increase the tendency for employees to engage in aggressive selling behaviors, such as deliberately misinforming customers during the sales pitch that can be detrimental to customer satisfaction in the long term. An account by one of the owners illustrate this dilemma clearly:

*Hedef almışsınızdır. Bu hedefi bir şekilde gerçekleştirmeniz lazım. Bu hedefi gerçekleştirirken... doğru bilgi çok önemli. Doğru bilgiyi bazen vermeyebiliyorlar, o an o müşteriyi kaçırmamak veya hedefi doldurmak adına. Doğru bilgi nedir? Örneğin, bir hizmet tarifesi seçmişsinizdir. Artı beş lira da vergisi vardır. Bu vergiyi söylemek istemezler müşteriyi kaçırmamak adına. Daha sonra bu, müşteri güvenini ve hizmet kalitesini düşürüyor. Çünkü müşteri der ki “ya bana niye bunu alırken söylemediniz?” Veyahut sattığı ürün hedefi vardır, ürünün özelliklerini abartarak söylüyordur. Ürünün X özelliği var diyerek ikna ettiğini, bir hafta sonra müşterinin “bunun şu özelliği var dediniz, yok” diye mağazaya geldiğine şahit olduk. Bu bilgisizlikten değil, tamamen hedef gerçekleştirilmeden dolayı. Şahsen biliyorum ve şahit oluyorum ki Türkiye genelindeki bütün mağazalarda bu böyle oluyor. Hedef nedeniyle doğru bilgi vermiyorlar, bu da kaliteyi düşürüyor, güveni düşürüyor. Bu güven sarsıldıktan sonra yaşadıklarını müşteri eşine, dostuna, çevresine anlatır.*

A short-term outlook is also not conducive to a customer-service oriented approach because increasing the quality of service within a shop is a complex and ambiguous objective, which many owners typically don't know exactly how to achieve. It also requires extensive effort and investment with returns that are not immediate or definite. Despite these difficulties, an emphasis on ensuring high-quality customer service is essential to a long-term managerial approach since current satisfied customers

are more likely to purchase goods and services from that shop in the future. Development of such a service capability is also likely to generate a sustainable competitive advantage for the shop. In support of these premises, one owner summarized the recipe for success in the long-haul by explained the links between adoption of employee-oriented managerial approach, employee satisfaction and retention, and customer satisfaction.

*Verdiğimiz finansal imkânlar maalesef çalışanların beklentilerini ve emeklerini yeterince karşılamıyor. İlişkileri ayakta tutan tamamen yöneticilerle ekip arasındaki—finansal yapıdan ziyade—ilgi kısmı. Birçok açıdan destekleyerek bunu tamamlamaya çalışıyoruz. Arkadaş oluyoruz, sohbet ediyoruz, her türlü dertlerine derman olabilecek şekilde onların yanında bulunmaya çalışıyoruz. Ben onlar gibiyken geldim bu günlerime... Sıfırdan başladım. Önceliğimiz her zaman müşterinin memnuniyetini sağlamak. Onlara doğru şeyi doğru şekilde vermek. İhtiyacı ne, doğru cevabı bulmak. Bunun için de en önemli mesele kişinin huzurlu çalışması, işini severek yapıyor olması... gibi bizim değerlerimiz var. Bunların olmadığı hiçbir yerde başarı olamaz. Olsa bile samimiyetsiz ve göstermelik olur, uzun vadeli olmaz. (...) Biz esnafız. Yeri geldiğinde müşteriye aile gibi davranırız. Çünkü biliriz ki bugün bir ürün alan yarın başka bir ürün daha almaya gelecektir. (...) Başarı oranını sayılar belirleyebilir. Ama ben buradaki asıl başarıyı istikrarla yorumlarım. Sadece rakamların ve kazanılan miktarların değil, önceliğim istikrarın yürütülebilmesiyle ilgili. Kısa vadeli programlar hiçbir zaman sonuç vermemiştir. Muvaffak olunmamıştır.*

In sum, looking at the overall body of qualitative evidence indicated by these discourses, observations, and inferences, it is possible to identify three emerging themes that guide our understanding of internal management philosophies: There appears to be significant differentiation among owners in terms of the type of temporal perspective (long-term vs. short-term) that they adopted while they made internal managerial decisions. An expressed or implied long-term approach in decision making was usually accompanied with an elevated expression of humane values towards both employees as well as customers that served an ultimate goal of establishing strong relationships with and retaining these two essential stakeholders. A short-term approach, on the other hand, was clearly indicated through an emphasis on sales and revenues, fulfillment of monthly objectives as well as an unwillingness to show flexibility, tolerance or consideration towards neither employees nor customers even at the cost of losing them.

In the next section, I review how these concepts have been defined and examined in various extant theoretical literatures. I start with an example of how humane values

were discussed with respect to managerial philosophies by one of the early scholars of management. I then discuss the managerial values that are embedded in stewardship theory, which explains the links between the owner's and manager's other-regarding prosocial perspectives and how these are tied to their long-term temporal orientations. My theoretical discussion is then carried on by an examination of the way in which employee long-term oriented managerial philosophies were conceptualized and examined within the HRM literature. Lastly, I discuss how a management philosophy that aims to establish long-term and mutually beneficial relationships with and between employees and customers is shown to produce a sustainable service profit chain.

### **2.2.2. Long vs. short-term oriented internal management philosophy**

The question of what philosophical values drive (or should drive) managers has been a long-standing one. In an early paper, Bernthal (1962) examined the possible answers to this underlying question. He noted the importance of these guiding values by recognizing that “in every business decision, the manager acts upon his own response to the basic philosophical question, “What is the nature of man?” Whether expressed or implied, the decision-maker reveals his own philosophy of life in making these critical decisions” (p. 194). He also devised a model of hierarchy of values for business decisions which places human values above economic values. Human values that managers hold were identified as those that “affect other human beings in their roles either as consumers or as employees” (p. 195). Like other types of values, this model of hierarchy of business values suggests that values may also be in conflict with one another and entail tradeoffs to be faced by decision-makers. Bernthal also discussed the possible implications of these value choices on the long-term strategic outcomes of the organization through the following statement:

*If the business decision-maker limits himself to a micro-view of the firm in a vacuum, and assumes that the system will survive automatically, his actions may contribute to the erosion of free enterprise upon which he depends for long-term survival and growth (p. 193).*

This early account identifies employee and customer welfare-oriented managerial values as the key components of a sustainable long-term strategic orientation.

One of the more recent theoretical perspectives that stresses the importance of understanding the managerial values and philosophies in understanding organizational decision-making and functioning is *stewardship theory* (Davis et al., 1997). Stewardship theory explains owners' and managers' preoccupation with assuring the continuity or longevity of the firm and its mission. It posits that this desire to ensure long-term utility causes them to engage in other-focused prosocial behavior rather than in self-serving, short-term opportunistic behavior (which is in stark contrast to its rival, the agency theory [e.g., Jensen and Meckling, 1976]). Due to this pursuit, two priorities are said to emerge: First, owners and managers with stewardship values place a special emphasis on nurturing and ensuring loyalty of employees who are seen as essential to the firm's survival through adoption of employee wellbeing and development-oriented HRM practices (Davis et al., 1997). The second priority entails stewardship over the external stakeholders, particularly customers (Miller et al., 2008). Rather than transactional links, such firms try to establish broader, more enduring relationships with their employees and ensure their loyalty. For this purpose they rely on personalized, one-on-one involvement as well as a thorough knowledge of their stakeholders' needs.

Stewardship theory provides us a framework to help understand how these employee- and customer-directed pro-social values are related to a temporal pattern of preference in decision-making among owners and managers. From this perspective, owners' and managers' other-oriented approach towards stakeholders, such employees, customers, and even society at large, is an indication of their long-term orientation to management. On the other side of the spectrum, a short-term orientation typically entails a greater concern for the economic gains for the organization and achieving a certain level of performance (whether in terms of profit, growth, market share, or other indicators) within the current period (Le Breton-Miller & Miller, 2006, 2006).

Construal level theory (Liberman & Trope, 1998) explains how temporal distance shapes individuals' mental representation of events and outcomes. Testing the premises of this theory, Kivetz and Tyler (2007) found that the adoption of a distal time perspective is more conducive to the expression of values that reflect the idealistic self, such as contributing to the community; whereas the adoption of a proximal time

perspective is linked to activation of pragmatic values, such as maximization of self-interests and money-orientation. In line with these findings, stewardship theory suggests that managers who adopt long-term orientations are more likely to go beyond the pure economic performance of the organization and take responsibility for the effects of decisions on various stakeholder groups (such as, for example, employees, suppliers, banks, or the local communities in which they are based), and even the society and environment as a whole (Hernandez, 2012; Wang & Bansal, 2012).

Long-term orientation has often been discussed and investigated in the stewardship literature at the organizational level of analysis, particularly in the context of family-owned SMEs (Brigham et al., 2014; Hoffmann, Wulf, & Stubner, 2014; Lumpkin & Brigham, 2011; Lumpkin, Brigham & Moss, 2010; Miller et al., 2008). In these studies long-term orientation has been defined as “the tendency to prioritize the long-range implications and impact of decisions and actions that come to fruition after an extended time period” (Lumpkin et al., 2010, p. 245). In terms of assessment, “the long term” typically involves periods longer than 5 years (e.g., Le Breton-Miller & Miller, 2006). While they indicated this time period as a general guideline, what signifies as the lower boundary of a long-term perspective can change considerably based on the specific nature of the organizational context. In highly dynamic and fast paced environments driven typically by extremely short term goals, even a time period of one year can represent a rather long-term perspective. I expect this to be the case in the current study context of retail SMEs.

While discussing the conceptual foundations of the construct, Lumpkin and Brigham (2011) indicated that the value or utility of an intertemporal choice—which refers to decisions with a time dimension—is dependent on the amount of time that passes before the consequences of the decision are realized. The delay of time causes uncertainty in the decision process and people evaluate this uncertainty based on their mental representations of the factors involved. Long-term goals usually involve future payoffs and requires patience. However, temporary motivations are usually in conflict with long-term interests, which makes it difficult for managers to exercise self-control. In such situations managers’ choices are dependent on how they “frame” the question (Lumpkin & Brigham, 2011). Past research indicated that people tend to favor delayed rewards if they perceive the value or utility of the reward to increase with the passage of



time (Loewenstein & Prelec, 1993). Accordingly, owners who see the future as “promising, worth waiting for, and a time of fulfillment” are more likely to adopt a long-term orientation (Lumpkin & Brigham, 2011, p. 1157).

Existing literature on stewardship theory is still at its infancy and the empirical evidence on the links between managerial temporal orientations and self- vs. other-regarding managerial values are still limited. However, studies conducted with family-owned SMEs provide support for the existence of these relationships. Hoffmann et al. (2014) found that, among a sample of German SMEs, family involvement in management of SMEs enhanced firm performance by increasing firm’s long-term orientation. This is due to the fact that owners in family-run firms have more at stake due to the socio-emotional attachments between their families and businesses. They are more likely to be motivated to ensure the continuity of their businesses for future generations as well as focus on other-regarding priorities that serve employees and customers in order to develop and protect family reputation (Le Breton-Miller & Miller, 2006). Indeed, looking at SMEs in Canada, Miller et al. (2008) found that family owned businesses displayed more stewardship over (1) the continuity of the business by making more future-oriented investments in reputation and market share development, (2) their community of employees by giving employees more training, making better use their skills, generating an inclusive and intimate culture, and retaining personnel, (3) their connections with customers by more personal networking with clients, more focused marketing approaches, and a more narrowly targeted group of customers.

It is important to note here, however, that the definition of long-term orientation that I have cited as used by existing studies of stewardship (e.g., Hoffmann et al., 2014; Lumpkin et al., 2010) refers to a generalized approach pertinent to all instances of decision making that may take place within (and even outside) organizations. Hence, despite being discussed as an organization-level phenomenon, it is also closely linked to an individual-level psychological trait regarding one’s perception of the future and the flow of time (Lumpkin et al., 2010). This molar approach to long-term orientation is beneficial in understanding the origins of organizational decisions in general. Another alternative to this approach is to try to uncover and measure context-specific manifestations of a long-term oriented management philosophy. This can be done by

defining and dissecting what it means to be long-term oriented in a specific management context and measure communalities across these constitutive values.

I have previously defined a management philosophy as a set of values that owners and managers may hold regarding how they should run their organizations to serve their personal and organizational goals. Building on this previous definition, a *long-term orientated internal management philosophy* indicates a set of values that owners and managers may hold that prioritizes and serves the accomplishment and sustainability of long-range personal and organizational goals. Specifically in the context of retail service organizations I posit that such a philosophy consists of two separate but interrelated values that are geared toward ensuring the loyalty of two most prominent organizational stakeholders: employees and customers. Hence, in this dissertation a long-term oriented internal management philosophy consists of *employee* and *customer loyalty orientation* dimensions. Owners and managers who have a long-term oriented internal management philosophy are those who prioritize ensuring their (1) employees' loyalty and engagement to their firms over the alternative goals of minimizing cost and maximizing short-term employee efficiency and (2) customers' satisfaction and loyalty over the goals of maximizing short-term sales and revenues. The overall model that I develop posits that owners and managers who exhibit a preference of long-term oriented values are more likely to adopt a strong HRM system that is characterized with investment in high performance human resource practices, which are ultimately translated into establishment of an employee- and service-oriented organizational climate and increased levels of actual service quality.

As previously indicated, investing in human capital through high performance HRM practices is seen as particularly risky and costly, especially in the current context. Only owners and managers who strongly believe in the long-term utility of such practices or have strong ideological values that dictate a concern toward employee well-being are likely to undertake this cost. As indicated in my observations within the shops, ensuring customer satisfaction and loyalty is also a goal which poses significant trade-offs against immediate organizational gains. Therefore, owners with a long-term approach towards management are those who define success as not merely based on immediate financial performance through sales, but also on the ability to retain customers in the future by ensuring their satisfaction.

The employee loyalty orientation that I describe here has been previously discussed and investigated in the HRM literature under the heading of HRM philosophy. HRM philosophy has been defined as “a statement of how the organisation regards its human resources, what role the resources play in the overall success of the business and how they are to be treated and managed” (Schuler, 1992, p. 21). Monks et al. (2013) have identified two separate types of such philosophies: Commitment-based HRM aims to enhance employee capabilities, whereas productivity-based HRM focuses on maximizing employee productivity and efficiency.

Currently there are no studies in the literature that has investigated these philosophies from the perspective of employers by inquiring about employers’ actual intentions. However, a study by Nishii et al. (2008) conceptualized and examined them from the perspective of employees. They investigated employees’ internal attributions about the purposes of HRM practices—which essentially reflect their perceptions regarding the HRM philosophies that are in effect—on the basis of (1) the underlying strategic goal (which is similar to the customer loyalty orientation in my model) and (2) employee-oriented philosophy (similar to the employee-commitment orientation in my model) (see Table 2.2). They categorized employee well-being and service quality as part of commitment-focused attributions, whereas they identified exploiting employees and cost reduction as control-focused attributions.

Internal management philosophies that are central to organizational functioning in the retail service shops in my study context also include managerial values and decisions that are geared toward customers. Even though customers are a group of stakeholders who are outside the organization, most of the activities that serve their interests and generate their satisfaction are produced by the way in which work and manpower is organized and conducted within the organization. This is supported by the findings of *linkage research*, which investigates the interrelations between customer-focused processes and employee-focused HRM systems and practices and their effects on employee climates and customer experiences (Heskett, Jones, Loveman, Sasser, & Schlesinger, 1994; Pugh, Dietz, Wiley, & Brooks, 2002; Schneider & Bowen, 1995). The *service profit chain* model proposed by this line of research (as depicted in Figure 2.3) and its findings indicate that employee and customer-related actions and outcomes form an inseparable cycle of the operating strategy. Service capability and quality are

generated by ensuring employee satisfaction and commitment. Furthermore, these forces keep acting on one another in a continuous loop. Indeed, scholars testing this model attributed the success of linking employee and customers to a management philosophy that forms “long-term and mutually beneficial relationships among the company, employees and customers” (Pugh et al., 2002, p. 76). Thus, an examination of managerial philosophies and internal operational processes in a service organization has to address their links with both employee and customer-related aspects of the business strategy.

In line with these theories and findings, I aim to conceptualize and study how the owner’s long-term oriented internal management philosophy shapes HRM content and strength within these shops. Specifically, I expect owners’ long-term oriented internal management philosophies to increase the extent that HRM practices geared towards enhancement of employee skills and commitment (in this case HWPS) are adopted as well as the strength in which these specific practices are carried out—i.e., HRM strength—within the firms. In the next section I further explicate how HPWS practices and HRM strength are linked to these owner philosophies, which in turn are expected to impact shop climates and service quality.

### **2.2.3. Owner’s long-term oriented management philosophy and HPWS**

Consistent with the previously described conceptualization of HRM philosophy, it has been argued that management philosophies of organizations’ key decision makers heavily determine the HRM-related choices made within organizations (Kochan, Katz, & McKersie, 1994). However, there have been very few empirical studies that examine the effects of these management philosophies on the use of HRM. An earlier example of such a study by Osterman (1994) found that the existence of a “high road” HRM strategy, which emphasize quality, variety, and service that offers employees more generous employment conditions (wages, etc.) as well as management values for enhancement of employee welfare were related to firms’ use of flexible work practices. A more recent study tested the competing universalistic and contingency perspectives by examining the high-investment HRM practices for core and support employees

(Lepak, Taylor, Tekleab, Marrone, & Cohen, 2007). The authors found that an employee-centered HRM philosophy, which indicated that “general beliefs of high regard for employee welfare and treatment” (p. 229), predicted the use of HRM practices beyond that explained by industry and firm strategy.

A recent article by Arthur et al. (2014) attempted to answer the question of why HPWS programs are not adopted by all firms, knowing from existing literature that such programs are consistently found to enhance organizational performance. Based on upper echelons theory, the authors explained that the variability in HRM adoption and implementation across firms can be attributed to the different managerial values and beliefs held by top managers. They conducted a survey study with 120 franchised hotels in the U.S. operating under a single holding company and collected data from members of the top management and employees. They found that top managers’ employee-centered value-based beliefs regarding HRM (i.e., “HPWS values”) moderated both (1) the relationship between their beliefs concerning the financial payoffs from investments in HRM (i.e., “HR cause-effect belief”) and the intensity of HPWS programs reported by managers and (2) the relationship between HPWS programs and employees’ perceptions of implemented HPWS practices. These results indicate that management philosophies held by owners and top managers may indeed have powerful effects on the type of HRM practices used as well as how these practices are perceived by employees. Although this study did not measure or test the effects of HRM strength, the authors indicated the implications of their findings for HRM process research by stating that top managers’ values “can affect HPWS implementation by affecting the distinctiveness, consistency, and consensus HPWS programs to both lower-level managers and employees” (p. 16).

The significance of adopting performance-enhancing HRM practices is particularly elevated in the context of SMEs. Evidence suggests that implementation of strategically relevant HRM practices is vital in small firms transition from start-up to growth phase (Heneman et al., 2000; Dobbs & Hamilton, 2007). Despite this reality, findings also suggest that there is quite a large amount of variance among small firms in the extent to which they adopt formalized HRM practices (Barrett & Mayson, 2007).

The variance across SMEs in the extent of complexity in HRM system design can be largely attributed to the differences across owners’ attitudes and actions about HRM

(d'Amboise & Muldowney, 1988; Matlay, 1999). Jack, Hyman, and Osborne (2006) argued that any examination of a small firm's culture and climate must start with looking at the owner since they are the ones who assume the responsibility of channeling and mediating the signals coming from the external environment and shape the way they are interpreted by the organization. Accordingly, it has been suggested that SME owners' ideologies, values and management styles have a large impact on the organizational culture and climate that's been created (Harney & Dundon, 2006b; Haugh & McKee, 2004) and the amount of time, effort, and resources that are used to develop and implement HRM interventions (Cassell, Nadin, Gray, & Clegg, 2002; Klaas & Klimchak, 2006).

SME owners are typically highly involved in the design of employment systems in their firms. The most critical HRM decisions are usually made by the owners due to a lack of formal HRM structure in such firms. Literature suggests that in growing SMEs owners experience a pressing need for delegating the responsibility for HRM (Heneman et al., 2000). Oftentimes SME owners may fail to address this "managerial capacity problem" (Barringer, Jones, & Lewis, 1998), which ultimately hampers firm growth. Indeed study of 576 US start-ups over a ten year period reported that HRM issues are delegated far less often than issues regarding accounting, production, and information systems (Ardichvili, Harmon, Cardozo, Reynolds, & Williams, 1998). Furthermore, SME owners often have difficulty identifying and addressing HRM-related issues (Mazzarol, 2003), even though diagnosing an issue as one that needs an HRM response is an essential prerequisite to allocation of needed resources and implementation of an HRM solution.

In line with these deliberations, I expect that the owner's overall managerial philosophy will have a significant impact on the likelihood of adoption and use of complex HRM practices that are geared towards enhancement of employee skills and commitment (i.e., HPWS). Owners who have a long-term oriented internal management philosophy are more likely to make employment-related decisions and adopt HRM practices that prioritize the retention of employees and customers. Specifically, owners who have a long-term oriented internal management philosophy are expected to more often utilize HPWS practices, which are geared toward enhancing employees' capabilities, satisfaction, and commitment. For example, they would be likely to spend

more time and effort in trying to find better candidates, make sure that they receive adequate training, and pay them salaries that are higher than their competitors. This is because the adoption of such practices demand a high level of investment in employees which is likely to be paid off only in the long term. Conversely, owners with a short-term approach would fail to see the utility in putting such extensive efforts into enhancing their employees' abilities because from their temporal perspective the costs associated with doing so would outweigh the benefits.

*Hypothesis 1: Owner's long-term orientation will be positively related to the use of HPWS practices.*

#### **2.2.4. Owner's long-term oriented management philosophy and HRM strength**

As indicated in the process-based HRM literature, HRM practices and decisions in effect are likely to generate impressions in employees' minds regarding the strength of the HRM system in a particular organization. In the context of a small business, owners are the main determinants of the personnel related decisions and actions and the way in which these are executed. In time and through their close contact with the owner, employees develop their own impressions of that firm's overall approach towards its employees.

While employees observe firm owners' behaviors to understand what it is like to work in that firm, owners' individual characteristics, such as their leadership styles, managerial values and assumptions as well as their business-related knowledge and skills mostly drive how personnel-related issues are handled within the organization (Klaas & Klimchak, 2006). Hence, owners' strategic priorities dictate their short and long-term decisions regarding the internal management of their firms, such as those pertaining to their relationships with their own personnel as well as their external customers. Accordingly, the strategic value and priority that the owners attach to establishing and maintaining the commitment of valued employees and customers will largely impact the type of HRM processes that will be observed within their firms.

Owners who have a long-term internal management philosophy are more likely to establish HRM practices and engage in actions that instill perceptions of HRM distinctiveness, consistency, and consensus among their employees. Specifically, they enhance distinctiveness by ensuring that HRM decisions and practices are salient and readily observable—for example by setting transparent performance criteria that rewards individual effort with predictable outcomes. They may be more likely to provide commitment inducing benefits to all of their employees (rather than a select few), which also contributes to the salience of such practices (i.e., visibility). In order to achieve their goal of employee retention, owners with a long-term oriented philosophy are more likely to make their decision rules for the HRM practices in ways that are more easily understood by their employees (i.e., understandability). They may also be more likely to ensure that their employees see these practices “as relevant to an important goal” (i.e., relevance) (Bowen & Ostroff, 2004, p. 209), such as achieving excellence in customer service.

A long-term approach can drive consistency perceptions by affording owners to engage in decisions and practices that are consistent with one another as well as across time (i.e., consistent HRM messages). This is particularly important because, sometimes, the immediate concerns and interests of the owner may be in conflict with those of the employees. In organizations where a short-term orientated philosophy is dominant, such conditions are more likely to result in a change in HRM practice that may not be in employees’ favor. For example, in times of financial difficulty, short-term oriented management philosophy may bring about a reduction costs by limiting employee gains and benefits. On the other hand, in organizations where a long-term orientated philosophy is dominant such tendencies will be more likely to be suppressed and the exercise of commitment-inducing HRM practices will not falter as much. Furthermore, the use of consistent and repeated reinforcements across time and practices (such as those that reward customer-oriented behaviors) can also increase employees’ perceptions of instrumentality (Bowen & Ostroff, 2004). For example, owners how have strong customer loyalty oriented values may establish a stronger instrumental link between customer service performance and the rewards that employees can attain. Existence of a long-term philosophy that includes employee loyalty oriented values can also lead to HRM practices to be perceived as valid since



employees are more likely to attribute implemented personnel practices as being driven by a desire to enhance their own abilities and commitment rather than exploitation (Nishii et al., 2008).

A long-term value orientation can also enhance perceptions of consensus on the HRM system. Bowen and Ostroff (2004) suggest that consistency can drive consensus since consistent implementation of practices can help employees to develop similar perceptions regarding the HRM practices. Furthermore, the existence of an owner who exhibits a strong and coherent set of long-term oriented values is likely to increase agreement among principal HRM decision makers. Shop managers, who are heavily involved in the daily management of personnel and customer-related issues, may have a stronger tendency to favor employee and customer-oriented policies and practices due to their proximal position and strong socio-emotional links with these stakeholders. However, in shops where owners exhibit short-term preferences that underplay the interests of these parties, a conflict in HRM messages may emerge, which can cause employees to perceive a lack of consensus among HRM decision makers. Conversely, in firms whose owners have a long-term orientation, it may be easier for shop managers to espouse owners' employee and customer-oriented philosophies. Additionally, consensus can also be strengthened by establishing perceptions of fairness among employees. A managerial philosophy that is geared towards ensuring employees' long-term satisfaction with and commitment to the organization entails paying closer attention to different forms of justice in order to establish healthy long-term social exchange relationships with them. For example, owners who have an employee loyalty oriented philosophy are more likely to distribute rewards fairly (i.e., distributive justice), taking and valuing employees' input during decision-making processes (i.e., procedural justice), and openly and respectfully explaining to employees how decisions are made (i.e., interactional justice).

In short, I expect that in shops where owners' internal management philosophies are long-term oriented, employees' collective perceptions regarding distinctiveness, consistency, and consensus of HRM system will be higher.

*Hypothesis 2: Owner's long-term orientation will be positively related to HRM strength.*

### 2.3. Owner's Transformational and Transactional Leadership

As the process-based HRM perspective suggests, one of the critical aspects of an HRM system is how employees perceive and interpret the implemented practices. Bowen and Ostroff (2004) indicate that employees' process of making sense of the message that is signaled by the employers "entails numerous cycles of attending to information, interpreting information, acting on it, and receiving feedback to clarify one's sense of the situation, particularly when events are highly ambiguous or subject to change" (p. 208). In this process the leader of the organization plays the most critical role in making sure that his/her vision and approach toward the internal functioning of the firms is clearly observed and commonly shared by the employees (Hambrick & Mason, 1984). In fact, when team leaders provided team members guidance and direction, it was found that the similarity and accuracy of the team members' mental models about the task were higher (Randall, Resick, DeChurch, 2011).

How organizational leaders interact with and guide employees can be defined, categorized, and examined in various ways (Den Hartog & Koopman, 2001). Within this domain, transformational and transactional leadership constructs have reflected the dominant approach to leadership since their conception (Bass, 1985; Burns, 1978) as the most extensively utilized and investigated framework in leadership literature (Judge & Piccolo, 2004). According to this conceptualization transactional leaders are those who form exchange-based relationships with their followers and focus on specifying the standards of compliance and ensuring enforcement of these through use of both rewards and punishments (Bass, Avolio, Jung, & Berson, 2003). Transformational leadership, on the other hand, entails a focus on the followers' higher order intrinsic needs in order to inspire them to put effort into collectively actualizing an appealing vision for the future (Bass & Riggio, 2006).

Transactional leadership consists of two dimensions: contingent reward and management by exception. *Contingent reward* pertains to how the leader clarifies expectations and establishes rewards for meeting these expectations. *Management by exception* indicates the extent to which the leader takes corrective action due to leader-

follower transactions. This can be achieved in an active or a passive manner. In the active management by exception route a leader monitors the followers' performance and intervene before erroneous behaviors result in adverse outcomes, whereas in the passive version leader delays taking action until problems arise (Bass et al., 2003).

Transformational leaders motivate their followers by (a) acting as role-models who display a high degree of morality, trust, and integrity (i.e., *idealized influence*), (b) providing symbols and emotional appeals to increase commitment to mutual goals (i.e., *inspirational motivation*), (c) encouraging them to question the traditional ways of doing things (i.e., *intellectual stimulation*), (d) paying attention to each individual's developmental needs and providing opportunities for them to grow (i.e., *individualized consideration*) (Bass & Riggio, 2006).

Despite the apparent differences between transactional and transformational leadership styles, they can also be viewed as complementary rather than polar constructs. Bass (1985) advocated the existence of an augmentation effect between these two leadership styles, meaning that in order to be effective the visionary motivation of transformational leadership should be supplemented by existence of some degree of transactional leadership (particularly contingent reward) behaviors. In line with this premise, a meta-analysis conducted by Wang, Oh, Courtright, and Colbert (2011) found that transformational leadership augments the effect of transactional leadership on individual-level contextual performance and team-level performance.

Existing research findings indicate that transformational leadership generally has a high level of validity in predicting followers' attitudinal outcomes (Judge & Piccolo, 2004; Lowe, Kroeck, & Sivasubramaniam, 1996). On the other hand, the results are generally inconsistent for transactional leadership (Yukl, 2012). In their meta-analysis Lowe et al. (1996) found that associations between leadership and subordinate ratings of effectiveness were higher for transformational leadership than transactional leadership. Judge and Piccolo (2004) found that, compared to transformational leadership, the contingent reward dimension showed stronger validity in predicting follower job satisfaction, but had lower validity in predicting follower satisfaction with leader and leader effectiveness. The validity of management by exception—active dimension was even lower than contingent leadership and were less consistent.

Apart from examining the main effects of leadership on followers' outcomes, contingency approach to leadership (Yukl, 2011) emphasizes the importance of examining the potential moderators of these relationships. Podsakoff, MacKenzie, Ahearne, and Bommer (1996) called attention to the lack of adequate research examining these boundary conditions of leadership. To fulfill this need a small number of recent studies have examined the situational factors that regulate the effects of transformational (e.g., Avolio, Zhu, Koh, & Bhatia, 2004; Den Hartog, & Belschak, 2012) and transactional (e.g., Liu, Liu, & Zeng, 2011; Pieterse, Van Knippenberg, Schippers, & Stam, 2010) leadership on employee outcomes. Yet, our existing body of knowledge on such interactive effects is still severely limited, particularly with regard to group-level effects.

A recent conceptual paper by McDermott et al. (2013) has also focused on the interplay between HRM strategies and leadership styles. Using Ability-Motivation-Opportunity (AMO) model (Boxall & Purcell, 2011), they indicated that managerial leadership behaviors can directly or indirectly (through the implementation of HRM practices) influence employees' perceived fulfillment, breach, or violation of the psychological contract. These perceptions, in turn, are likely to influence their levels of ability, motivation, and opportunities to perform as well as the resultant behaviors. They also indicated that a match between HRM strategy and leadership style is likely to result in a higher level of performance. For example, they posited that a long-term, employee-commitment oriented strategy is in concordance with a transformational leadership style. On the other hand, a transactional leadership style was suggested to be congruent with a medium or short-term HRM strategy in which employees are seen as easily replaceable and reflect the organizations' desire to stay flexible in hiring and firing decisions.

In line with the contingency approach, I purport that, in the context of SMEs, the owners' leadership style is a moderator in the relationship between owners' internal management philosophies and the resultant group-level HRM system perceptions. As I mentioned previously, the internal management philosophies signify the intended aspect of HRM systems. However, within organizations these intentions are turned into reality through the actual behaviors, decisions, and actions of organizational leaders. The pattern or general style of leadership that owners exhibit is likely to determine the extent

to which their management ideals are successfully actualized and accurately perceived by their employees. The owners' management philosophies constitute the content of intended organizational objectives—they describe what owners strategically aim to achieve based on their own values and perceptions of the actual organizational possibilities and constraints. Owners' leadership styles, on the other hand, reflect the way in which these objectives are implemented, as a result of the owners' experience and skill in communicating with employees and shaping others' perceptions through sensegiving efforts (Maitlis, 2005). Thus, employees' collective perceptions of organizations' HRM systems are engendered through joint effects of owners' management philosophies and leadership styles.

In the context of management of HRM issues in a small business, owners are likely to vary in the extent that they are actively engaged in the management of the daily operations of their shops. Based on my interviews and observations at the shops, I realized that some owners have a very hands-on management style and like to be very closely involved in all the decisions related to the internal management of their shops. Their strong presence is evident in how often they visit the shops, hold meetings with the personnel, and intervene when they observe an event or behavior that they deem as inappropriate (hence exhibiting high levels of transactional leadership). Some of them (particularly those who own just a few shops) even work in the shops on a daily basis like a regular employee and help carry out various sales and operations activities. During my interviews with the regional sales managers, the issue of whether the heavy involvement of owners in the operation of the shops is favorable or not has been raised many times. Based on their account as well as my own observations in the shops, I expect the answer to this question to depend on the specific qualities of the owners with regards to their approach towards managing the inner-workings of their shops.

Transformational leadership is one of the main ways that managers can facilitate the achievement of desired organizational outcomes (Bass, 1985). Such leaders enhance organizational effectiveness and performance not only by influencing individuals, but also through their direct impact on group-level attitudinal outcomes such as collective efficacy (Walumbwa, Wang, Lawler, & Shi, 2004) and group cohesion (Bass, Avolio, Jung, Berson, 2003). The use of these leadership behaviors by top and middle level managers in organizations is also likely to influence employees' collective perceptions

of HRM systems and practices. Findings from a few existing studies indicate that managers' transformational leadership behaviors are related to HRM process (Pereira & Gomes, 2012). However, we still know little about how such leadership behaviors impact the implementation and employees' perceptions of HRM practices (McDermott et al., 2013).

Owners' exercise of transformational leadership behaviors can further enhance the effects of a commitment-oriented HRM philosophy. This is achieved through a number of ways. Transformational leadership entails a set of behaviors that enhance employees' understanding of the organization's vision (which indicates the strategic implementation of organizational values) and provide meaning to their work in order to motivate them (i.e., inspirational motivation). Hence, employees' are more likely to perceive that the HRM practices implemented by such owners are relevant to important goals. They act as role models by being consistent in conduct with declared organizational ethics, principles, and values (i.e., idealized influence), which ensures that their employee and customer driven long-term orientated values are perceived in a stronger and more consistent manner through HRM practices they implement. Transformational leaders strive to propagate a shared understanding of what the organization is trying to achieve, which can enhance the agreement among HRM decision makers. Lastly, these types of leaders act as mentors and strive to provide opportunities of development for all their followers (i.e., intellectual stimulation; individualized consideration), which is also likely to be seen as a reflection of their employee oriented long-term values.

In sum, I suggest that transformational leadership boosts the effect of a long-term oriented management philosophy on employees' collective perceptions of HRM strength. This expected relationship is depicted in Figure 2.4a.

*Hypothesis 3a: Owner's transformational leadership will have an overall positive effect on HRM strength.*

*Hypothesis 3b: Owner's transformational leadership will moderate the effect of long-term orientation on HRM strength, such that the positive relationship between long-term orientation and HRM strength will be stronger for owners with a high degree of transformational leadership than those with a low degree of transformational leadership.*

Literature suggests that the impact of transactional leadership on employee outcomes can be inconsistent and situation-dependent, given that some studies find positive effects while others indicate negative ones depending on the context, design of the study, and the specific outcome variable that is studied (Judge & Piccolo, 2004; Lowe et al., 1996). This may be explained in part by existence of a number of regulating variables that are not accounted for in prior studies. In the current research context, I expect owners' transactional leadership style to cause a significant differentiation in the way employees perceive the HRM practices. This is because transactional leadership indicates an exchanged-based relationship that poses obligations on employees to fulfill owners' expectations and demands. Transactional leaders closely monitor employees' performance in these regards and may deal with deviations with strong punishments or harsh criticisms. These behaviors can provide the necessary structure to decrease role ambiguity (MacKenzie, Podsakoff, & Rich, 2001) and increase efficiency when the objectives are mutually desirable and beneficial. However, a conflict of interest may arise between the owner and employees if their goals are not in alignment. If owners have a short-term oriented management philosophy that lacks consideration of employees and customers, a transactional leadership style that exerts a high level of control and dominance is likely to be seen by employees as a form of exploitation. These perceptions of exploitation are likely to manifest themselves in perceptions about a number of HRM strength metafeatures, such as a lack of legitimacy of authority in HRM decision makers, low degree of relevance to important goals, and fairness in HRM practices. Thus, under such conditions employees' collective perceptions of the HRM system strength will be low. However, when owners' transactional leadership behaviors are geared toward the actualization of a long-term management philosophy, employees will be more likely to see HRM-related decisions and practices as high in metafeatures that constitute distinctiveness, consistency, and consensus.

I posit that there will be an interaction effect between the influence of owner's internal management philosophy and leadership style on employees' collective HRM strength perceptions. A transactional leadership style reflects a short-term approach to management. Combining this style with an overarching strategy to reap short-term benefits without regard for the long-term interests of organizational stakeholders is

likely to yield lowest perceptions of HRM strength among employees. On the other hand, the guidance and contingent rewards supplied by a transactional leadership style is likely to produce relatively high levels of HRM strength perceptions if they are accompanied with a long-term customer and employee-oriented managerial approach. For owners with low levels of transactional leadership the influence of a long-term management orientation will be weaker. This expected relationship is depicted in Figure 2.4b.

*Hypothesis 3c: Owner's transactional leadership will moderate the effect of long-term orientation on HRM strength, such that the positive relationship between long-term orientation and HRM strength will be stronger for owners with a high degree of transactional leadership than those with a low degree of transactional leadership.*

#### **2.4. Shop Manager's Role in Implementation of HRM**

So far I have discussed the role and influence of the shop owners as originators and one of the main contributors of the organizational strategy and implementation regarding employee and customer-related practices. In line with the previously discussed theories and existing literature, it is reasonable to expect that influences arising from this particular source will account for a significant portion of the variance in HRM and service practices across shops. However, a complete model of the internal influences on organizational implementation also has to explain the role of line managers who oversee the daily operations in organizations.

My interviews and observations at the shops indicated that the influence of managers can show some variance. In some shops the personnel formed a tight-knit team typically led by managers who formed very close personal relationships with all members. These types of managers paid close attention to meeting the needs of their subordinates and tried to motivate them through the use of monetary and non-monetary rewards. As a result they formed long-lasting affective exchange relationships with employees that contributed to the emergence of climates in which both employees and



customers felt that they were cared for. On the other hand, it was not possible to see this type of a strong managerial influence in all shops. In some shops managers had a more superficial role in that they had little impact on strategically managing the inner-workings of their shops. They, for the most part, acted as employees with higher level of seniority and expertise, worked full-time on the shop floor conducting sales, service and operations-related functions with particular involvement in solving customer-related problems that are too complex for lower level employees. Their contribution to the strategic management of human resources was limited since most important decisions were single-handedly taken by the owners. The emergence of this weak managerial role appeared to be driven by a number of factors: (1) the owners' desire to dominate over their shops and their unwillingness to delegate management and decision-making processes to their shop managers; (2) the shop managers' lack of expertise or interest in taking an effective leadership role; (3) having their hands full with routine daily operational responsibilities due to insufficient availability of a competent workforce, which make it difficult to devote the time needed to effective management and leadership activities. Whatever the reasons were, the result was that in such shops the internal managerial influences on employees were dominated by owners alone.

The variability across shops in the extent of leadership role that shop managers assume is likely to be reflected in how strong HRM implementation is. The ability of shop managers to display effective leadership skills during the day-to-day management of their shops is likely to have a generally positive effect on how well their HR decisions and actions are communicated and explained to shop employees. Similar to the proposed effect of owner's leadership, transformational leadership behaviors of the shop manager would also make it possible for employees understand organizational decision rules, develop a common shared perception of the relevance of organizational goals, grasp the instrumental value of the practices implemented and enhance the perceived fairness of the actions taken.

*Hypothesis 4a: Shop manager's transformational leadership will be positively related to HRM strength.*

As I have previously noted, theories focusing on owners' and top managers' agency and power suggest that the dissemination of approaches about managerial priorities takes place in a top-down manner within organizations. I have previously suggested that the owner's managerial philosophy is likely to directly impact the practices adopted and the perceptions generated regarding HRM in the eyes of shop employees. In addition to these direct effects, I also expect that the owner's managerial orientation will also influence employees' perceptions regarding the HRM processes through their joint effects with shop managers' leadership behaviors. While interpreting the existing HRM environment within their shops employees are likely to perceive a stronger situation if they observe that shop managers' transformational leadership behaviors are backed up by the owner's long-term oriented management approach. Such an alignment between owner's strategic intentions and shop manager's leadership style is likely to produce more pronounced positive effects on the resultant organizational processes with regard to distinctiveness, consistency, and consensus of HRM processes. The expected relationship is depicted in Figure 2.5a.

*Hypothesis 4b: The effect of manager's transformational leadership on HRM strength will be moderated by owner's long-term orientation. The positive relationship between shop manager's transformational leadership and HRM strength will be stronger when owners have a long-term orientation.*

The owner's long-term oriented internal management philosophy is also likely to have an effect on how the shop manager's transactional leadership behaviors are interpreted by employees. Similar to the case of owners' transactional behaviors, shop manager's exchange-based approach and controlling tendencies indicated by a transactional leadership style can be attributed to an abusive managerial environment if they are manifested alongside with a short-term oriented overall firm management orientation. On the other hand, these leadership behaviors are likely to be seen as a result of efforts to direct employee efforts in a mutually beneficial direction when the owner exhibits a long-term oriented management philosophy. Hence, similar to the relationship posited in Hypothesis 3c, I expect that owner's long-term orientation to have moderating effect on the relationship between shop manager's transactional

leadership behaviors and HRM strength. The hypothesized shape of the interaction is depicted in Figure 2.5b.

*Hypothesis 4c: The effect of manager's and transactional leadership on HRM strength will be moderated by owner's long-term orientation. Shop manager's transactional leadership will have a negative relationship with HRM strength when owner's long-term orientation is low.*

## **2.5. Shop Climate**

Organizational climate may be defined as “the shared perceptions of and the meaning attached to the policies, practices, and procedures employees experience and the behaviors they observe getting rewarded and that are supported and expected” (Schneider, Ehrhart, & Macey, 2013, p. 362). Early organizational scholars have adopted a molar conceptual and measurement approach to climate, which composed of various dimensions that covered a variety of territories. However, the variability in the results obtained with regards to the validity of such measurements caused researchers to limit their attention to more targeted areas in which the bandwidth and focus of climate is matched with the outcome of interest (Schneider, 1975).

Climate types with regard to content can be further examined by distinguishing between process and outcome climates (Schneider et al., 2013). In climate literature among the most prevalent examples of strategic focused climates for tangible outcomes are climate for customer service and climate for safety. Process climates, on the other hand, focus on organizational processes that form the foundation for outcome climates. Climate of concern for employees, procedural justice climate, diversity climate, and ethical climate can be categorized as such.

### 2.5.1. Climate of concern for employees

One of the most prevalent type of climate perceptions entail employees' observations and judgments about how they are treated by their organizations. Looking at the type practices adopted by the organization (such as HRM practices) as well as the manner in which they are implemented, employees develop their own cognitive appraisals (i.e., individual-level psychological climate perceptions) of the extent to which the organization values and cares about its employees' well-being, which are identified as a *climate of concern for employees* (Burke, Borucki, & Hurley, 1992). Exposure to similar experiences across time causes employees' perceptions to converge and form shared collective cognitions that form the basis of organization-level climates (Schneider et al., 2013). Accordingly, the use of HRM practices that enhance employees' competencies, commitment, and performance (such as HPWS) is likely to enhance employees' perceptions that the organization values them highly. For example, use of selective hiring procedures, higher than average compensation and training programs that encourage personal development and high performance are likely to be seen as indications of the high value that organizations attach to its employees. Practices geared toward enhancing employees' autonomy and participation are also likely to make people feel more valued and empowered. Indeed results of prior empirical studies indicate support for the link between HPWS practices and organizational climates of employee support (Chuang & Liao, 2010; Takeuchi et al., 2009)

*Hypothesis 5: The use of HPWS practices will be positively related to the climate of concern for employees.*

In addition to the type of practices adopted as indicated by HPWS, employees' collective perceptions of HRM strength may also be related to the emergence of a climate of concern for employees. Bowen and Ostroff (2004) suggest that the meta-features of the HRM system signal the employees what the organization values and thereby facilitate the formation of an intended climate. If placing high emphasis on the value-added by the employees is an essential part of an organization's strategic objectives and this priority is reflected effectively through the design and

implementation of a strong HRM, this is likely to result in the emergence of a higher level of climate of concern for employees.

*Hypothesis 6: HRM strength will be positively related to the climate of concern for employees.*

### **2.5.2. Service climate**

In organizations where servicing customers constitutes a major part of the business function, enhancing and maintaining high quality in the services offered is critical for ensuring satisfaction of customers and, ultimately, the overall organizational bottom line. Unlike production, the service function is more intangible, has weak boundaries between employees and customers, and involves more immediate consumption and feedback (Schneider & Bowen, 1993). It is extremely difficult for managers to constantly and effectively oversee the delivery of these services. Hence, managers have to build a climate of service among their employees (Hong, Liao, Hu, & Jiang, 2013).

In their paper that reviews the relevant literature, Bowen and Schneider (2014) define *service climate* as a “shared sense people who work for an organization have, where policies and procedures, and the expected and rewarded employee behaviors, emphasize service excellence” (p. 6). Specifically it entails “what happens in people’s work units with regard to the service-focused policies, practices, and procedures they experience as well as the behaviors they observe being rewarded, supported, and expected” (p. 7). The authors have identified three main antecedents of service climate, which are: leadership (including transformational leadership as well as close supervision of everyday mundane tasks), HRM practices, and systems support from operations, marketing, IT, etc.

In explaining the mechanism of how HRM practices influence organizational outcomes (i.e., the “black box”), one of the most important arguments entail social dynamics that takes place within the firm. It has been argued that HRM systems impact the internal social structure by bridging weak network ties, establishing generalized

norms of reciprocity, facilitating shared mental models, role making, and organizational citizenship behaviors (Evans & Davis, 2005). In line with these arguments, empirical findings suggest that, in customer service settings, HPWS practices facilitate the formation of a unit-level service climate, which in turn enhance employees' service behaviors and customer experiences (Chuang & Liao, 2010; Hong, et al., 2013; Rogg, Schmidt, Shull, & Schmitt, 2001). HPWS practices engender service climate by motivating employees to pursue high-performance goals (Huselid, 1995), supporting employees' performance by providing training and autonomy (Salanova, Agut, & Peiró, 2005), encouraging initiative taking and problem solving by allowing self-management and flexibility (Jong, Ruyter, & Lemmink, 2004), and establishing the expectations to engage in desirable employee behaviors, such as attendance, intention to remain in the organization, and organizational citizenship behaviors (Kehoe & Wright, 2010). Researchers have called for more empirical work to be conducted to further examine these effects (Bowen & Schneider, 2014).

*Hypothesis 7: The use of HPWS practices will be positively related to service climate.*

In addition to the effect of the actual selection of HRM practices that are implemented, the process-based approach to HRM suggests that employees' subjective perceptions regarding the overall HRM system are likely to influence their job and organization related attitudes and behaviors. In line with this notion, Bowen and Ostroff (2004) purported that "strength of the HRM system will foster the emergence of organizational climate (collective perceptions) from psychological climates (individual-level perceptions)". This is due to the fact that the influence situation that is created by the strong HRM system will reduce the variability in employees' perceptions by inducing uniform expectancies about which behaviors and outcomes are desired and rewarded within the organization. Fostering a uniform perception of a strong HRM system across the organization allows managers to build an "intended" climate rather than a haphazard one (Bowen & Ostroff, 2004) and thereby support organizational performance. For example, in the context of a specific HRM practice—i.e., management-by-objectives—employees' perceptions of distinctiveness, consistency,

and consensus of the system were found to significantly predict the related goal climate level and strength among organizational units (Aksoy & Bayazit, 2014).

As previously explained, the strategic HRM literature suggests that commitment-enhancing HRM systems are likely to foster the emergence of a strong service climate in service settings. In line with the premises of the process-based HRM perspective, I expect that, in addition to the HRM practices selected to be implemented, the actual manner of implementation as reflected by employees' perceptions of HRM distinctiveness, consistency, and consensus will also predict the degree of service climate observed by the employees.

*Hypothesis 8: HRM strength will be positively related to service climate.*

### **2.5.3. The interactive effects of HPWS and HRM strength on shop climates**

The existence of a strong HRM system in an organization constitutes a strong situation in which variability among employees regarding the situational expectancies are reduced (Bowen & Ostroff, 2004). On the contrary, lack of a strong HRM system causes ambiguities in the eyes of employees about what is expected of them, which hinders the formation of a uniform climate as intended by organizational leaders. At the individual level of analysis it has been posited that a strong situation elevates the relationship between the antecedents and outcomes, as in the case of the relationship between personality traits and individual performance (Beaty, Cleveland, & Murphy, 2001; Hough & Schneider, 1996). At the group level of analysis, existing research on organizational climate suggests that situational strength has a moderating effect on organizational outcomes, such as its shown effects on the relationship of innovation climate with group satisfaction and commitment (Gonzalez-Roma, Peiro, & Tordera, 2002), procedural justice climate with team performance and team absenteeism (Colquitt, Noe, & Jackson, 2002), and service climate with customer satisfaction (Schneider et al., 2002).

As a type of situational strength indicator, a similar interactive effect of HRM system strength was also suggested by Bowen and Ostroff (2004). Since the release of

their paper, a few studies have been conducted to empirically investigate this link. One study conducted at hairdresser shops in China found that shop level HRM strength (measured as the level of similarity between owners/managers and hairdressers about the perceptions of company HRM practices) moderates the relationship between employee perceived HRM practices and employees' affective commitment to their shops at the individual level (Chen et al., 2007). In a Chinese sample of hotel branches it was shown that unit-level shared perceptions of HR practices (which the authors called HPWS climate strength) increases both the positive relationship between consensus and work satisfaction, and the negative relationship between consensus and intention to quit (Li et al., 2011). Lastly, a survey study conducted at Greek organizations found that HRM strength (i.e., distinctiveness, consistency, and consensus dimensions) strengthens the influence of perceived HRM content on employee reactions, which include motivation, organizational commitment, work engagement and organizational citizenship behaviors (Katou et al., 2014). In line with these findings, in addition to the aforementioned main effect, I expect to find that HPWS and HRM strength will have interactive effects on shop-level climate perceptions. Specifically, I expect the existence of a high degree of HRM strength to strengthen the positive relationship between HRM practices and shop climate. These proposed relationships are depicted in Figures 2.6 and 2.7.

*Hypothesis 9: The effect of HPWS on (a) climate of concern for employees and (b) service climate will both be moderated by HRM strength. This interaction will be such that the relationships between HPWS and both climate types will be more pronounced when HRM strength is high than low.*

#### **2.5.4. The relationships between the climate of concern for employees and service climate and quality**

As previously discussed, HRM practices in the form of HPWS are suggested to enhance organizational performance through two ways: First, by facilitating the formation of a strategically focused climate, they indicate to employees which



organizational objectives are supposed to guide their collective efforts (Bowen & Ostroff, 2004). In the case of customer service, HRM practices and policies are likely to provide the necessary guidelines and skills to interact effectively with customers (Towler, Lezotte, & Burke, 2011). For example extensive training allows employees to gain knowledge about the company's products and services to be delivered in a customer-oriented manner.

Second, HPWS practices—such as performance evaluations and reward systems that are tied to strategic objectives—can provide employees with the motivational push needed to strive for excellence in service. One of the main ways in which HPWS impact employees' customer-related behaviors and organizational outcomes is by generating a climate of concern for employees. Use of commitment and performance enhancing HRM practices leads to a collective perception among employees that they are valued and cared for. Empirical evidence also provides support for the link between these two types of climate perceptions. In the context of a retail environment, Burke et al. (1992) conceptualized climate of concern for employees and service climate as two dimensions of higher order model of psychological climate and found that, at the individual level, these two factors reflect highly related value-based schemas. The findings of a later study conducted by Towler et al. (2011) with the automotive services stores indicated that a climate of concern for customers mediated the relationship between concern for employees and customer satisfaction. Hence, I also expect the climate of concern for employees to impact the emergence of a service climate.

*Hypothesis 10: The climate of concern for employees will be positively related to service climate.*

Apart from its indirect effect through service climate, employee concern climate may also have a direct influence on service quality. From a social exchange perspective (Gouldner, 1960) the norm of reciprocity suggests that, employees are likely to reciprocate the favorable treatment from their employer by exerting more effort (Eisenberger, Cummings, Armeli, & Lynch, 1997). In addition to the social exchange dynamics, providing organizational support may “serve as a socio-emotional resource for employees” (Armeli, Eisenberger, Fasolo, & Lynch, 1998, p. 289), which is particularly vital in service settings where employees typically have to deal with the

emotional labor related to continuous customer contact and the difficulties of customer-related problem solving. In support of these relationships, Vandenberghe et al. (2007) studied fast-food restaurants and found that unit-level perceived organizational support enhanced service quality in the form of helping behaviors after controlling for individual-level organizational support perceptions. Other studies have also showed that climate of concern for employees together with service climate are both positively linked to service performance (Borucki & Burke, 1999; Chuang & Liao, 2010). Hence, I expect that the level of climate of concern for employees positively influence level of service quality of the shops.

*Hypothesis 11: Climate of concern for employees will be positively related to shops' service quality, measured through customer satisfaction scores.*

#### **2.5.5. The relationship between service climate and customer service quality**

As suggested by climate literature, the development of an intended organizational climate allows organizations to guide individuals' attitudes and behaviors in the desired directions. This is facilitated by allowing employees to understand organizational priorities and the related behaviors or outcomes the management expects and rewards (Bowen & Ostroff, 2004). Specifically, service climate emphasizes and encourages employee behaviors that facilitate the delivery of high quality of service to customers. These behaviors are ultimately geared toward the purpose of ensuring customer satisfaction. In line with the premises of the organizational climate theory, findings from empirical studies suggest that there is a significant positive relationship between employees' perceptions of service climate and customers' satisfaction with services they received (Dietz, Pugh, & Wiley, 2004; Johnson, 1996; Schneider, Ehrhart, Mayer, Saltz, & Niles-Jolly, 2005; Schneider et al., 1998) and loyalty (Salanova, et al., 2005). Thus, I also expect to find a positive relationship between the level of service climate observed within shops and their customer satisfaction scores.

*Hypothesis 12: Service climate will be positively related to shops' service quality..*

### **2.5.6. Group cohesion as a moderator on service climate and service quality**

In understanding the formation of group climates, it is possible to identify two parallel processes that are concurrently in effect. The leadership driven approach allows us to examine and understand the effects of how organizational climates are shaped by the actions engaged and the systems established by organizational leaders. For example, in the context of this research, I have examined the climate shaping practices of shop owners in the form of HRM systems and processes. As Bowen and Ostroff (2004) suggested, these HRM components signal to employees what is expected of them from a managerial perspective. However, an alternative channel that also serves as a source of information and interpretation is the nature and extent of horizontal social interaction within groups.

Understanding the role of social interactions within workgroups is particularly important in the context of small and collaborative team contexts where interdependencies between employees have a large impact on unit's success (Stewart & Barrick, 2000). My observations within the study context indicates that the shops where technological products and services are offered to the customers typically require a high level of teamwork. Despite the existence of individual level goals and rewards in some organizations, the nature of the work itself is such that one's performance is heavily dependent on the support he/she receives from his/her coworkers. In fact, this is one of the main reasons why the existence of a strong shared understanding of customer service quality is one of the critical long-term success factors for these shops.

One of the important aspects of social processes and interactions in work groups is cohesion. Cohesion reflects a general affective social bond between the members of a group that share tasks and collective activities (Luria, 2008), which have been defined in the literature in a number of distinct but related ways (Kozlowski & Bell, 2003), but the most commonly utilized definition of cohesion entails the extent to which the members are attracted to and wish to remain in the group (Evans & Jarvis, 1980). In cohesive groups, members exhibit high levels of interaction and agreement with other members (Shaw, Robbin, & Belser, 1981).

From a social-interactionist perspective, interactions between group members play a key role in the construction of meaning within organizations (Blumer, 1986). As explained by Weick (1995), the complexity of the information in an environment is interpreted and understood through a process of collective sense-making that involves communication and discussion of key events among group members. Hence, to the degree that subordinates engage in social interactions while attempting to understand those events, a clear and homogeneous interpretation of the collective meaning and group norms (i.e., climates) can emerge. It has been found that the extent of social interaction between group members is positively related to groups' climate perceptions and strength (Gonzalez-Roma et al., 2002; Klein, Conn, Smith, & Sorra, 2001). Furthermore, it has been found that the effect of leadership behaviors geared towards shaping the collective meaning within groups (i.e., transformational leadership) on climate strength (i.e., safety climate) is moderated by degree of group cohesion, indicating that leader and peer driven factors have complementary and concurrent influences on climate formation (Luria, 2008). I also purport to find a similar relationship with respect to the effect of HRM strength on climate. Both HRM strength and group cohesion will be positively related to group climate. The highest level of climate will be observed when both HRM strength and group cohesion are high, and the lowest level will be when both variables are low. The expected relationship is depicted in Figure 2.8.

*Hypothesis 13a: The effect of HRM strength on climate of concern for employees will be moderated by group cohesion. This interaction will be such that the positive relationship between HRM strength and climate of concern for employees will be stronger when cohesion is low than high.*

*Hypothesis 13b: The effect of HRM strength on service climate will be moderated by group cohesion. This interaction will be such that the positive relationship between HRM strength and service climate will be stronger when cohesion is low than high.*

As individuals learn of others' experiences as well as their own, social interactions between group members enable the formation of perceptions regarding group norms. Cohesion is closely linked to groups' behavioral and performance

outcomes (Beal, Cohen, Burke, & McLendon, 2003). However, the relationship between these variables may be dependent on other factors. Langfred (1998) has pointed out the inconsistencies in the findings examining this relationship and purported that, in fact, the effect of cohesion on performance is determined by group norms. This is due to that highly cohesive groups have more power to induce conformance to group norms than non-cohesive groups (Feldman, 1984). Hence the existence of cohesion in a group that also has strong task norms is likely to yield a greater amount of task-oriented employee behaviors than a group with low degree of cohesion. On the other hand, high levels of group cohesion when there is a lack of task-oriented norms is likely to result in dysfunctional outcomes in performance. The results of Langfred's (1998) study with Danish army personnel indicated that groups with high cohesion and task norms had the highest level of group performance, whereas groups with low level of task norms with high cohesion had lowest level of performance.

Another study by Gammage, Carron, and Estabrooks (2001) utilized scenario-based experimental design and found that the group's norm for productivity moderated the relationship between group cohesion and individual performance. Again, highest performance expectation was obtained when high productivity norms were combined with high cohesion. Furthermore, the effect of norms on performance was diminished when cohesion was low.

The detrimental effect of high cohesion in the absence of task norms can be related to social loafing. Social loafing takes place when motivation and effort is reduced when working collectively as opposed to individually (Latane, Williams, & Harkins, 1979). Høigaard, Säfvenbom, and Tønnessen (2006) conducted a study with soccer teams in Norway and found a significant three-way interaction effect (task cohesion  $\times$  social cohesion  $\times$  performance norm) on perceived social loafing. Their results indicated that the establishment of performance norms produced the largest decrease in social loafing in teams with low task and high social cohesion.

Group norms constitute one of its essential components of work climates. Härtel and Ashkanasy (2011) identified the core aspects of organizational culture and climate as consisting of (1) values in action, (2) the norms shared among organizational members, and which leaders endeavor to enact among their employees, and (3) employees' organizational knowledge structures. The studies that I mentioned so far

have explained and examined the interactive link between group norms and cohesion on performance. The effect of the other two aspects of climate on performance, on the other hand, can also be strengthened by group cohesion. Elevated social interactions and the sensegiving efforts that are typical of cohesive groups are more likely to enhance the degree to which group values are embraced by members and translated into actual efforts to perform in accordance with these values. Social cohesion is also likely to increase the salience of knowledge among group members about behaviors, processes, and outcomes that are prescribed by a strategically focused climate. For example, in the case of service climate, members of cohesive groups are more likely to feel compelled to act in line with the group's prevalent service values. Their ability to do so will also be enhanced since they will be more likely to acquire the knowledge necessary for delivering high quality service to customers.

Despite the importance of the nature of social interactions in ensuring compliance with the mandates of a strategically focused work climate, these effects haven't yet been adequately examined. To my knowledge, only one such study exists, which is conducted by Yagil and Luria (2010) with manufacturing organizations in Israel to investigate safety climates. The results of this study indicated that the relationship between employees' safety climate perceptions on safety compliance was moderated by the quality of relationships with co-workers. Specifically the effect of safety climate on safety compliance was found to be more pronounced when the quality of the relationship with coworkers was high. However, in contrast to previously mentioned findings involving task norms, this study has found that relationship with coworkers had a compensatory effect since it enhanced safety compliance when safety climate was low. This is likely to be due to the specific nature of the safety context where caring behavior towards co-workers (in the form of making safety suggestions and removing obstacles) can take place due to genuine concern arising from group cohesion, irrespective of the management's concern for safety.

In light of these ideas and findings, in this study I expect the degree cohesion among shop employees to impact the effect of service climate on the quality of the services delivered to customers. I also expect this effect to be similar to the relationship reported by Langfred (1998) regarding the interactive effects of group norms and cohesion on performance. Shops with a low service climate and high group cohesion

will have the lowest level of service quality, but an increase in climate perceptions will produce a more rapid rise in service quality among shops with high cohesiveness than those with low cohesiveness. The expected relationship is depicted in Figure 2.9.

*Hypothesis 14: The effect of service climate on service quality will be moderated by group cohesion. This interaction will be such that the positive relationship between service climate and quality will be stronger when cohesion is high than low.*



## 2.6. Figures and Tables

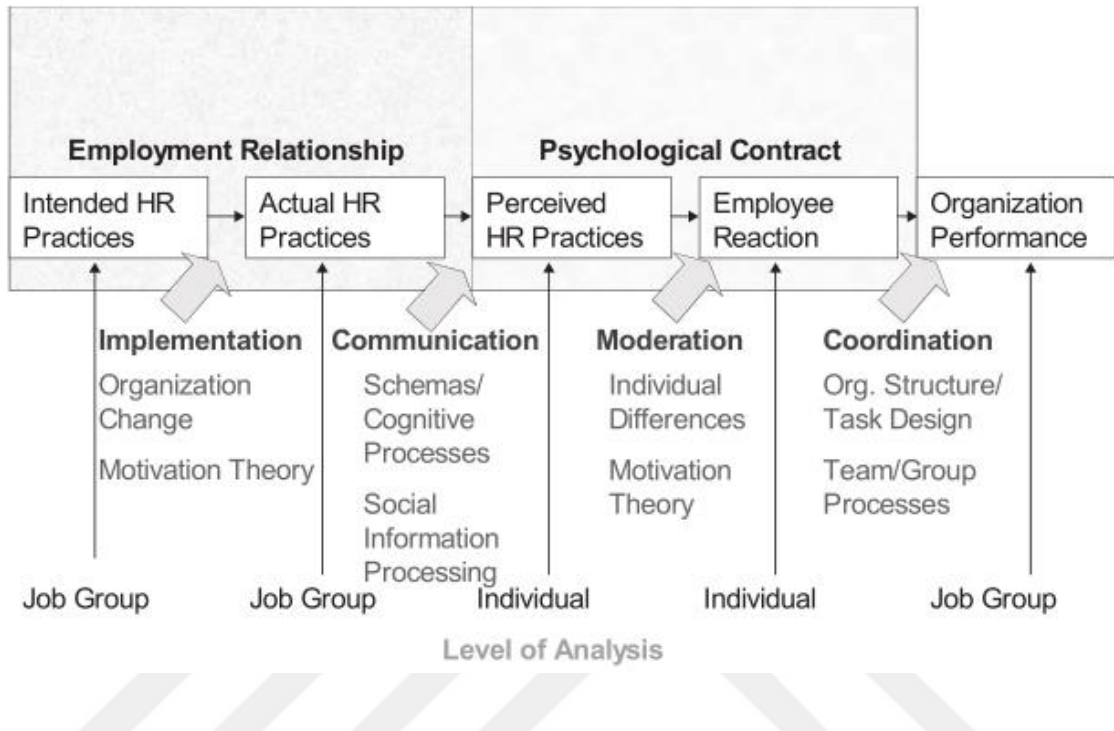


Figure 2.1. Nishii and Wright's (2008) process model of HRM



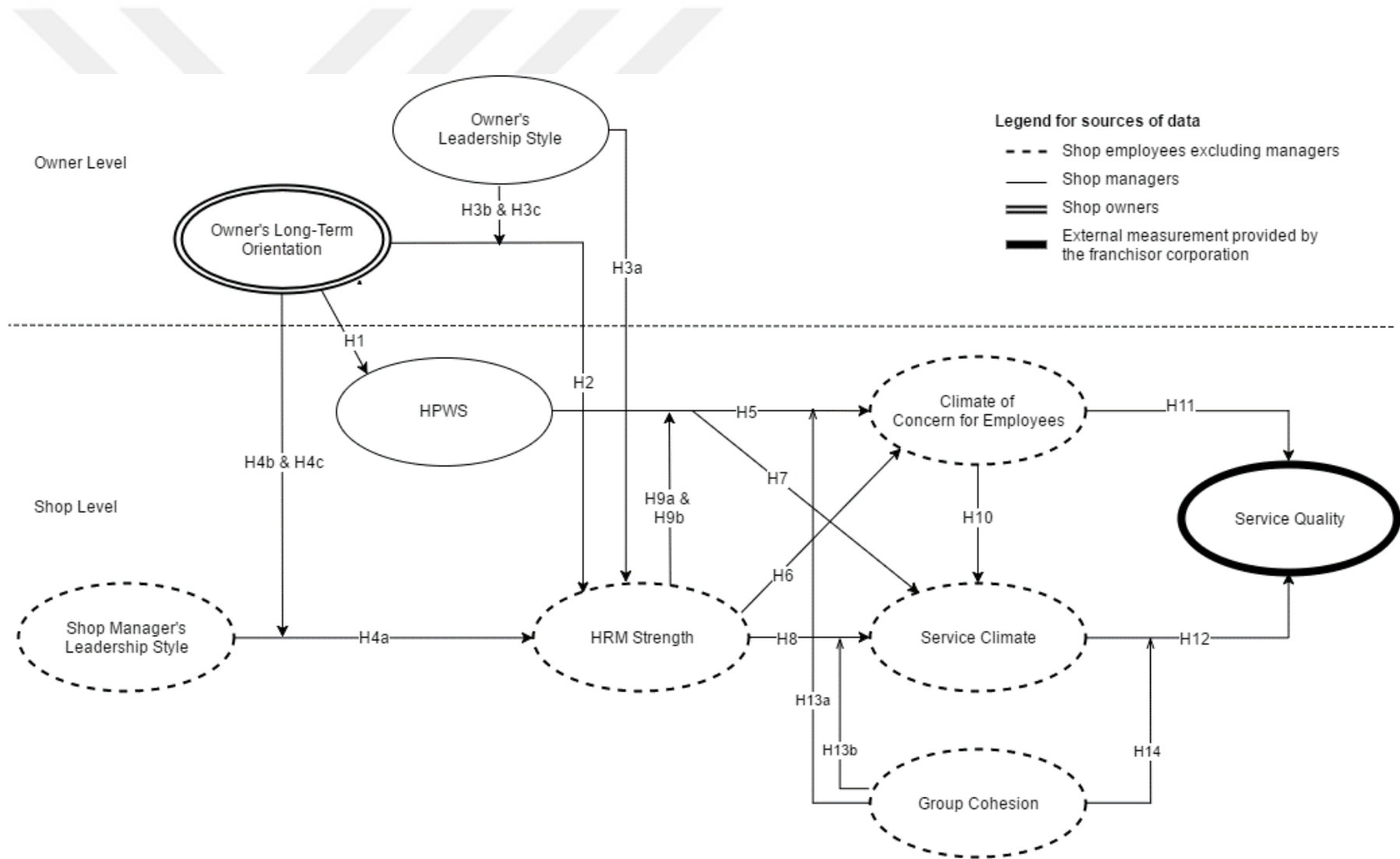


Figure 2.2. The hypothesized overall research model.

*Table 2.1*

*Bowen & Ostroff's (2004) Meta-Features of a Strong HRM System*

<b>Distinctiveness</b>	<b>Consistency</b>	<b>Consensus</b>
<ul style="list-style-type: none"><li>• Visibility</li><li>• Understandability</li><li>• Legitimacy of authority</li><li>• Relevance</li></ul>	<ul style="list-style-type: none"><li>• Instrumentality</li><li>• Validity</li><li>• Consistent HRM messages</li></ul>	<ul style="list-style-type: none"><li>• Agreement among principal HRM decision makers</li><li>• Fairness</li></ul>



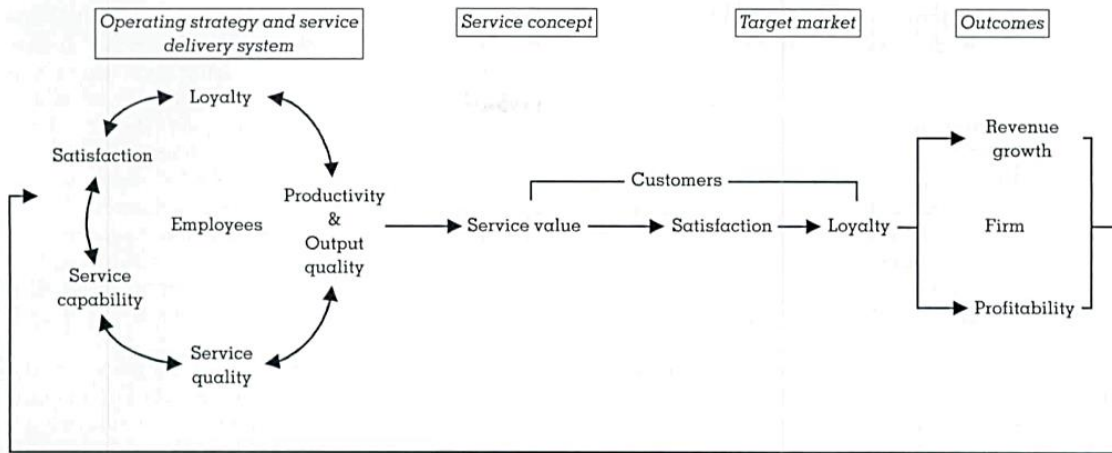


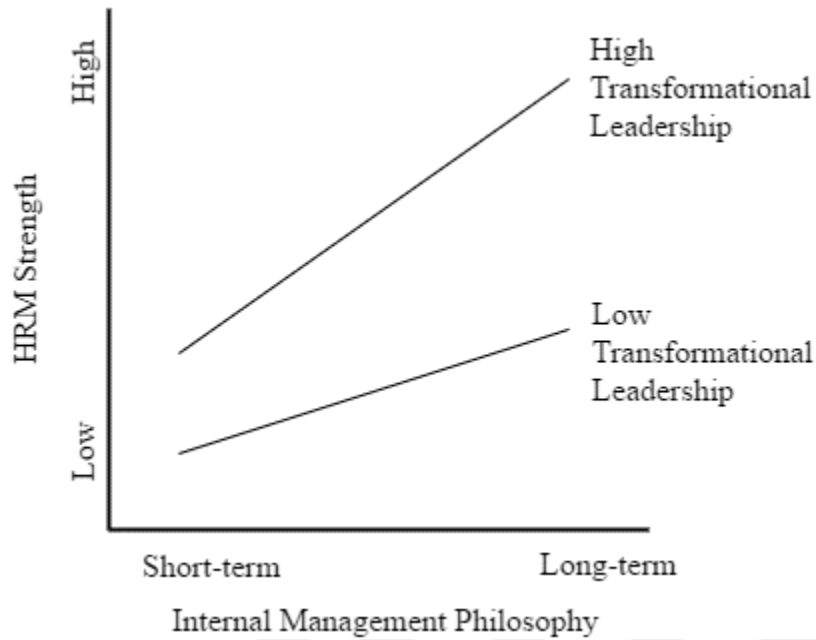
Figure 2.3. The service profit chain. Originally developed by Heskett, Jones, Loveman, Sasser, & Schlesinger (1994), adapted by Pugh, Dietz, Wiley, & Brooks (2002).

Table 2.2

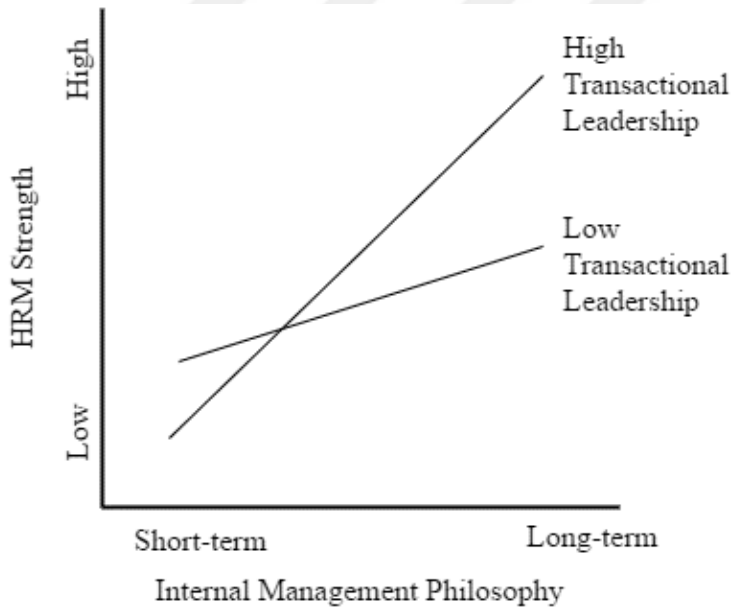
*Nishii, Lepak, and Schneider's (2008) Typology of HRM Attributions*

	Internal attributions		External attribution
	Business/strategic goal underlying HR	Employee-oriented philosophy	
Commitment-focused	Service quality	Employee well-being	Union compliance
Control-focused	Cost reduction	Exploiting employees	



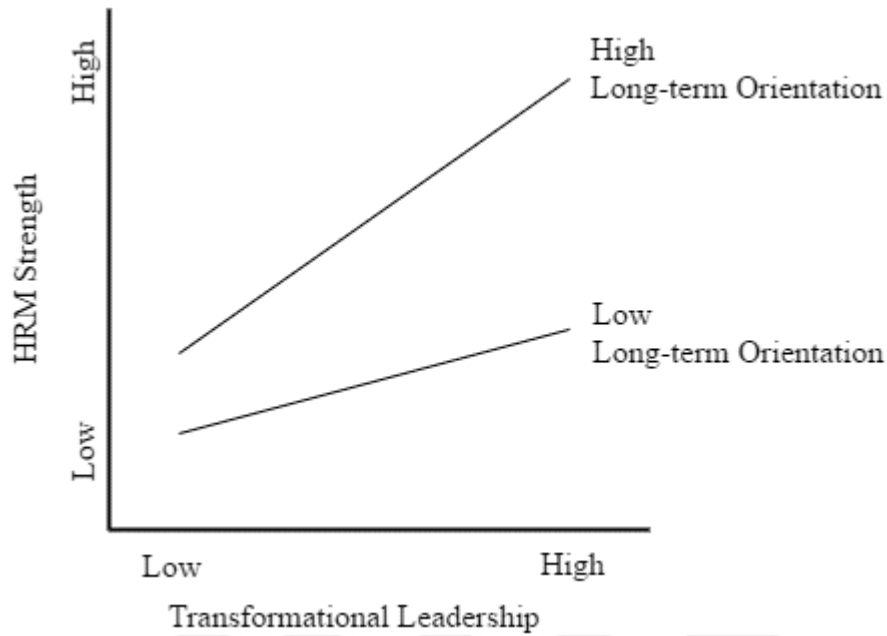


(a)

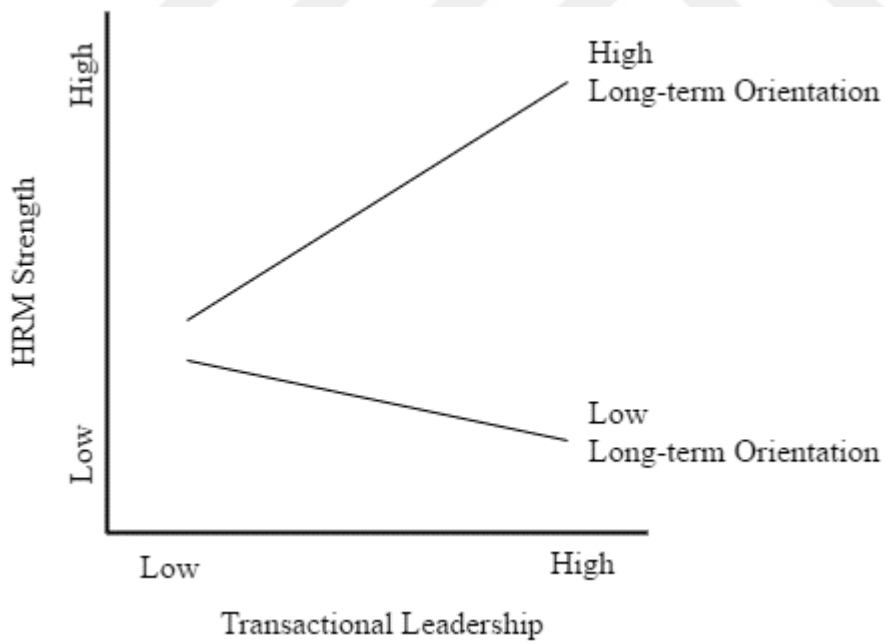


(b)

Figure 2.4. Plot of hypothesized interactions between owner's long-term orientation and owner's (a) transformational and (b) transactional leadership on HRM strength.

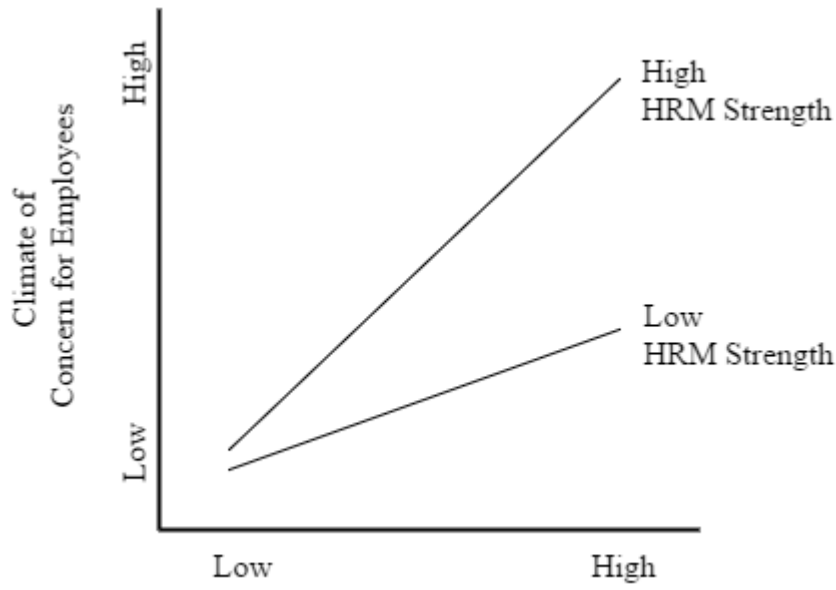


(a)



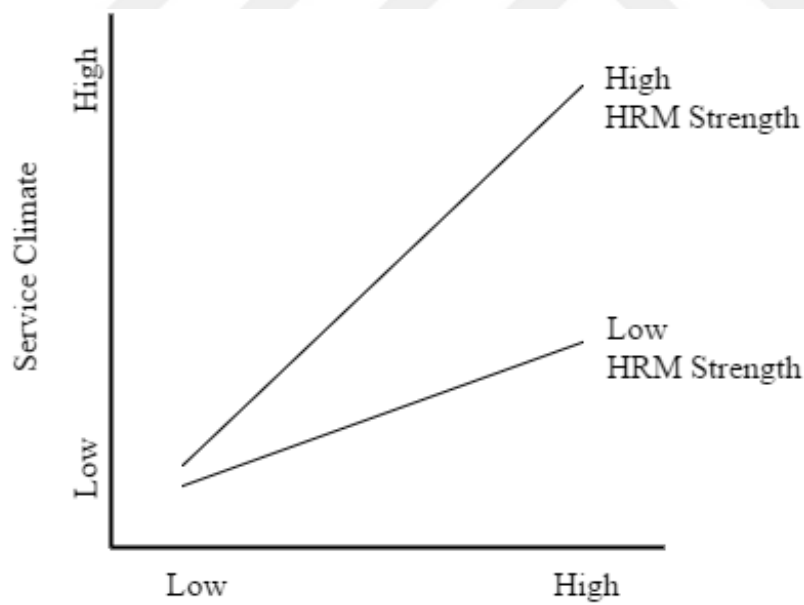
(b)

Figure 2.5. Plots of hypothesized interactions between owner's internal management philosophy and shop manager's (a) transformational and (b) transactional leadership on HRM strength.



HPWS

(a)



HPWS

(b)

Figure 2.6. Plots of hypothesized interactions between HPWS and HRM strength on (a) climate of concern for employees and (b) service climate.

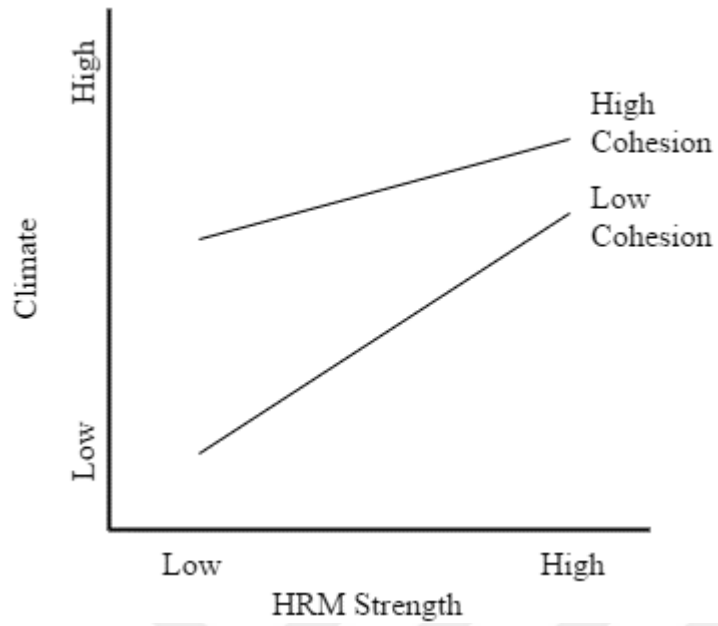


Figure 2.7. Plot of hypothesized interaction between HRM strength and group cohesion on climates of concern for employees and service.



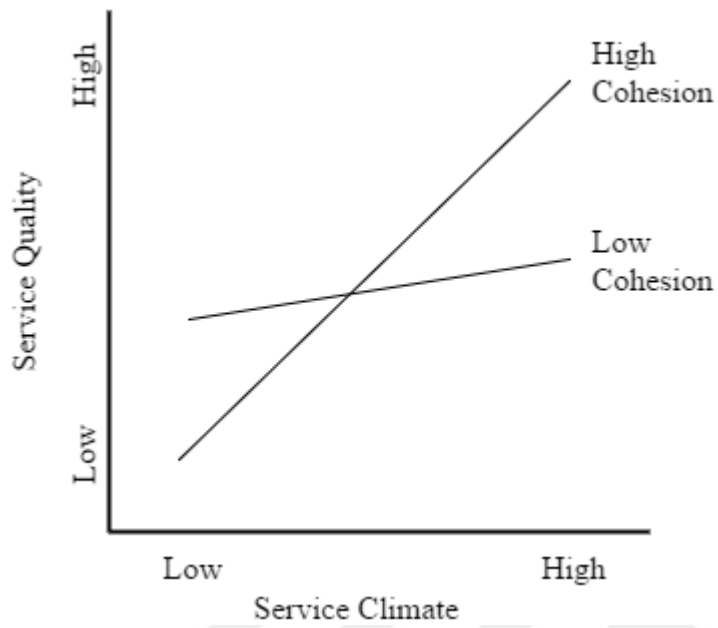


Figure 2.8. Plot of hypothesized interaction between service climate and group cohesion on service quality.

### 3.

#### **A PRELIMINARY STUDY ON INTERNAL MANAGEMENT PHILOSOPHY PROFILES**

Using data provided by the franchisor corporation, I conducted stratified random selection (on the basis shop size, customer segmentation, geographical location, and monthly sales performance) to determine 15 shops in the Istanbul area. I visited these shops and conducted in-depth interviews with 14 owners. I have used the qualitative data I obtained from these visits to examine whether there is sufficient indication pointing towards the existence of the managerial philosophies and profiles that I've hypothesized.

The second step of the preliminary study involved content analysis and rating of the anecdotal data. As a team of two coders, my colleague and I first talked about the definitions and contents of the two constructs of interest: owner's employee and customer-loyalty orientations. In general, we defined the following indicators of these orientations: owner discourses and acts that (1) prioritize the interests of these two stakeholders above others and (2) exhibit an active and determined effort to retain employees and/or customers. We then carefully listened to the entire interviews and took extensive notes on the owners' accounts of employee and customer-related opinions and events. Then, using, we independently rated each owners' interview in terms of their 1) employee loyalty and 2) customer loyalty orientations. We then compared the scores (given on a scale of 5) and the correlation between our scores was .72. We then discussed the discrepant scores and decided on a mutually-agreed score for those cases.

To examine the impact of owners' philosophies on employees' perceptions, we acquired data from the franchisor corporation's headquarters by inserting additional

measures into their periodic employee satisfaction survey. In this analysis we used responses to two measures: 1) employee work engagement measure, developed and utilized by the Gallup research project (Harter, Schmidt, and Hayes, 2002), and 2) service climate (Bowen & Schneider, 2014). Branch employees filled out these surveys using the franchisor corporation's online employee interface.

Among the 1572 employees who participated the survey, our sample population was selected as those who worked in the shops possessed by the 14 owners interviewed in the qualitative study. Of the 322 employees who worked in these shops at the time, 114 had filled out the questionnaire. This indicated a response rate of 35.4 %. Information on the demographics of the final sample is presented in Table 3.1.

The individual level scores were aggregated to the owner level and the descriptive statistics of these results are presented in Table 3.2.

To examine the construct validity of the measurements, a principle component analysis was conducted, where two factors emerged with eigenvalues below 1 and explained 53% of the variance. The item loadings calculated with a Varimax rotation indicated conceptually meaningful structure and produced values ranging from .31 and .83.

The correlations between owner orientations and employee perceptions were calculated. Spearman rho value between owner's employee loyalty orientation and employees' work engagement was found as .50 ( $p = .07$ ), and between owner's customer loyalty orientation and service climate was .53 ( $p = .05$ ). These values are very close to the acceptable level of significance and can be considered meaningful considering the very small size of the sample.

In a second group of analyses owner's orientation scores were categorized into two groups (scores of 1, 2, and 3 into low group, scores of 4 and 5 into high group). The mean differences between the two groups were compared using t-tests. The results indicate that mean employee perceptions (both engagement and service climate) in high owner employee and customer loyalty orientation groups are significantly higher than those in low groups (shown in Table 3.3).

Lastly, the existence of hypothesized orientation profiles (as seen in Figure 2.4) were investigated. For this purpose owners were categorized into three groups (based on their high-low categorization in the previous analysis). Those with high orientation scores in

both dimensions, 2) those with high scores in either one of the dimensions, and 3) those with low scores into both dimensions. Then the total employee perceptions (including work engagement and service climate) of the owners across profile groups were compared using ANOVA. Results (presented in Table 3.4) indicate that, in line with my expectations, employees in the long-term effectiveness (high-high) group has the highest mean, whereas the short-term effectiveness (low-low) group has the lowest.

In short, the findings of this small scale preliminary study supports the existence of the hypothesized managerial philosophy profiles among owners in the population of interest. Furthermore, the effects of owner's temporal orientation on employees' perceptions appear to be in line with my previous assertions.

### 3.1. Figures and Tables

Table 3.1  
*Demographics of Preliminary Survey Respondents*

<b>Variable</b>		<b>N</b>	<b>Ratio (%)</b>
Gender	Male	84	73.7
	Female	30	26.3
Marital status	Single	79	69.3
	Married	35	30.7
Firm experience	0 to 6 months	12	10.5
	7 to 12 months	23	20.2
	13 to 18 months	9	7.9
	19 to 24 months	17	14.9
	25 to 36 months	10	8.8
	37 months and up	43	37.7
Education	Primary school	3	2.6
	Middle school	9	7.9
	High school	67	58.8
	Vocational degree	17	14.9
	Bachelor's degree	15	13.2
	Master's degree	1	.9
	Doctorate	2	1.8

Table 3.2

*Descriptive Statistics for Measures at the Owner Level of Analysis*

<b>Variable</b>	<b>Measurement method</b>	<b>Scale</b>	<b><i>M</i></b>	<b><i>SD</i></b>
Owner's employee loyalty orientation	Scoring of qualitative data	5	3.57	1.45
Owner's customer loyalty orientation		5	3.14	1.41
Employees' work engagement	Employee surveys	6	4.38	.63
Service climate		6	4.68	.58

*Notes: N = 14.*

Table 3.3

*Comparison of Employee Perceptions In Shops Owned by Owners Who Have High vs. Low Long-Term Orientations*

<b>Dependent variable</b>	<b>Owners' orientations</b>		<i>N</i>	<i>M</i>	<i>SD</i>	<i>t</i>	<i>p</i>
Employees' work engagement	Owner's employee loyalty orientation	Low	5	3.93	.36	-2.61	.02
		High	9	4.63	.63		
Service climate	Owner's customer loyalty orientation	Low	6	4.31	.56	-2.37	.04
		High	8	4.96	.45		

Table 3.4

*Comparison of Total Employee Perceptions In Shops Owned by Owners Who Have Different Managerial Philosophy Profiles*

<b>Dependent variable</b>	<b>Owner's management philosophy profiles</b>	<i>N</i>	<i>M</i>	<i>SD</i>	<i>F</i>	<i>p</i>
Total employee perceptions (engagement & service climate)	Short-term effectiveness (low-low)	4	4.02	.36	3.58	.06
	Ineffective expectance (low-high) & Ineffective benevolence (high-low)	3	4.51	.63		
	Long-term effectiveness (high-high)	7	4.83	.45		



## 4.

### METHOD

In this section of my dissertation I present the details of the methodology utilized in the main quantitative study. In order to test the hypotheses, I collected multi-level cross-sectional survey data from the franchised retail and service shops of the same collaborator corporation that I have qualitatively examined in the preliminary study. In the next section I provide details about the characteristics of the study sample. Then I present the measures that were used in the surveys. I also provide data on the methodological and psychometric properties of these measures including their factor structures, reliabilities, and aggregation statistics.

#### 4.1. Participants and Procedures

The quantitative data for the study is collected using online surveys from three groups of respondents: (1) employees of franchised retail and service shops across Turkey, (2) managers of these shops, and (3) shop owners. Individual responses to the surveys are collected through an online questionnaire that I constituted using Sabancı University's existing subscription to Qualtrics<sup>1</sup>.

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<sup>1</sup> Qualtrics is a US-based private research software company that provides tools for online data collection. [www.qualtrics.com](http://www.qualtrics.com)

The invitation letter I sent out indicated that the study was carried out by academicians at the Sabancı University's School of Management, provided basic information about the premises of the study, noted its academic nature and emphasized that the individual responses would not be shared by shop owners, managements, or the franchisor corporation. I also tried to establish trust in respondents by placing an informative notice at beginning of the survey that briefly described scientific goals of the study and ensured respondent anonymity. The email reminders to participate were sent out every two weeks to all those who have yet not filled out the surveys.

In order to minimize the occurrence of survey nonresponsiveness, the franchisor corporation also announced its approval for the study and encouraged participation through notices they put up on their company intranet and the periodic reminder messages that they sent.

The info (consisting of details of shop branch codes and participants' personal email addresses) on the survey population were obtained from the collaborator corporation's headquarters. Based on these lists provided, the actual survey population consisted of 4,224 employees, 1,103 shop managers, and 572 shop owners; however there was a considerable number of individuals (particularly employees) whose emails were fictitious or unknown. After leaving those out, using the survey distribution system provided by Qualtrics, I sent out invitation emails with individualized survey links to a total of 4,029 shop employees, 1,094 shop managers, 571 shop owners (which consist of 459 small sized owners with up to two shops and 112 large sized owners who have more than two shops). Due to problems with the quality of the email contact data, a significant portion of the emails bounced from the servers and never reached the participants. Based on the tracking info provided by Qualtrics the number of surveys started by clicking the links provided were 1,388 for employees, 635 for shop managers, and 339 for shop owners. At the end of the two month data collection period the number of obtained surveys (including those with missing data) were 1,347 for employees, 620 for shop managers, 326 for shop owners. I eliminated survey responses with very low levels of completion (i.e., those in which less than one whole measure is answered). Also, in order to enhance the quality of the dataset, I eliminated surveys with responses rated all questions with the highest or lowest scores,

including the negatively worded items. The final response sample consisted of 1,278 employees, 587 shop managers, and 277 shop owners from a total of 1,031 shops.

## 4.2. Measures

The measures used for each of group of participants are presented in Table 4.1.

**Internal management philosophy.** I developed a scenario-based measure using the insights acquired throughout the qualitative phase of the study. Based on the real-life examples told to me by owners, employees, and regional managers, I identified a set of critical incidents that reflect the respondents' value-driven choices regarding the internal management of a shop. In line with the conceptual nature of long vs. short-term oriented managerial philosophies, I devised hypothetical scenarios that describe these incidences. The measure is used to gather internal management philosophy data from shop owners. These are responded along a continuum of two opposite poles that reflect possible courses of action. Hence, the measure reflects a trade-off between employee vs. cost orientation and service vs. sales orientation.

This type of scenario-based measurement of managerial values provides an alternative to the more commonly utilized value surveys that ask participants to rate the attractiveness of value statements (e.g., Schwartz Value Survey, Schwartz, 1992). I preferred to use this scenario-based methodology since it is expected to have high fidelity in reflecting the types of organizational situations and problems that participants may face and simulating the types of values that may be activated under realistic organizational conditions. The choice of alternatives from such scenarios have been found to significantly predict value attractiveness obtained through conventional measures, which indicates that values are closely related to appraisal of situations and the choices of actions that follow them (Feather, 1995).

After generating the items, I conducted two focus-group sessions to examine the reactions of potential participants. These were conducted in two separate days with a group of (a) five of franchisor corporation's regional sales managers, and (b) three shop owners.

In these sessions the participants first filled out the questionnaire and then had an open discussion about wording and content of the items and the extent that they capture the essential managerial dilemmas that emerge in real life. In these sessions I also assessed the degree of variability in responses that we might capture using these items. Based on my observations and recommendations of the participants I made some small changes in the items. The final measure consists of 11 items which are rated using a five-point response scale with two polar response choices at each end. The items of this scale is presented in Appendix A.

**Owner's long-term orientation.** As previously described, I had originally intended to measure the owner's internal management philosophies using the scenario-based measure with two dimensions. However, the results from the survey study indicated that the measure had significant problems in terms of validity and reliability, as revealed by its low alpha coefficients and factor loadings as well as lack of adequate level of correlations with other study variables. Therefore I had to resort to using an alternative measure that represents the underlying construct of long-term oriented management philosophy.

In line with Lumpkin et al.'s (2010) conceptualization of the construct, and based on items that were previously developed by Covin and Slevin (1989), Hoffmann et al. (2014) developed a four item measure of long-term orientation that was used to assess members of the top management teams in family-owned SMEs. I used these items to measure shop owners' degree of long-term orientation in the management of their shops. The items were rated using a five-point scale ranging from "strongly disagree" to "strongly agree" and are presented in Appendix B.

**HPWS.** Chuang and Liao's (2010) measure of high performance work system was utilized (which they were adapted from the commitment-based HRM configuration of Lepak and Snell, 2002). However, some items were modified, eliminated and new items were included to reflect the specific HRM practices and context of my sample, in light of the findings of my previous shop visits. The final measure, which was rated by shop managers, consisted of 29 items. It was rated using a five-point scale ranging from "strongly disagree" to "strongly agree." The items are presented in Appendix C.

**HRM strength.** Based on the conceptualizations of Bowen and Ostroff (2004), I developed items that assess each of the meta-features specifically in the context of the

franchised shops. Rather than just asking employees to make an overall evaluation of the overall HRM system (which may be a concept that they are not very familiar with), I inquired about specific employment practices that are likely to be conducted in the shops and how they fare in terms of distinctiveness, consistency, and consensus dimensions. The final measure consists of 32 items in total, which are presented in Appendix C. The entire measure was filled out by the non-managerial staff in shops using a five-point scale ranging from “strongly disagree” to “strongly agree.”

**Transformational and transactional leadership behaviors.** Shop owners’ and managers’ transformational leadership behaviors were measured by using the Global Transformational Leadership scale (GTL) developed by Carless, Wearing, and Mann (2000). This measure consists of seven items, each of which indicate behaviors encompass the concept of transformational leadership. These are: (1) communicating a vision, (2) developing staff, (3) providing support, (4) empowering staff, (5) innovative thinking, (6) leading by example, and (7) charisma.

Leaders’ transactional behaviors consist of contingent reward and the active version of the management-by-exception dimensions. These are measured by using eight items (four for each) from the standardized Turkish version of the Multifactor Leadership Questionnaire (MLQ-Form 5X) (Avolio, Bass, & Jung, 1999; Bass & Avolio, 1995).

All leadership behaviors were assessed by the relevant group of subordinates who directly report to those managers. Hence, shop managers rated the shop owner’s leadership behaviors. In shops where there was currently a manager, the non-managerial staff rated the manager’s behaviors, while in shops where a separate manager did not exist employees rated the owner’s leadership qualities. The measure used a five-point frequency scale (ranging from “rarely or never” to “always or very frequently”). The items for both styles of leadership measures are presented in Appendix E.

**Group cohesion.** Team cohesion was measured using the six items in the group cohesiveness dimension from the Substitutes for Leadership Scale (Podsakoff, Niehoff, MacKenzie & Williams, 1993). To report on the level of trust and cooperation among group members, respondents rated along a five-point scale ranging from “strongly disagree” to “strongly agree.” The items are presented in Appendix F.

**Climate of concern for employees.** In line with Chuang and Liao's (2010) study, the eight-item short form of the Survey of Perceived Organizational Support (Eisenberger, Huntington, Hutchison, & Sowa, 1986) was employed to measure concern for employees at each store. These items (which are rated using a five-point scale ranging from "strongly disagree" to "strongly agree") were reworded to focus on how customer-contact employees were treated as a whole. The items are presented in Appendix G.

**Service climate.** To assess employees' shared sense of the service quality within the shops, I used seven items from the service climate measure from Grizzle, Zablah, Brown, Mowen, and Lee (2009) and two items from Evans, Landry, Li, and Zou, (2007), which were both developed based on the explanations provided by Narver and Slater (1990) on the measurement of the firm-level customer orientation construct. The total of nine items were rated using a five-point scale ranging from "strongly disagree" to "strongly agree", as presented in Appendix H.

**Control variables:** I controlled for a number of theoretically relevant factors that may influence the proposed relationships between study variables. Owner-related demographic variables (obtained through the items on the questionnaires) such as gender, age, length of experience in the sector and as a franchisee were also among control variables that I collected data for. Among these list of variables, owner age, gender, level of education, number of shops currently owned, and the level of experience as an investor with the franchisor corporation were found to have greatest impact on the study variables, and hence were included in the main model testing the hypotheses as controls (see Table 5.10).

At the shop level I controlled for the effects of two variables: Shop age (number of years since start-up) and the total number of employees working at the shops.

**Service quality.** This outcome variable was measured using data supplied by the franchisor corporation, which entailed the measurements of each shop's Net Promoter Score—a customer satisfaction metric that is measured by sending shop customers SMS texts after they purchase a good or service. The growth for this measurement was calculated using the percentage change in the average of last four months (prior to data collection) compared to the average obtained by the same shop during the same four months of the previous year.

### 4.3. Tables and Figures

Table 4.1

*Respondents of the Questionnaires Used*

Owner	Shop manager	Shop employee
Internal management philosophy	HPWS	HRM strength
Long-term orientation	Owner's leadership style	Climates of concern for employees and service
		Group cohesion
		Shop manager's leadership style

## 5.

### DATA ANALYSIS & RESULTS

#### 5.1. Preliminary Analyses at the Individual Level

##### 5.1.1. Sample demographics

The survey response data I used to test my hypotheses were collected from employees, shop managers, and shop owners. The demographic characteristics of these respondents are presented in Table 5.1. The majority of the respondents were male (70.4% for employees, 76.0% for shop managers, and 89.2% for shop owners). The mean age was 26.3 for employees, 30.3 for shop managers, and 39.3 for owners. Close to half of all three responded groups were high school educated (48.2% for employees, 47.0% for shop managers, and 41.8% for shop owners). Those who had a degree in higher education composed the other half (44.8% for employees, 48.0% for shop managers, and 51.7% for shop owners).

In terms of amount of experience respondents had working in the sector, franchising corporation, and the current shop owner, employees who had less than one year experience constituted 21.5%, 25.6% and 32.2%, respectively. The experience levels exhibited a rather normal distribution across different categories of levels of experience, with those having one to two years' experience being the largest group for all three types of experience (20%,



24.2%, 25.1%). For shop managers the level of all three types of experience was markedly higher. Those with less one year experience in the sector, franchising corporation, and the current shop owner constituted only 3.7%, 4.7% and 12.3%, respectively. With a distribution skewed to the right, the largest group of respondents among shop managers were those with five to ten years of experience (34.7%, 34.7%, and 25.5%, respectively). I also asked the shop managers about how many years of experience they had as managers. 17.8% of them indicated that they had less than one year managerial experience. This time the largest group had three to five years of managerial experience (22.5%). As expected, shop owners had the highest level of experience. 58% of owners indicated that they had more than 10 years of experience in the sector and 39% had more than ten years working as a shop owner with the current franchisor corporation.

Lastly, shop owners on average had 2.13 shops (standard deviation was 2.03).

### **5.1.2. Descriptive statistics and alpha reliabilities of study measures at the employee level of analysis**

The descriptive statistics of survey data collected from employees are presented in Table 5.2. The variable means at the individual level range from 3.42 (for consistency dimension of HRM strength) to 4.02 (for service climate). The alpha reliabilities of measures are also found to be sufficiently high<sup>2</sup>, ranging from .83 to .96, which suggests that the measures are internally consistent.

It is important to note that there are differences across measures in the extent to which data are missing. This is due to the ordering of the measures in the online questionnaires. Since the system did not allow participants to skip pages, all participants began answering the survey with the HRM strength measure. Hence, this variable as the highest number of respondents ( $N = 1,187$ ). However, because some participants stopped

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<sup>2</sup> Based on Nunnally's (1978) recommendation to accept alpha values that are greater than .70.

answering at different points of the survey, measures placed towards the end were rated by fewer number of participants.

### 5.1.3. Aggregation of individual level data to shop level

In my dataset, individual level employee responses were nested within shops. The distribution of responses across shops for the HRM strength measure<sup>3</sup> is presented in Table 5.3. Here it can be seen that the group sizes are generally very small, where 52.3 percent of shops have only one respondent and 80.3 percent has less than three respondents. The average number of employee responses per shop was 1.80 ( $SD = 1.10$ ).

In order to analyze relationships between variables across shops, individual level data obtained from employees at the shops were aggregated to shop level using a composition-based aggregation process (Chan, 1998). The most commonly used methods for compositional models are *direct consensus* model, where individuals are asked to rate items with reference to themselves, and *referent-shift consensus* model, where individuals are asked to rate their work environment with reference to their workgroup. In both forms of composition models existence of a substantial degree of homogeneity among group members should be demonstrated in order to justify aggregation of data to higher levels (Biemann, Cole, & Voelpel, 2011). To test the existence of within-group agreement for the variables used in this study, individual level sample responses are analyzed by calculating interrater agreement ( $r_{wg}$  and  $r_{wg(j)}$ ) and reliability statistics (ICCs 1 and 2), in line with the past literature (Klein & Kozlowski, 2000).

The  $r_{wg}$  statistic indicates how high within-group agreement is on a given variable within a given unit. In contrast to interrater reliability statistics, it assesses within-unit variance without taking into account the within- versus between-unit variability in a given

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<sup>3</sup> Given that the amount of missing data varied across study variables based on their order on the questionnaires, distribution of responses for the HRM strength variable is presented since it was the first measure on the survey and therefore has the largest number of responses.

measure (Klein & Kozlowski, 2000). In this study the mean within-group agreement statistics (based on the uniform distribution) for study variables are found to be ranging between .67 - .78 for  $r_{wg(j)}^*$  and between .70 - .82 for  $r_{wg(j)}$  (as presented in Table 5.4). All  $r_{wg(j)}$  values were above the .70 value, which is indicated as a rule of thumb threshold for this statistic (Klein & Kozlowski, 2000). This suggests that there is adequate interrater agreement for variables across groups.

As statistics of interrater reliability, ICC(1) and ICC(2) values indicate the relative consistency of responses among raters (Bliese, 2000). ICC(1) indicates the extent to which a response within a group reliably represents all raters in that group. ICC(2), on the other hand, is an indicator of how reliable the group means are within the sample. In this study all variables are found to have ICC(1) values with a significant F test ( $p < .05$ ) (presented in Table 5.4), which justifies aggregating these variables (Klein & Kozlowski, 2000). However, ICC(2) scores, are all below the conventionally accepted .70 level (Bliese, 2000). This is due to the fact that ICC(2) statistic is sensitive to sample group size (Klein & Kozlowski, 2000). Since the shops in my sample are mostly small in size ( $M = 1.80$ , as indicated in Table 5.3), this is likely to yield smaller ICC(2) values.

## **5.2. Analyses at the Shop and Owner Levels**

### **5.2.1. Analyzing the factor structures of shop and owner level variables**

The quantitative analyses were conducted using survey data from three group of participants (i.e., shop employees, shop managers, and shop owners), each of which correspond to a different level of analysis that are nested within one another. At the lowest level of analysis are the shop employees, whose responses are aggregated to the shop level for testing the hypothesized model. However, in order to do so, it is important to first test whether the data at hand supports the existence of the proposed factor model. For this purpose I have conducted a confirmatory factor analysis (CFA) the underlying factor

structures using Mplus statistical software package (versions 6.1 and 7.0) (Muthen & Muthen, 2012).

The CFA method aims to identify latent factors that account for the variation and covariation among a set of indicators and tests a predefined structural model that is driven by theory (Brown, 2006). There are different types of estimation techniques that can be used for estimating the parameter values. Maximum likelihood (ML) estimation is the most frequently used, however it is based on the assumption that the data is normally distributed (Heck & Thomas, 2015). In this study I use a more recently developed method of estimation, robust maximum likelihood (MLR), which is robust to nonnormality and non-independence of observations that are typically experienced with Likert type response scales (Heck & Thomas, 2015).

In order to account for the hierarchically nested structure of the data, first I attempted to utilize a multilevel CFA method. This method decomposes the total score for each individual to a within-group component (the individual deviation from the group mean) and a between-group component (the disaggregated group means). It assesses the degree to which the proposed model is fitting with the observed covariance matrix. However, due to the fact that the owner-level cluster sizes in my shop level data are too small (e.g.,  $M = 1.77$  for HRM strength data aggregated from employee responses and  $M = 1.64$  for the HPWS measure collected from shop managers, as seen in Table 5.5), most of the models failed to converge with admissible solutions. Hence, I then proceeded to conduct factor analyses at the shop level.

In Table 5.6, I present the results of the CFA model examining employees' survey responses to HRM strength measure, which are aggregated to the shop level of analysis. This model indicates nine factors and three higher order factors structured to reproduce the HRM strength model as posited originally by Bowen and Ostroff (2004). The model structure of the higher order factors is specified as follows: distinctiveness is indicated by visibility, understandability, legitimacy, and relevance; consistency is indicated by instrumentality, validity, and consistent HRM messages; consensus is indicated by agreement among decision makers and fairness. The three higher order factors together act as indicators of a third order latent factor, which is HRM strength. Model fit statistics

indicate that this model exhibits a good level of fit<sup>4</sup> to the data ( $\chi^2 (453) = 957.27, p = .00$ ; CFI = .95; RMSEA = .04; SRMR = .04). All items load highly onto their respective factors (standardized item coefficients range from .46 to .84).

As previously explained, the existent literature on HRM strength construct is still limited. Indeed, Ostroff and Bowen (2016) recently stated that “a comprehensive and sophisticated measure of HRM system strength has not been developed” (p. 199) and there are some inconsistent findings regarding factor structure of the construct. Furthermore, despite the fact that the HRM strength has been said to reflect a higher-level construct, there have been very few empirical studies investigating it at the group and unit levels of analysis (Ostroff & Bowen, 2016). For these reasons—while the data I collected provide support for the original theoretical model—I also wanted to explore whether there are alternative structural models that provide a better fit. Examining the results of an exploratory factor analysis (EFA) with the HRM strength items, I observed that the items of the consistent HRM messages dimension loaded separately onto one factor, meanwhile the instrumentality items loaded with distinctiveness items and the validity items loaded together with consensus items. Hence, I constructed an alternative model where HRM strength variable is indicated by the first order consistent HRM messages latent factor and the second order distinctiveness (which included the first order instrumentality factor) and consensus (which included the first order validity factor) latent factors. The results, presented in Table 5.7, indicate that, compared to the original model, this model exhibits slightly better fit ( $\chi^2 (454) = 911.27, p = .00$ ; CFI = .95; RMSEA = .04; SRMR = .04), and although the difference is small, it is statistically significant ( $\Delta \chi^2 (1) = 72.03, p = .00$ ). Nevertheless, in this study I decided to follow the original factor structure indicated by Bowen and Ostroff (2004) due to the fact that it has a stronger theoretical background.

A CFA model involving variables of climate of concern for employees, service climate, group cohesion, and manager leadership measures was conducted and the results are presented in Table 5.8. The proposed model yielded a good level of model fit ( $\chi^2 (619)$

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<sup>4</sup> The existing literature of SEM method indicate the following general guidelines for the cutoff levels of determining a good fitting structural model: CFI  $\geq$ .95, RMSEA  $\leq$  .06, SRMR  $\leq$  .08 (Hu & Bentler, 1999).

= 960.29,  $p = .00$ ; CFI = .98; RMSEA = .03; SRMR = .03). All items had statistically significant standardized factor loadings (ranging from .48 to .79).

Using the responses obtained from shop managers, I also investigated the factor structure of the HPWS measure. In the literature there are numerous conceptualizations of the content and factor structure of HPWS practices (Jiang, Takeuchi, & Lepak, 2012). Also due to the uniqueness of the empirical context at hand, I began my inquiry by conducting an EFA. An examination of the item groupings indicated that the data followed a three factor structure, in line with the ability-motivation-opportunity (AMO) model of HRM (Ehrnrooth & Björkman, 2012). According to this conceptualization, HRM systems that are aimed toward enhancing employee performance can be categorized under three components: (1) Skill-enhancing HRM practices, which include comprehensive recruitment, rigorous selection, and extensive training; (2) Motivation-enhancing HRM practices, which include developmental performance management, competitive compensation, incentives and rewards, extensive benefits, promotion and career development, and job security; and (3) Opportunity-enhancing HRM practices, which intend to empower employees to strive towards organizational goals through flexible job design, work teams, employee involvement, and information sharing (Jiang et al., 2012). This theoretical structure has been tested and supported in recent meta-analytic and field studies (e.g., Jiang et al., 2012; Obeidat, Mitchell, & Bray, 2016). Hence, I also tested this model through a CFA by forming a group of third order latent factors that represent the aforementioned three dimensions. The results, presented in Table 5.9, indicate a good level of fit to the data ( $\chi^2 (370) = 724.24$ ,  $p = .00$ ; CFI = .94; RMSEA = .04; SRMR = .04).

At the owner level of analysis, the factor structure of the four item measure of long-term orientation (taken from Hoffmann et al., 2014) was tested using data collected from shop owners. The results presented in Table 5.10 indicate that the hypothesized unidimensional model has a very high level of fit ( $\chi^2 (2) = .694$ ,  $p = .71$ ; CFI = 1.00; RMSEA = .00; SRMR = .01) and all the items load highly onto the factor (standardized estimates ranging from .75 to .91).

Owner's leadership styles were also modeled at the owner level of analysis using shop manager's evaluations of the owner's leadership behaviors, which was aggregated to

the owner level. To investigate the dimensionality of owner's leadership items, three nested CFA models (in which leadership items were grouped differently) were tested. The two-factor model (with separate transformational and transactional leadership factors) produced a statistically better fit than a single-factor model of leadership ( $\Delta\chi^2 (1) = 4.59, p = .03$ ). However, a model with three factors (in which transactional leadership items were separated into contingent reward and management-by-exception factors) was found to produce an even better fit compared to the two-factor model ( $\Delta\chi^2 (2) = 22.20, p = .00$ ). Hence the final three-factor model, depicted in Table 5.10, is found to have the optimal level of fit to the data ( $\chi^2 (88) = 145.172, p = .00$ ; CFI = .98; RMSEA = .04; SRMR = .04). The factor loadings of all items are also significant, ranging from .40 to .89.

### **5.2.2. Descriptive statistics and alpha reliabilities of study variables at the shop and owner levels of analysis**

In Table 5.11, descriptive statistics including means, standard deviations, and alpha reliabilities for study variables at shop and owner levels of analysis are presented. For variables of aggregated employee measures shop level means range from 3.42 (for consistency dimension of HRM strength) to 4.00 (for service climate). Alpha reliabilities are also high, ranging from .83 (for consistency dimension) to .97 (for shop manager's transformational leadership).

Among variables measured by responses obtained from shop managers, means range from 3.40 (for compensation dimension of HPWS) to 3.88 (customer loyalty orientation). Alpha reliabilities are sufficiently high<sup>2</sup> for all variables (ranging from .70, for participation dimension of HPWS, to .95 for overall HPWS and owner's transformational leadership measures).

Shop owner's internal management philosophy measure has an overall mean of 3.86 (4.12 for employee loyalty orientation and 3.51 for customer loyalty orientation). However, the alpha estimate obtained for both dimensions as well as the overall measure are all below the conventionally accepted threshold<sup>2</sup> for acceptable levels of alpha ( $\alpha = .55$  for employee

loyalty orientation,  $\alpha = .62$  for customer loyalty orientation, and  $\alpha = .61$  for the entire measure). These low values indicate that this measure appears to be problematic in terms of its internal consistency for this group of respondents. Thus, I was unable to use this newly developed measure to test my model. Instead, I utilized an alternative measure of owner's long-term orientation to test the effects of owner's internal management philosophies. This measure has a mean of 4.13 and exhibits an acceptable level of internal consistency ( $\alpha = .88$ ).

Table 5.12 presents bivariate correlations between study variables at the shop level and 5.13 presents correlations at the owner level of analysis. As expected, the correlation coefficients between variables that come from the same group of respondents are typically elevated, which indicates the effects of common method bias that takes place during the measurement of these variables. For example, the correlation between employee-rated aggregated variables of climate of concern for employees and service climate is .80 at the shop level and .81 at the owner level of analysis. For HPWS and owner's leadership behaviors, which are rated by shop managers, bivariate correlations are .58 and .53 for shop level, .51 and .45 for owner level of analysis (for transformational and transactional leadership, respectively).

Most variables that are measured through different sources, on the other hand, also have statistically significant (albeit weaker) bivariate correlations. For example, at the shop level of analysis, HPWS is significantly correlated with HRM strength ( $r = .16, p < .01$ ), climate of concern for employees ( $r = .16, p < .01$ ), service climate ( $r = .14, p < .01$ ), group cohesion ( $r = .11, p < .05$ ), and manager's transformational leadership ( $r = .10, p < .01$ ). HRM strength is correlated significantly with owner's leadership behaviors ( $r_{transformational} = .21$  and  $r_{transactional} = .14, p < .01$ ). The same is true for correlations between variables collected from different sources at the owner level of analysis. For example, owner's long-term orientation correlated significantly with HRM strength ( $r = .17, p < .05$ ), climate of concern for employees ( $r = .15, p < .05$ ), and owner's leadership behaviors ( $r_{transformational} = .17$  and  $r_{transactional} = .15, p < .05$ ). These significant zero-order relationships provide preliminary evidence to substantiate the decision to further examine the research model through more complex multivariate analyses.



### 5.2.3. Testing the hypotheses

The hierarchically nested structure of the data I collected necessitates the relationships to be tested using multi-level analysis techniques. However, as I previously explained during the factor analysis section, the small cluster sizes in my data leads to model identification issues when measurement models with latent constructs are constructed on multiple levels. Thus, when testing the hypothesized multi-level relationships (i.e., linear relationships in hypotheses 1, 2, 5 through 8, 10 through 12, and cross-level interactive relationships for hypotheses 4a through 4c) I conducted path analyses using variable means rather than item based measurement models. However, when testing relationships between variables at the same level (i.e., interactive relationships in hypotheses 3a through 3c, 9a and 9b, 13 and 14) I used measurement models to construct latent variable interactions, which accounts for item-level variance during analysis.

To test the hypotheses regarding the linear relationships (i.e., those excluding the interactive effects) between study variables, I conducted a multi-level path analysis using Mplus 6.1 software. This type of analysis is called a *random-intercepts* model, and examines how different groups start at different intercepts while they progress at the same rate (slope) (Gill & Womack, 2013) (illustrated in Figure 5.1, Part A). The details of the models run for this analysis are presented in Table 5.12. In these two-level models, the within-level represents the variation between shops and the between-level represents the variation between shop owners.

Hypothesis 1 indicated that there would be a positive effect of owner's long-term orientation on shops' use of HPWS practices. The parameter estimate of this effect in the between-level portion of Model 1 is not statistically significant. Therefore, hypothesis 1 is not supported.

The between-level portion of the multi-level models in Table 5.13 indicate that owner's long-term orientation is positively related to employees' aggregated shop level HRM strength perceptions ( $\beta = .30, p < .05$  in Model 1 where leadership is omitted, and  $\beta = .41, p < .01$  in Model 4 after controlling for owner's leadership). Hence, hypothesis 2,

which posits a positive relationship between owner's long-term orientation and HRM strength, is supported.

Hypothesis 3a, 3b, and 3c pertained to the relationships between owner's transformational and transactional leadership behaviors, long-term orientation, and HRM strength variables. I ran two separate single-level latent interaction models at the owner level of analysis to test these relationships. The results of Model 1, presented in Table 5.15, indicate that owner's transformational leadership has a statistically significant positive effect on HRM strength ( $\beta = .14, p < .01$ ). However, the between level results presented in Model 2 of Table 5.14 indicate that, when shop level relationships and owner level control variables are included, this main effect is not significant. Hence, hypothesis 3a is not supported. Examining the results in Table 5.15, the interaction terms in Model 1 (long-term orientation x transformational leadership) and 2 (long-term orientation x transactional leadership) are both found not to be significant. Hence, hypotheses 3b and 3c (which posited that owner's leadership types would moderate the relationship between long-term orientation and HRM strength) are not supported.

Hypothesis 4a indicated that shop manager's transformational leadership behaviors would have a positive main effect on shop HRM strength. Indeed, the results from the within level portion of Model 2 in Table 5.14 indicates a statistically significant positive relationship ( $\beta = .54, p < .01$ ). Hence the results show support for hypothesis 4a.

Hypothesis 4b and 4c purported that owner's long-term orientation and shop manager's leadership behaviors would have an interactive effect on shop HRM strength. This proposition involves a cross-level interaction where a relationship among within-level variables (i.e., shop manager's leadership behaviors on shop HRM strength) is regulated by a between-level variable (i.e., owner's long-term orientation). Such multi-level effects are examined by introducing *random-slopes* into the model, which allows the regression lines of different groups to have differing slopes (Gill & Womack, 2013) (illustrated in Figure 5.1). A specific kind of random-slopes-and-intercept analysis, called *slopes-as-outcomes* model (Raudenbush & Bryk, 2002), is used to examine whether the magnitude of a relationship observed within groups is dependent on contextual or organizational features defined by higher-level units (Heck & Thomas, 2015). I conducted a set of two-level regression analyses testing this model for both leadership types exhibited by shop managers

(as depicted in Figure 5.2) and the results are presented in Table 5.16. Model 1 tested the influence of owner's long-term orientation on the random slope variable (S), which is generated at the shop-level using the effect of shop manager's transformational leadership on HRM strength. Model 2 tested the same model using shop manager's transactional leadership as the within level predictor. Results in Model 1 indicate that owner's long-term orientation does not significantly predict the random slope. This means that Hypothesis 4b, which suggested that owner's long-term orientation would moderate the effect of shop manager's transformational leadership on shop HRM strength, is not supported. Results in Model 2, on the other hand, indicate that the effect of owner's long-term orientation on the within-level random slope is statistically significant ( $\beta = .13, p < .05$ ). Hence, Hypothesis 4c, which suggested that owner's long-term orientation moderates the effect of shop manager's transactional leadership on shop HRM strength, is supported.

To further analyze the nature of this relationship, I plotted the cross-level interaction using Mplus 7.0 software. As seen in Figure 5.3, examining the red line, we can see that when owner's long-term orientation is low (i.e., one standard deviation below the mean), the relationship between shop manager's transactional leadership and HRM strength is negatively sloped. This is in line with my prior expectations. However, the blue line, which plots high values of owner's long-term orientation which are one standard deviation above the mean, indicates very little change in HRM strength in response to increase in manager's transactional leadership (i.e., has a slope close to zero). This is an unexpected finding since I had originally thought transactional leadership to be positively related to HRM strength when owner long-term orientation is high, but this was not the case. This type of an effect, in which one predictor weakens the effect of the other predictor, is called a *buffering* interaction (Cohen, Cohen, West, & Aiken, 2003). Here, owner's long-term orientation buffers the negative effect of shop manager's transactional behaviors on HRM strength.

For investigating the next set of hypotheses, we again refer back to Table 5.14 that tests the multi-level linear relationships presented in my model. Hypotheses 5 and 6 posited that shop's climate of concern for employees would be positively related to HPWS and HRM strength, respectively. The within level results indicate that the path from HPWS to climate of concern for employees is not significant. Hence, hypothesis 5 is not supported. On the other hand, results indicate a statistically significant path from HRM strength to

shop's climate of concern for employees ( $\beta = .86, p < .01$  in Model 4). Thus, hypothesis 6 is supported.

Hypotheses 7 and 8 suggested that shop's service climate would be positively related to HPWS and HRM strength, respectively. Similar to the previous finding, results in Model 3 of Table 5.14 indicate that the effect of HPWS on service climate is not significant, failing to provide support for Hypothesis 7. On the other hand, the estimate for the path from HRM strength to service climate is found to be statistically significant ( $\beta = .21, p < .05$ ). So hypothesis 8 is supported.

Hypotheses 9a and 9b put forward a set of interactive relationships between HPWS and HRM strength regarding their effects on the two types of shop climates. To test these propositions, I conducted an SEM analysis at the shop level and included a latent variable interactions. The results, presented in Model 1 of Table 5.17, indicate that interaction terms involving HPWS and HRM strength have statistically significant negative effects on both types of shop climates ( $\beta = -.17, p < .05$  for climate of concern for employees and  $\beta = -.25, p < .01$  for service climate). These findings provide empirical support for Hypotheses 9a and 9b.

Once again, I plotted these relationships to examine the nature of these interactive effects. Figure 5.4 illustrates the moderating influence of HRM strength on the relationship between HPWS and climate of concern for employees. As previously expected, the red line, indicating shops with low HRM strength (i.e., one standard deviation from the mean) depicts a strong positive relationship between HPWS and climate of concern for employees. However, for shops with high levels of HRM strength, the intercept is higher and there's little change across differing levels of HPWS. My expectation was that the relationship between HPWS and shop climate would be even more strongly positive when HRM strength is high. The graph in Figure 5.5 suggests that the interaction between HPWS and HRM strength on service climate is of the same type and nature. This type of an effect, in which both predictors work on the criterion in the same direction and the interaction is of the opposite sign, and the slope of one of the predictor variables decreases for higher levels of the other predictor variable, is called an *interference* or *antagonistic* interaction (Cohen et al., 2003; Neter, Kutner, Nachtsheim, & Wasserman, 1996). In this example HRM strength variable is acting to interfere with the effect of HPWS on shop climate.

Hypothesis 10 purported that shop's level of climate of concern for employees would positively predict service climate. The within level portion of the results in Table 5.14 indicate that the path from climate of concern for employees to service climate is positive and statistically significant ( $\beta = .58, p < .01$ ). Hence, hypothesis 10 is supported.

Hypotheses 11 and 12 predicted that both types of climate (climate of concern for employees and service climate) would be positively related to shop level service quality. The results presented in Model 4 of Table 5.14 indicate that, at the within level group, the relationship between climate of concern for employees and growth in service quality is not significant. Hence, the premises of hypothesis 11 is not supported. On the other hand, the path from service climate to service quality is found to be positive and statistically significant ( $\beta = .17, p < .05$ ). Therefore, the findings provide support for hypothesis 12.

Hypotheses 13a and 13b proposed that the relationships between HRM strength and both types of climate (climate of concern for employees and service climate, respectively) are) would be moderated by the degree of group cohesion among shop employees. The moderated latent interaction models presented in Model 2 of Table 5.17 indicate that the effect of interaction terms that include HRM strength and group cohesion variables are significant for both types of climate ( $\beta = -.06, p < .05$  for climate of concern for employees and  $\beta = -.25, p < .01$  for service climate). Thus, data shows support for hypotheses 13a and 13b.

When plotted interactive effects are plotted (in Figure 5.6 and 5.7), it is observed that the shape of the interaction is in line with my prior expectations. For both climate types the effect of HRM strength on climate level is positive for all shops. While shops with highly cohesive groups generally have higher levels of climate, an increase in HRM strength produces a greater increase in climate level for shops with low levels of cohesion than those with high cohesion. This indicates that these two factors have complementary effects on the formation of group climate.

Hypothesis 14 indicated that the effect of service climate on service quality would be moderated by group cohesion. The results of the shop level SEM analysis presented in Table 5.18 indicate that the path from the latent interaction term is statistically significant ( $\beta = .33, p < .01$ ). Hence, hypothesis 14 is supported. The interaction is plotted in Figure 5.8. The shape of the interaction effect is such that the relationship between service climate

and service quality is close to zero when group cohesion in the shop is low. However, for highly cohesive groups, there is a strong positive link between service climate and service quality. Furthermore, the highest level of service quality is observed when both climate and cohesion are high, and lowest level is when they are both low. These findings are in line with my prior expectations regarding the nature of this interaction.

A table summarizing all the empirical results of the hypothesized relationships are presented in Figure 5.9 and Table 5.19. Overall, 13 of the 20 hypothesized relationships were supported by the results and 7 were not supported. These findings and their theoretical as well as practical implications are further explained and discussed in the following section.

### 5.3. Figures and Tables

Table 5.1

*Sample Demographics*

Characteristic	Employee	Shop manager	Shop owner
<b>Gender <i>N</i> (%)</b>			
Male	922 (70.4)	449 (76.0)	247 (89.2)
Female	387 (29.6)	142 (24.7)	30 (10.8)
TOTAL <i>N</i>	1,309	591	277
<b>Age in years</b>			
<i>M</i> ( <i>SD</i> )	26.31 (5.69)	30.34 (6.05)	39.29 (8.16)
TOTAL <i>N</i>	1,231	577	262
<b>Education <i>N</i> (%)</b>			
Primary	16 (1.3)	6 (1.0)	6 (2.3)
Middle	70 (5.7)	23 (4.0)	11 (4.2)
High school	594 (48.2)	271 (47.0)	110 (41.8)
Two-year degree	365 (29.6)	162 (28.1)	57 (21.7)
Four-year degree	180 (14.6)	111 (19.2)	66 (25.1)
Graduate	7 (.6)	4 (.7)	13 (4.9)
TOTAL <i>N</i>	1,232	577	263
<b>Sector Experience <i>N</i> (%)</b>			
Less than 3 months	49 (4.0)	3 (.5)	1 (.4)
3 to 6 months	68 (5.5)	5 (.9)	4 (1.5)
6 to 12 months	148 (12.0)	13 (2.3)	3 (1.1)
1 to 2 years	246 (20.0)	30 (5.2)	12 (4.5)
2 to 3 years	194 (15.8)	55 (9.5)	12 (4.5)
3 to 5 years	200 (16.3)	112 (19.4)	16 (5.9)
5 to 10 years	225 (18.3)	200 (34.7)	65 (24.2)
More than 10 years	99 (8.1)	159 (27.6)	156 (58.0)
TOTAL <i>N</i>	1,309	577	269

(continued)

Characteristic	Employee	Shop manager	Shop owner
Franchisor corporation experience <i>N</i> (%)			
Less than 3 months	14 (1.1)	1 (.2)	11 (4.1)
3 to 6 months	100 (8.1)	5 (.9)	7 (2.6)
6 to 12 months	191 (16.4)	21 (3.6)	6 (2.2)
1 to 2 years	301 (24.2)	52 (9.0)	25 (9.3)
2 to 3 years	194 (15.6)	71 (12.3)	17 (6.3)
3 to 5 years	191 (14.9)	136 (23.6)	29 (10.8)
5 to 10 years	188 (14.8)	200 (34.7)	69 (25.7)
More than 10 years	50 (4.0)	91 (15.8)	105 (39.0)
TOTAL <i>N</i>	1,229	577	269
Experience with current shop owner <i>N</i> (%)			
Less than 3 months	36 (2.9)	10 (1.7)	
3 to 6 months	142 (11.6)	19 (3.3)	
6 to 12 months	218 (17.7)	42 (7.3)	
1 to 2 years	308 (25.1)	73 (12.7)	
2 to 3 years	187 (15.2)	87 (15.1)	
3 to 5 years	155 (12.6)	126 (21.8)	
5 to 10 years	132 (10.9)	147 (25.5)	
More than 10 years	51 (4.1)	73 (12.7)	
TOTAL <i>N</i>	1,229	577	
Experience as manager / sales manager <i>N</i> (%)			
Less than 3 months		12 (2.2)	
3 to 6 months		38 (7.0)	
6 to 12 months		48 (8.6)	
1 to 2 years		99 (17.8)	
2 to 3 years		95 (17.1)	
3 to 5 years		125 (22.5)	
5 to 10 years		100 (18.0)	
More than 10 years		38 (6.8)	
TOTAL <i>N</i>		556	
Owner's number of shops <i>M</i> ( <i>SD</i> )			2.13 (2.03)



Table 5.2

*Descriptive Statistics for Individual Level Employee Measures*

Variable	<i>N</i>	<i>M</i>	<i>SD</i>	$\alpha$
HRM strength	1,278	3.56	.81	.96
Distinctiveness	1,278	3.77	.87	.93
Consistency	1,278	3.42	.74	.83
Consensus	1,278	3.49	.98	.93
Climate of concern for employees	1,233	3.69	.89	.88
Service climate	1,233	4.00	.82	.93
Group cohesion	1,233	3.95	.93	.93
Shop manager's transformational leadership	1,172	3.80	1.16	.96
Shop manager's transactional leadership	1,172	3.79	1.00	.93

Table 5.3

*Distribution of Employee Responses across Shops*

Number of responses	Frequency	%	Cumulative %
1	371	52.3	52.3
2	198	27.9	80.3
3	85	12.0	92.2
4	31	4.4	96.6
5	15	2.1	98.7
6	6	.8	99.6
7	3	.4	100.0
Total	709		
<i>M</i>	1.80		
<i>SD</i>	1.10		

*Note.* Due to differences across study variables in the extent of missing data, the response distribution of HRM strength variable is presented.

Table 5.4

*Interrater Agreement (IRA) and Interrater Reliability (IRR) Estimates of Employee Level Variables Aggregated to Shop Level.*

Variable	IRA						IRR			
	$r_{wg(j)}^*$		$r_{wg(j)}$ (Uniform)		$r_{wg(j)}$ (Slightly skewed)		Intraclass correlation coefficients (ICC)			
	<i>M</i>	<i>SD</i>	<i>M</i>	<i>SD</i>	<i>M</i>	<i>SD</i>	F ratio	ICC(1)	ICC(2)	
HRM strength										
Distinctiveness	.70	.22	.76	.35	.55	.44	2.25***	.36	.55	
Consistency	.67	.19	.71	.36	.48	.42	2.11***	.35	.53	
Consensus	.69	.23	.71	.36	.52	.44	2.03***	.33	.51	
Climate of concern for employees	.70	.21	.73	.34	.52	.41	1.85***	.30	.46	
Service climate	.78	.21	.82	.31	.70	.39	1.84***	.29	.46	
Group cohesion	.75	.25	.76	.34	.65	.40	1.79***	.28	.44	
Shop manager's transformational leadership	.70	.29	.70	.40	.59	.42	1.94***	.33	.48	
Shop manager's transactional leadership	.68	.26	.71	.36	.54	.42	1.80***	.30	.45	

*Note.*  $r_{wg}^*$  is based on Equation 5 in Lindell, Brandt, & Whitney (1999). IRA and IRR values for owner's leadership behaviors are not calculated due to inadequate group sample size.

\* $p < .10$ ; \*\* $p < .05$ ; \*\*\* $p < .01$ .

Table 5.5

*Distribution of Shops with Employee and Manager Data across Owners*

N of shops	Shops with employee data			Shops with manager data		
	Frequency	%	Cumulative %	Frequency	%	Cumulative %
1	114	59.7	59.7	117	68.4	68.4
2	41	21.5	81.2	29	17.0	85.4
3	21	11.0	92.1	11	6.4	91.8
4	9	4.7	96.9	9	5.3	97.1
5	3	1.6	98.4	3	1.8	98.8
6	1	.5	99.0			
7	1	.5	99.5			
11				2	1.2	100.0
15	1	.4	100.0			
Missing	70			90		
Total	191			171		
Grand total	261			261		
<i>M</i>	1.77			1.64		
<i>SD</i>	1.45			1.40		

*Note.* Due to differences across study variables in the extent of missing data, response distributions of data with highest number of observations for each respondent group is presented. These are as follows: HRM strength for employees, HPWS for shop managers and long-term orientation for owners.

Table 5.6

*Results of the Confirmatory Factor Analysis of the Hypothesized Model of HRM Strength Conducted at the Shop Level*

First order factor	Item	$\beta$	SE	$p$
Visibility	Visi1	.73	.03	.00
	Visi2	.75	.02	.00
	Visi3	.79	.02	.00
Understandability	Undst1	.76	.02	.00
	Undst2	.81	.02	.00
	Undst3	.70	.03	.00
	Undst4	.73	.02	.00
Legitimacy	Legit1	.69	.03	.00
	Legit2	.81	.02	.00
	Legit3	.79	.02	.00
Relevance	Relev1	.74	.03	.00
	Relev2	.74	.03	.00
	Relev3	.74	.03	.00
Instrumentality	Instr1	.76	.02	.00
	Instr2	.70	.03	.00
	Instr3	.79	.02	.00
Validity	Valid1	.72	.03	.00
	Valid2	.69	.03	.00
	Valid3	.79	.02	.00
	Valid4	.71	.03	.00
Consistent HRM Messages	Cnsis1r	.73	.05	.00
	Cnsis2r	.77	.05	.00
	Cnsis3r	.46	.04	.00
Agreement	Agree1	.83	.02	.00
	Agree2	.81	.02	.00
Fairness	Fair1	.78	.02	.00
	Fair2	.79	.02	.00
	Fair3	.77	.02	.00
	Fair4	.84	.02	.00
	Fair5	.78	.02	.00
	Fair6	.79	.02	.00
	Fair7	.77	.02	.00

(continued)

Second order factor	Item	$\beta$	SE	p
Distinctiveness	Visibility	.99	.01	.00
	Understandability	.96	.01	.00
	Legitimacy	.99	.01	.00
	Relevance	.90	.02	.00
Consistency	Instrumentality	.97	.01	.00
	Validity	.96	.02	.00
	Consistent HRM messages	.37	.06	.00
Consensus	Agreement	.96	.02	.00
	Fairness	.99	.01	.00
HRM strength	Distinctiveness	.97	.01	.00
	Consistency	1.00	.00	.00
	Consensus	.95	.02	.00

*Note.*  $N = 709$ .  $\beta$  = estimates standardized using variances of the continuous latent variables as well as the variances of the background and outcome variables (STDYX). Model fit statistics:  $\chi^2(453) = 957.27$ ,  $p = .00$ ; CFI = .95; RMSEA = .04; SRMR = .04.

Table 5.7

*Second Order Results of the Confirmatory Factor Analysis of the Modified Alternative Model of HRM Strength Conducted at the Shop Level*

Second order factor	Item	$\beta$	SE	p
Distinctiveness	Visibility	0.99	0.01	.00
	Understandability	0.97	0.01	.00
	Legitimacy	0.99	0.01	.00
	Relevance	0.89	0.02	.00
	Instrumentality	0.99	0.01	.00
Consensus	Validity	0.97	0.01	.00
	Agreement	0.96	0.02	.00
	Fairness	0.98	0.01	.00
HR strength	Distinctiveness	0.92	0.02	.00
	Consistency	0.38	0.06	.00
	Consensus	1.00	0.00	.00

*Note.*  $N = 709$ .  $\beta$  = estimates standardized using variances of the continuous latent variables as well as the variances of the background and outcome variables (STDYX).

Model fit statistics:  $\chi^2(454) = 911.27$ ,  $p = .00$ ; CFI = .95; RMSEA = .04; SRMR = .04.

Table 5.8

*Results of Confirmatory Factor Analysis of Service Climate, Climate of Concern for Employees, and Group Cohesion Variables Conducted at the Shop Level*

Factor	Item	$\beta$	SE	p
Climate of concern for employees (CCE)	CCE1	.82	.02	.00
	CCE2	.52	.04	.00
	CCE3	.60	.04	.00
	CCE4	.81	.02	.00
	CCE5	.80	.02	.00
	CCE6	.79	.02	.00
	CCE7	.80	.02	.00
Service climate (SC)	SC1	.81	.02	.00
	SC2	.79	.03	.00
	SC3	.77	.03	.00
	SC4	.77	.03	.00
	SC5	.80	.03	.00
	SC6	.81	.02	.00
	SC7	.83	.02	.00
	SC8	.80	.02	.00
	SC9	.83	.02	.00
Group cohesion (Cohes)	Cohes1	.85	.02	.00
	Cohes2	.83	.02	.00
	Cohes3	.85	.02	.00
	Cohes4	.87	.02	.00
	Cohes5	.79	.02	.00
	Cohes6	.75	.03	.00
Shop manager's transformational leadership (M_TrForm)	M_TrForm1	.91	.01	.00
	M_TrForm2	.92	.01	.00
	M_TrForm3	.88	.01	.00
	M_TrForm4	.91	.01	.00
	M_TrForm5	.89	.01	.00
	M_TrForm6	.87	.01	.00
	M_TrForm7	.90	.01	.00

(continued)



Factor	Item	$\beta$	SE	$p$
Shop manager's transactional leadership (M_TrAct)	M_ContRwd1	.91	.01	.00
	M_ContRwd2	.80	.02	.00
	M_ContRwd3	.86	.02	.00
	M_ContRwd4	.85	.02	.00
	M_MngExcpAct1	.50	.04	.00
	M_MngExcpAct2	.84	.02	.00
	M_MngExcpAct3	.77	.02	.00
	M_MngExcpAct4	.88	.02	.00
Factor correlation				
	CCE with SC	.88	.02	.00
	CCE with Cohes	.73	.03	.00
	SC with Cohes	.77	.03	.00
	M_TrForm with CCE	.63	.04	.00
	M_TrForm with SC	.59	.04	.00
	M_TrForm with Cohes	.62	.04	.00
	M_TrAct with CCE	.64	.04	.00
	M_TrAct with SC	.61	.04	.00
	M_TrAct with Cohes	.62	.04	.00
	M_TrForm with M_TrAct	.99	.00	.00

*Note.*  $N = 689$ .  $\beta$  = estimates standardized using variances of the continuous latent variables as well as the variances of the background and outcome variables (STDYX). Model fit statistics:  $\chi^2 (619) = 960.29$ ,  $p = .00$ ; CFI = .98; RMSEA = .03; SRMR = .03.

To investigate the dimensionality of manager's leadership items, three nested CFA models (in which leadership items were grouped differently) were tested. The two-factor model (with separate transformational and transactional leadership factors, as presented above) produced a statistically better fit than a single-factor model of leadership ( $\Delta\chi^2 (4) = 15.73$ ,  $p = .00$ ). However, a model with three factors (in which transactional leadership items were separated into contingent reward and management-by-exception factors) did not yield a statistically significant improvement in model fit compared to the two-factor model ( $\Delta\chi^2 (5) = 8.50$ ,  $p = .13$ ). Hence the two-factor model is considered to have the optimal level of fit to the data.

Table 5.9

*Results of the Confirmatory Factor Analysis of High Performance Work Systems (HPWS) Variable Conducted at the Shop Level*

First order factor	Item	$\beta$	SE	$p$
Staffing	Staff1	.71	.03	.00
	Staff2	.72	.03	.00
	Staff3	.65	.03	.00
	Staff4	.71	.03	.00
	Staff5	.61	.04	.00
Training	Train1	.74	.03	.00
	Train2	.72	.03	.00
	Train3	.60	.04	.00
Participation	Partici1	.72	.03	.00
	Partici2	.70	.03	.00
	Partici3	.48	.04	.00
	Partici4	.52	.04	.00
Performance	Perf1	.79	.03	.00
	Perf2	.61	.04	.00
	Perf3	.77	.03	.00
Compensation	Compens1	.65	.03	.00
	Compens2	.54	.04	.00
	Compens3	.67	.03	.00
	Compens4	.72	.02	.00
	Compens5	.73	.03	.00
	Compens6	.75	.03	.00
	Compens7	.72	.03	.00
	Compens8	.77	.03	.00
Caring	Caring1	.71	.03	.00
	Caring2	.76	.02	.00
	Caring3	.76	.02	.00
	Caring4	.79	.02	.00
	Caring5	.78	.02	.00
	Staff6*	.50	.04	.00

(continued)

Higher order factor	Lower order factor	$\beta$	SE	p
Second order				
Skill-enhancing	Staffing	1.00	.02	.00
	Training	.98	.02	.00
Motivation-enhancing	Performance	.94	0.02	.00
	Compensation	.97	0.01	.00
	Caring	.97	0.01	.00
Opportunity-enhancing	Participation			
Third order				
High performance work systems	Skill-enhancing	.98	.02	.00
	Motivation-enhancing	.78	.04	.00
	Opportunity-enhancing	.98	.02	.00

*Note.*  $N = 581$ .  $\beta$  = estimates standardized using variances of the continuous latent variables as well as the variances of the background and outcome variables (STDYX). \*The sixth item of the staffing measure, which pertains to the use of a shift system to organize work schedule, is used as an indicator of the caring factor since its conceptual link with and empirical loading on this factor is found to be higher. Model fit statistics:  $\chi^2(370) = 724.24$ ,  $p = .00$ ; CFI = .94; RMSEA = .04; SRMR = .04.

Table 5.10

*Results of the Confirmatory Factor Analysis of Owner's Long-Term Orientation and Leadership Variables Conducted at the Owner Level*

Factor	Item	Model 1			Model 2		
		$\beta$	SE	<i>p</i>	$\beta$	SE	<i>p</i>
Long-term orientation (LO)	LO1	.75	.05	.00			
	LO2	.76	.05	.00			
	LO3	.84	.03	.00			
	LO4	.91	.02	.00			
Owner's transformational leadership (O_TrForm)	O_TrForm1				.84	.02	.00
	O_TrForm2				.89	.02	.00
	O_TrForm3				.89	.02	.00
	O_TrForm4				.85	.02	.00
	O_TrForm5				.81	.03	.00
	O_TrForm6				.82	.03	.00
Owner's contingent reward (O_ContRwd)	O_ContRwd1				.84	.02	.00
	O_ContRwd2				.58	.05	.00
	O_ContRwd3				.72	.04	.00
	O_ContRwd4				.79	.03	.00
Owner's management-by-exceptions (active) (O_MngExcpAct)	O_MngExcpAct1				.40	.07	.00
	O_MngExcpAct2				.73	.05	.00
	O_MngExcpAct3				.56	.06	.00
	O_MngExcpAct4				.79	.04	.00
Shop manager's transactional leadership (O_TrAct)	O_ContRwd				1.00	.00	.00
	MngExcpAct				.89	.03	.00
	O_TrForm with O_TrAct				.99	.01	.00

*Note.*  $N_{model1} = 261$ .  $N_{model2} = 345$ .  $\beta$  = estimates standardized using variances of the continuous latent variables as well as the variances of the background and outcome variables (STDYX). The items and factors in model 1 and 2 were run separately due to the fact that their data come from different sources (owner leadership data collected from employees is aggregated to the owner level of analysis whereas owner long-term orientation is responded by owners themselves).

Fit statistics: Model 1, Model fit statistics:  $\chi^2(2) = .694$ ,  $p = .71$ ; CFI = 1.00; RMSEA = .00; SRMR = .01. Model 2,  $\chi^2(88) = 145.172$ ,  $p = .00$ ; CFI = .98; RMSEA = .04; SRMR = .04.

Table 5.11

*Descriptive Statistics for Study Variables at Shop and Owner Levels of Analysis*

Level	Variable	<i>N</i>	<i>M</i>	<i>SD</i>	$\alpha$
<i>Shop</i>	<i>From shop employees</i>				
	HRM strength	709	3.56	.73	.96
	Distinctiveness	709	3.77	.80	.94
	Consistency	709	3.42	.66	.83
	Consensus	709	3.49	.88	.94
	Climate of concern for employees	689	3.69	.81	.89
	Service climate	689	4.00	.74	.94
	Group cohesion	689	3.94	.82	.93
	Shop manager's transformational leadership	664	3.78	1.04	.97
	Shop manager's transactional leadership	664	3.77	.90	.93
	<i>From shop managers</i>				
	High performance work systems (HPWS)	581	3.57	.80	.95
	Staffing	581	3.61	.91	.80
	Training	581	3.80	.98	.73
	Participation	581	3.56	.86	.70
	Performance management	578	3.63	.95	.76
	Compensation	578	3.40	.95	.88
	Caring	578	3.41	1.08	.87
	Owner's transformational leadership	573	3.72	1.07	.95
	Owner's transactional leadership	573	3.75	.83	.86
	<i>From outside sources</i>				
	Growth in service quality	1002	.26	2.0	
	<i>Control variables</i>				
Shop age (in years)	709	6.15	11.19		
Shop number of employees	572	5.06	3.26		
<i>Owner</i>	Internal management philosophy	277	3.86	.71	.61
	Employee loyalty orientation	277	4.12	.78	.55
	Customer loyalty orientation	277	3.51	1.08	.62
	Long-term orientation	261	4.13	.83	.88

Table 5.12

*Zero Order Pearson Correlations among Study Variables at the Shop Level of Analysis*

Variable	1	2	3	4	5	6	7	8	9	10	11
1 Growth in service quality											
2 High performance work systems	-.02										
3 HRM strength	.02	.16**									
4 Climate of concern for employees	.01	.16**	.83**								
5 Service climate	.02	.14**	.74**	.80**							
6 Group cohesion	.01	.11*	.60**	.65**	.72**						
7 Shop manager's transformational leadership	.04	.13*	.55**	.58**	.56**	.58**					
8 Shop manager's transactional leadership	.03	.10	.53**	.56**	.56**	.57**	.94**				
9 Owner's transformational leadership	-.02	.58**	.21**	.22**	.14**	.10	.15**	.15**			
10 Owner's transactional leadership	-.03	.53**	.14**	.16**	.08	.04	.09**	.11**	.86**		
11 Shop age (in years)	-.03	-.05	-.02	-.02	-.02	-.04	-.02	-.01	-.02	-.05	
12 Shop number of employees	.00	.14**	.01	.03	-.02	-.03	-.05**	-.03	.17	.14	-.01

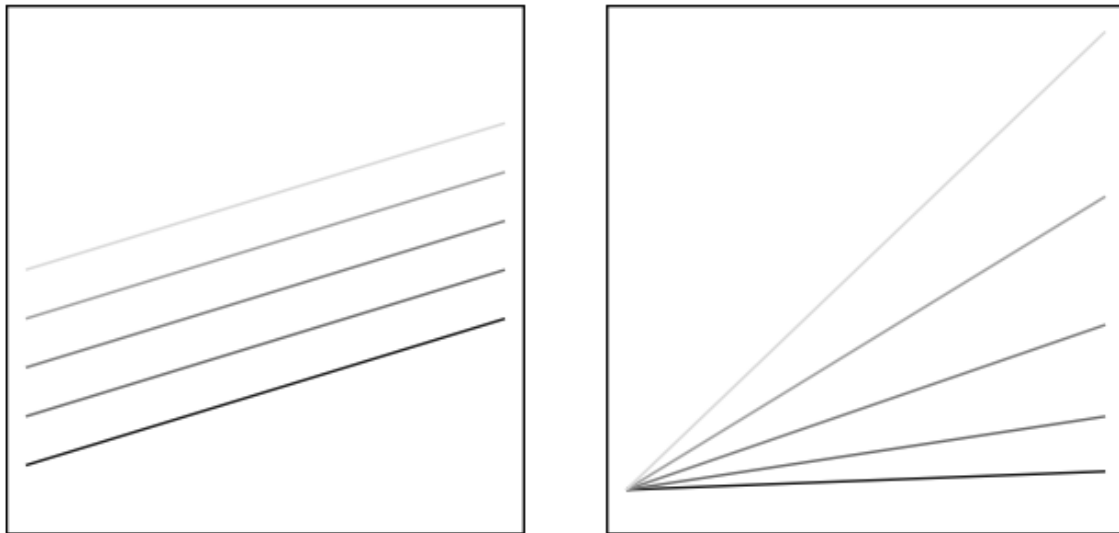
Notes: \* Correlation is significant at the .05 level (2- tailed). \*\* Correlation is significant at the .01 level (2-tailed).

Table 5.13

*Zero Order Pearson Correlations among Study Variables at the Owner Level of Analysis*

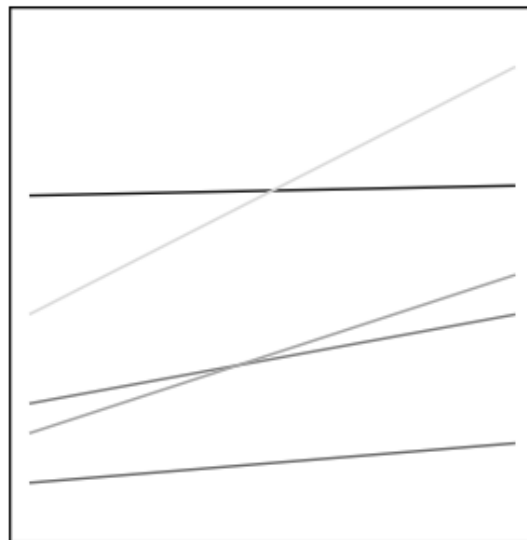
Variable	1	2	3	4	5	6	7	8	9	10	11	12	13
1 Growth in service quality													
2 Owner's long-term orientation	-.03												
3 High performance work systems	-.01	.14											
4 HRM strength	.02	.17*	.19**										
5 Climate of concern for employees	.01	.15*	.17**	.84**									
6 Service climate	.02	.11	.16**	.74**	.81**								
7 Group cohesion	.00	-.07	.15*	.61**	.68**	.73							
8 Shop manager's transformational leadership	.06	.10	.18**	.57**	.59**	.60	.62**						
9 Shop manager's transactional leadership	.04	.09	.14*	.54**	.57**	.60	.58*	.93**					
10 Owner's transformational leadership	-.03	.17*	.51**	.23**	.21**	.12*	.09**	.19**	.17**				
11 Owner's transactional leadership	-.03	.15*	.45**	.19**	.17**	.08*	.03**	.12**	.11**	.86*			
12 Owner's age (in years)	-.01	.08	-.10	-.21**	-.17*	-.10	-.11	-.05**	-.04*	-.10	-.03		
13 Owner's level of education	-.04	.02	-.12	-.04	-.07	-.10	-.14	-.05	-.02	.03	.10	.01	
14 Owner's number of shops	-.04	.08	-.07	-.09	-.15*	-.10	-.15	-.04	-.03*	.00	.03	.11	.06*

Note. \* Correlation is significant at the .05 level (2- tailed). \*\* Correlation is significant at the .01 level (2-tailed).



Random intercepts

Random slopes



Random intercepts and slopes

*Figure 5.1.* Illustration of different foundational models for multi-level analysis. Image taken from Gill and Womack (2013).



Table 5.14

*Results of Multi-Level Path Analyses for Testing the Hypothesized Main Model*

Path	Model 1			Model 2			Model 3			Model 4		
	$\beta$	SE	p	$\beta$	SE	p	$\beta$	SE	p	$\beta$	SE	p
<i>Within Level</i>												
M_TrForm → HPWS				.06	.09	.50						
M_TrAct → HPWS							.01	.06	.88			
M_Leader → HPWS										.04	.09	.63
M_TrForm → HRStren				.54	.07	.00						
M_TrAct → HRStren							.41	.05	.00			
M_Leader → HRStren										.53	.07	.00
M_TrForm → CCE				.07	.05	.11						
M_TrAct → CCE							.06	.04	.11			
M_Leader → CCE										.07	.05	.11
HPWS → CCE	.06	.04	.14	.03	.04	.41	.06	.05	.25	.04	.04	.37
HRStren → CCE	.87	.02	.00	.86	.04	.00	.95	.05	.00	.86	.04	.00
M_TrForm → SC				.07	.07	.30						
M_TrAct → SC							.06	.06	.31			
M_Leader → SC										.07	.07	.31
HPWS → SC	-.02	.04	.67	.04	.04	.37	.06	.05	.24	.05	.04	.24
HRStren → SC	.22	.08	.00	.21	.09	.02	.23	.09	.02	.21	.09	.02
CCE → SC	.63	.07	.00	.58	.08	.00	.54	.09	.00	.58	.08	.00
CCE → SQ										-.09	.10	.33
SC → SQ										.17	.09	.05
<i>Control variables</i>												
Shop age → HPWS	.04	.08	.63	.06	.10	.56	.09	.09	.34	.07	.09	.46
No_emp → HPWS	.18	.07	.01	.16	.08	.05	.21	.09	.02	.19	.08	.02
Shop age → HRStren	.09	.07	.17	.08	.06	.19	.08	.06	.19	.08	.06	.20
No_emp → HRStren	-.11	.05	.02	-.06	.05	.24	-.09	.05	.07	-.07	.05	.13
Shop age → CCE	-.07	.03	.03	-.08	.04	.02	-.08	.04	.02	-.08	.04	.02
No_emp → CCE	.01	.03	.75	.00	.03	.91	-.01	.03	.67	-.01	.03	.81
Shop age → SC	.03	.03	.27	.02	.03	.49	.02	.03	.54	.02	.03	.52
No_emp → SC	-.05	.03	.10	-.05	.03	.16	-.06	.04	.12	-.05	.04	.13

Path	Model 1			Model 2			Model 3			Model 4		
	$\beta$	SE	<i>p</i>	$\beta$	SE	<i>p</i>	$\beta$	SE	<i>p</i>	$\beta$	SE	<i>p</i>
<i>Between Level</i>												
LO → HPWS	.15	.13	.24	.01	.09	.94	.05	.10	.63	.01	.09	.89
O_TrForm → HPWS				.92	.11	.00						
O_TrAct → HPWS							.87	.14	.00			
O_Leader → HPWS										.91	.11	.00
LO → HRStren	.30	.13	.02	.41	.13	.00	.41	.13	.00	.41	.13	.00
O_TrForm → HRStren				-.06	.16	.71						
O_TrAct → HRStren							.01	.14	.96			
O_Leader → HRStren										-.03	.15	.84
<i>Control variables</i>												
O_Age → HPWS	-.18	.13	.17	-.03	.09	.76	-.15	.10	.14	-.07	.09	.44
O_Gender → HPWS	.16	.15	.29	.04	.08	.66	.10	.09	.24	.05	.08	.49
O_Edu → HPWS	-.22	.12	.06	-.19	.08	.03	-.27	.09	.00	-.22	.08	.01
O_FrancExp → HPWS	-.25	.15	.08	-.14	.10	.14	-.12	.12	.31	-.12	.10	.22
O_NoShops → HPWS	.01	.10	.96	.06	.04	.13	.04	.04	.36	.04	.04	.27
O_Age → HRStren	-.17	.12	.15	-.16	.14	.27	-.16	.14	.27	-.16	.14	.27
O_Gender → HRStren	.09	.10	.40	-.02	.10	.84	-.02	.10	.81	-.02	.10	.83
O_Edu → HRStren	.05	.13	.69	.12	.13	.33	.12	.13	.35	.12	.13	.34
O_FrancExp → HRStren	-.20	.12	.11	-.23	.13	.07	-.21	.13	.10	-.22	.13	.08
O_NoShops → HRStren	.12	.06	.05	.13	.07	.07	.12	.07	.10	.13	.07	.08

Note.  $\beta$  = estimates standardized using variances of the continuous latent variables as well as the variances of the background and outcome variables (STDYX).

To eliminate the potential multicollinearity problem that may arise due to the high degree of conceptual and empirical overlap between transformational and transactional leadership variables, these two leadership styles were included separately in Models 2 and 3. In Model 4 a single generalized leadership variable that consists of the mean of the leadership styles was included in the model.

Model 1: Hypothesized model with control variables and without leadership variables.

$N_{\text{observations}} = 385$ ;  $N_{\text{clusters}} = 206$ . Fit statistics:  $\chi^2(1) = 4.32$ ,  $p = .23$ ; CFI = 1.00; RMSEA = .09; SRMR within = .02, between = .01.

Model 2: Hypothesized model with control variables and transformational leadership.

$N_{\text{observations}} = 250$ ;  $N_{\text{clusters}} = 129$ . Fit statistics:  $\chi^2(1) = .87$ ,  $p = .35$ ; CFI = 1.00; RMSEA = .00; SRMR within = .01, between = .00.

Model 3: Hypothesized model with control variables and transactional leadership.

$N_{\text{observations}} = 250$ ;  $N_{\text{clusters}} = 129$ . Fit statistics:  $\chi^2(1) = 2.81$ ,  $p = .09$ ; CFI = 1.00; RMSEA = .09; SRMR within = .01, between = .01.

Model 4: Hypothesized model with control variables and generalized leadership.  $N_{\text{observations}} = 250$ ;  $N_{\text{clusters}} = 129$ . Fit statistics:  $\chi^2(6) = 6.76$ ,  $p = .34$ ; CFI = 1.00; RMSEA = .02; SRMR within = .02, between = .01.

Abbreviations used: HRStren = HRM strength; HPWS = high performance work systems; CCE = climate of concern for employees; SC = service climate; SQ = Growth in service quality; M\_TrForm = Shop manager's transformational leadership; M\_TrAct = Shop manager's transactional leadership; Shop age = Number of years since shop has opened; No\_emp = Number of employees working at the shop; LO = owner's long-term orientation; O\_TrForm = owner's transformational leadership; O\_TrAct = owner's transactional leadership; O\_Leader = generalized leadership; O\_Age = owner's age in years; O\_Gender = owner's gender; O\_Edu = owner's education level; O\_FrancExp = owner's level of experience as investor with the franchisor corporation; O\_NoShops = owner's total number of shops.



Table 5.15

*Results of Owner-Level SEM Analysis for Testing the Hypothesized Interaction Effect between Owner's Long-Term Orientation and Leadership on HRM Strength*

Factor	Indicator	Model 1			Model 2		
		$\beta$	<i>SE</i>	<i>p</i>	$\beta$	<i>SE</i>	<i>p</i>
Distinctiveness (Distinct)	Parcel 1	1.00	.00	999.00	1.00	.00	999.00
	Parcel 2	.91	.03	.00	.91	.03	.00
	Parcel 3	.89	.03	.00	.89	.03	.00
Consistency (Consist)	Parcel 1	1.00	.00	999.00	1.00	.00	999.00
	Parcel 2	.68	.05	.00	.68	.05	.00
	Parcel 3	.86	.04	.00	.86	.04	.00
Consensus (Consens)	Parcel 1	1.00	.00	999.00	1.00	.00	999.00
	Parcel 2	1.05	.04	.00	1.05	.04	.00
HRM Strength (HRStren)	Distinct	1.00	.00	999.00	1.00	.00	999.00
	Consist	.82	.05	.00	.82	.05	.00
	Consens	.98	.04	.00	.98	.04	.00
Long-term orientation (LO)	Parcel 1	1.00	.00	999.00	1.00	.00	999.00
	Parcel 2	1.04	.46	.03	.90	.26	.03
Owner's transform. ldshp (O_TrForm)	Parcel 1	1.00	.00	999.00			
	Parcel 2	.88	.03	.00			
	Parcel 3	.91	.03	.00			
Owner's transact. ldshp (O_TrAct)	Parcel 1				1.00	.00	999.00
	Parcel 2				.81	.06	.00
	Parcel 3				1.02	.05	.00
	Parcel 4				.66	.07	.00
LO → HRStren		.15	.08	.04	.13	.09	.15
O_TrForm → HRStren		.14	.04	.00			
LO x O_TrForm → HRStren		-.03	.15	.84			
O_TrAct → HRStren					.16	.06	.01
LO x O_TrAct → HRStren					-.12	.08	.13

*Note.*  $N = 498$ . Measurement models are constructed using parceling items into groups. Due to the RANDOM analysis type selected to calculate latent interactions in Mplus, the unstandardized  $\beta$  estimates are reported, and model fit statistics are unavailable. Model 1: Interaction between owner's transformational leadership and long-term orientation on HRM strength. Model 2: Interaction between owner's transactional leadership and long-term orientation on HRM strength. Abbreviations used: HRStren = HRM strength; LO = owner's long-term orientation; O\_TrForm = owner's transformational leadership; O\_TrAct = owner's transactional leadership.

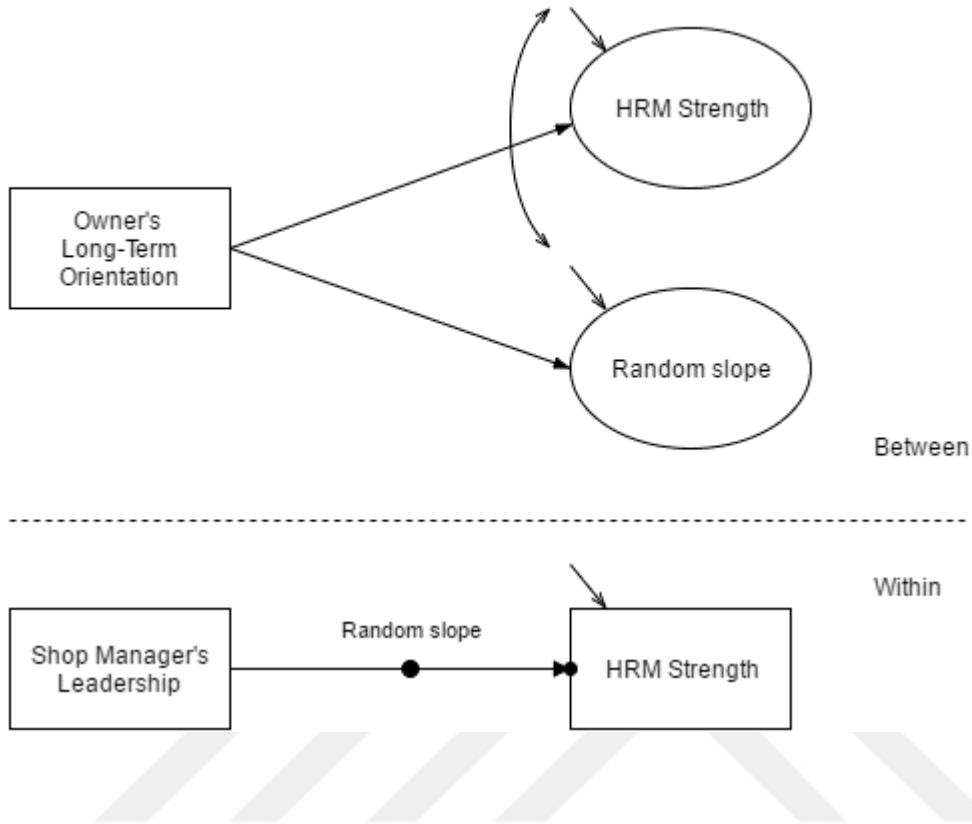


Figure 5.2. Illustration of the two-level model examining a random intercept and slope to test the cross-level interaction between owner’s long-term orientation, manager’s leadership, and HRM strength. The model is based on Example 9.2 in Mplus User’s Guide (Muthen & Muthen, 2015). The filled dot on the income indicates that the intercept is proposed to vary across owners at Level 2. Short arrows not connected to explanatory variables in the figure are used to represent residual variance in the outcome.

Table 5.16

*Results of Multi-Level Regression Analysis for Testing the Hypothesized Cross-Level Interaction Effect between Owner's Long-Term Orientation and Manager's Transformational and Transactional Leadership on HRM Strength*

Factor	Model 1			Model 2		
	$\beta$	SE	p	$\beta$	SE	p
Within Level						
Residual variance of HRStren	.22	.04	.00	.26	.04	.00
Between Level						
LO → HRStren	.06	.04	.12	.09	.04	.04
LO → S	.09	.05	.07	.13	.06	.04
HRStren with S	.05	.02	.02	.06	.03	.02
Intercept of HRStren	3.33	.18	.00	3.24	.19	.00
Intercept of S	-.01	.22	.95	-.17	.27	.52

*Note.*  $N_{\text{observations}} = 321$ ;  $N_{\text{clusters}} = 187$ . Within level random slope estimated using shop manager's transformational leadership in Model 1, and transactional leadership in Model 2. Due to the RANDOM analysis type selected to calculate latent interactions in Mplus, the unstandardized  $\beta$  estimates are reported, and model fit statistics are unavailable. Abbreviations used: HRStren = HRM strength; LO = owner's long-term orientation; S = slope of the individual level effect of manager's transformational/transactional leadership on HRM strength.



Figure 5.3. Plot of the cross-level moderating effect of owner's long-term orientation on the relationship between shop manager's transactional leadership and HRM strength. The lines present the computed values for minus one standard deviation and plus one standard deviation from the mean for the owner long-term orientation variable.

Table 5.17

*Results of Shop-Level SEM Analysis for Testing the Hypothesized Interaction Effects of HPWS, HRM Strength, and Group Cohesion on Shop Climates*

Factor	Indicator	Model 1			Model 2		
		$\beta$	<i>SE</i>	<i>p</i>	$\beta$	<i>SE</i>	<i>p</i>
Distinctiveness (Distinct)	Parcel 1	1.00	.00	999.00	1.00	.00	999.00
	Parcel 2	.94	.02	.00	.94	.02	.00
	Parcel 3	.88	.02	.00	.88	.02	.00
Consistency (Consist)	Parcel 1	1.00	.00	999.00	1.00	.00	999.00
	Parcel 2	.64	.04	.00	.64	.04	.00
	Parcel 3	.89	.03	.00	.88	.03	.00
Consensus (Consens)	Parcel 1	1.00	.00	999.00	1.00	.00	999.00
	Parcel 2	1.04	.03	.00	1.04	.03	.00
HRM Strength (HRStren)	Distinct	1.00	.00	999.00	1.00	.00	999.00
	Consist	.86	.03	.00	.86	.03	.00
	Consens	1.04	.03	.00	1.04	.03	.00
Staffing (Staff)	Parcel 1	1.00	.00	999.00	1.00	.00	999.00
	Parcel 2	1.24	.07	.00	1.24	.07	.00
Training (Train)	Parcel 1	1.00	.00	999.00	1.00	.00	999.00
	Parcel 2	.86	.05	.00	.86	.05	.00
	Parcel 3	.73	.06	.00	.73	.06	.00
Performance (Perf)	Parcel 1	1.00	.00	999.00	1.00	.00	999.00
	Parcel 2	.76	.06	.00	.76	.06	.00
	Parcel 3	.95	.05	.00	.95	.05	.00
Compensation (Compen)	Parcel 1	1.00	.00	999.00	1.00	.00	999.00
	Parcel 2	1.13	.06	.00	1.13	.06	.00
	Parcel 3	1.16	.06	.00	1.15	.06	.00
	Parcel 4	1.25	.06	.00	1.25	.06	.00
Caring (Caring)	Parcel 1	1.00	.00	999.00	1.00	.00	999.00
	Parcel 2	1.08	.05	.00	1.08	.05	.00
Participation (Partici)	Parcel 1	1.00	.00	999.00	1.00	.00	999.00
	Parcel 2	.94	.06	.00	.95	.06	.00
Skill	Staff	1.00	.00	999.00	1.00	.00	999.00
	Train	1.28	.07	.00	1.27	.07	.00

(continued)



Factor	Indicator	Model 1			Model 2		
		$\beta$	<i>SE</i>	<i>p</i>	$\beta$	<i>SE</i>	<i>p</i>
Motivation (Motiv)	Perf	1.00	.00	999.00	1.00	.00	999.00
	Compen	.85	.04	.00	.86	.04	.00
	Caring	1.03	.07	.00	1.03	.07	.00
HPWS	Skill	1.00	.00	999.00	1.00	.00	999.00
	Motiv	1.00	.08	.00	.98	.08	.00
	Partici	.98	.06	.00	.96	.06	.00
CCE	Parcel 1	1.00	.00	999.00	1.00	.00	999.00
	Parcel 2	1.07	.04	.00	1.07	.04	.00
SC	Parcel 1	1.00	.00	999.00	1.00	.00	999.00
	Parcel 2	1.04	.03	.00	1.03	.03	.00
	Parcel 3	1.08	.04	.00	1.07	.03	.00
Cohesion (Cohes)	Parcel 1				1.00	.00	999.00
	Parcel 2				1.08	.03	.00
	Parcel 3				1.02	.03	.00
HPWS → CCE		.08	.05	.11	.01	.03	.74
HRStren → CCE		.86	.05	.00	.72	.06	.00
HPWS x HRStren → CCE		-.17	.09	.04			
Cohes → CCE					.23	.04	.00
Cohes x HRStren → CCE					-.06	.02	.01
HPWS → SC		.12	.04	.00	.03	.03	.36
HRStren → SC		.69	.04	.00	.48	.04	.00
HPWS x HRStren → SC		-.25	.06	.00			
Cohesion → SC					.33	.04	.00
Cohes x HRStren → SC					-.15	.02	.00

*Note.*  $N = 909$ . Measurement models are constructed using parceling items into groups. Due to the RANDOM analysis type selected to calculate latent interactions in Mplus, the unstandardized  $\beta$  estimates are reported and model fit statistics are unavailable. Abbreviations used: HRStren = HRM strength; HPWS = high performance work system; CCE = climate of concern for employees; SC = service climate; cohes = group cohesion.

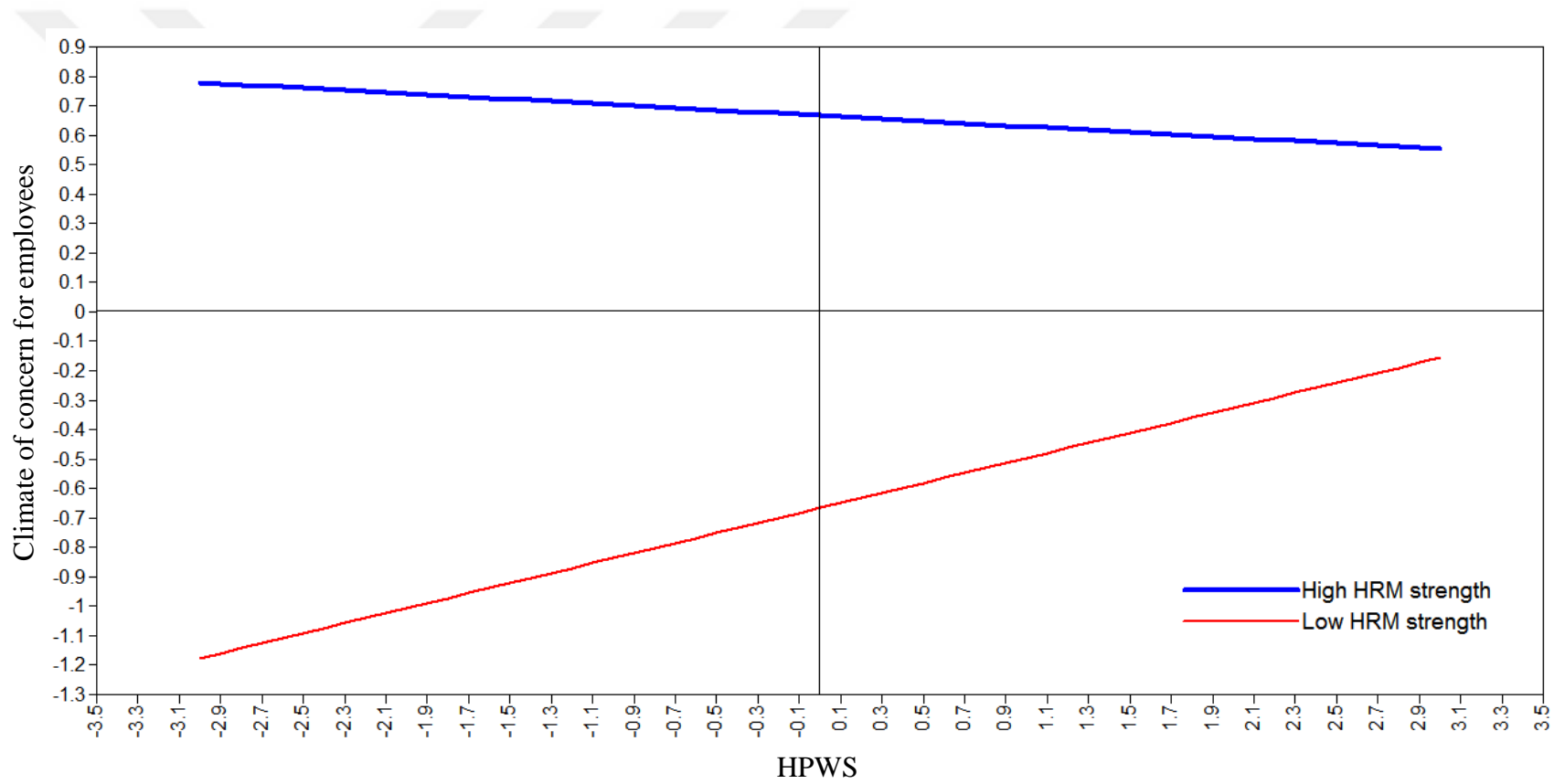


Figure 5.4. Plot of the interaction between HPWS and HRM strength on climate of concern for employees. The lines present the computed values for minus one standard deviation and plus one standard deviation from the mean for the HRM strength variable.

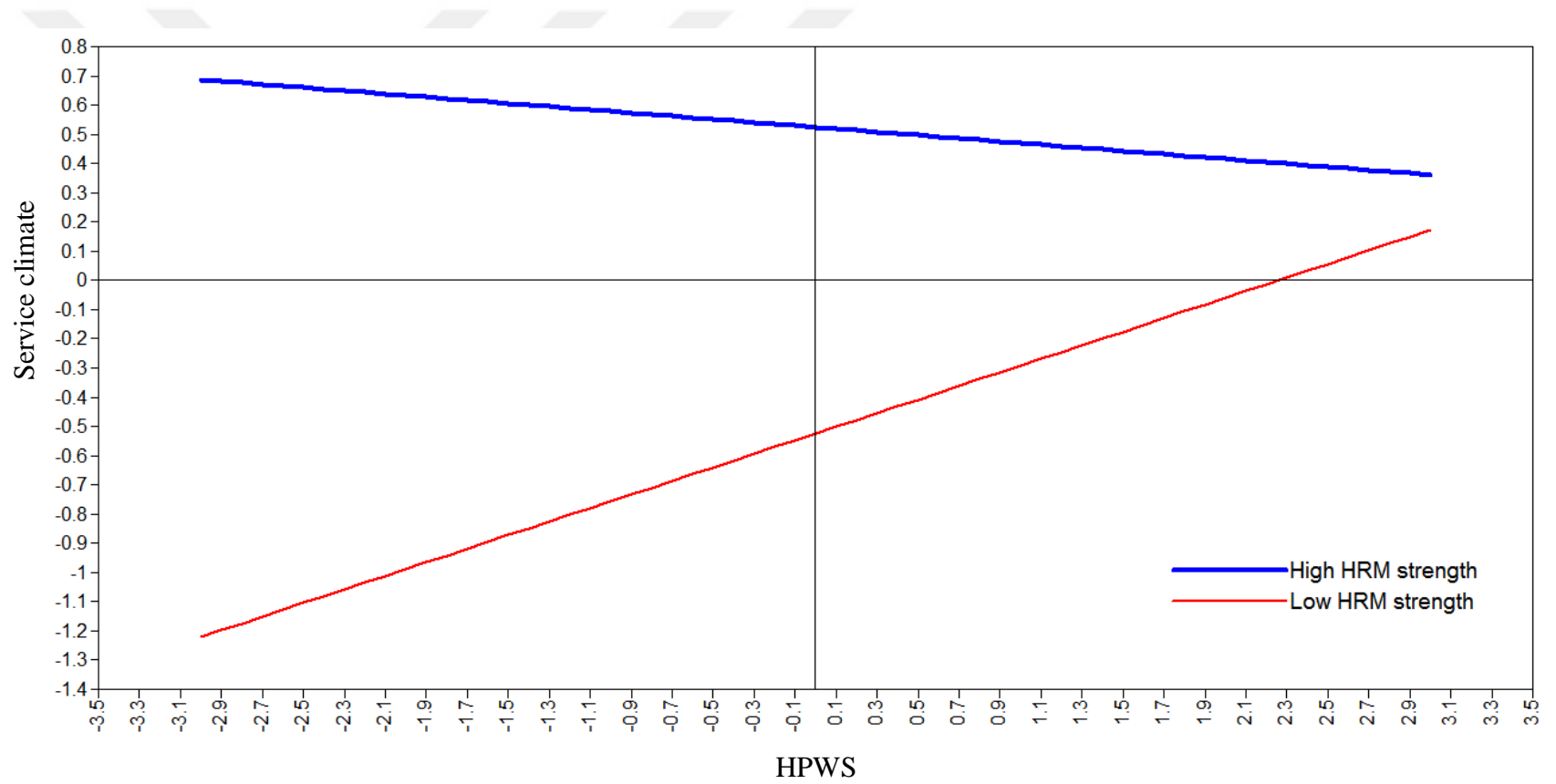


Figure 5.5. Plot of the interaction between HPWS and HRM strength on service climate. The lines present the computed values for minus one standard deviation and plus one standard deviation from the mean for the HRM strength variable.

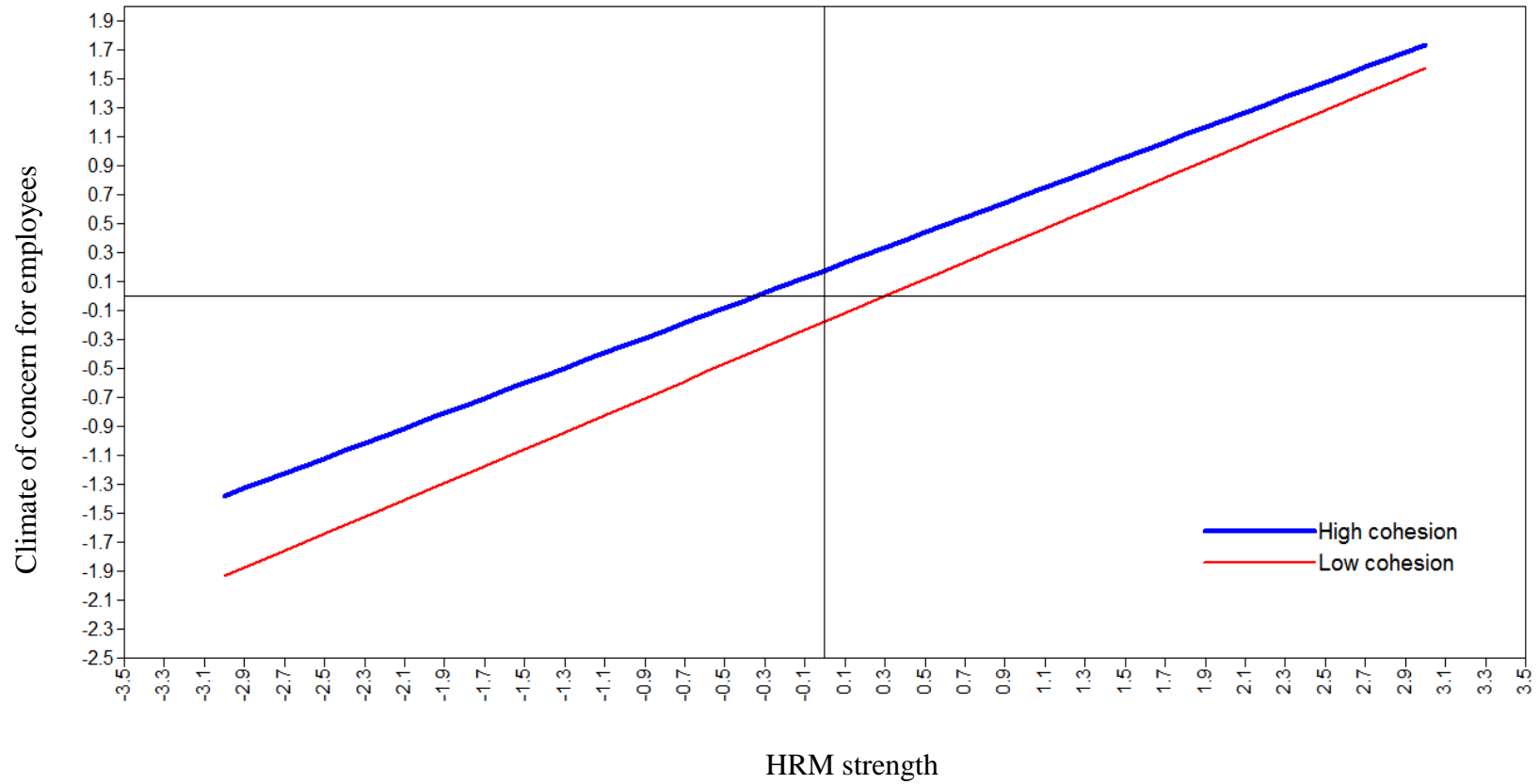


Figure 5.6. Plot of the interaction between HRM strength and group cohesion on climate of concern for employees. The lines present the computed values for minus one standard deviation and plus one standard deviation from the mean for the group cohesion variable.

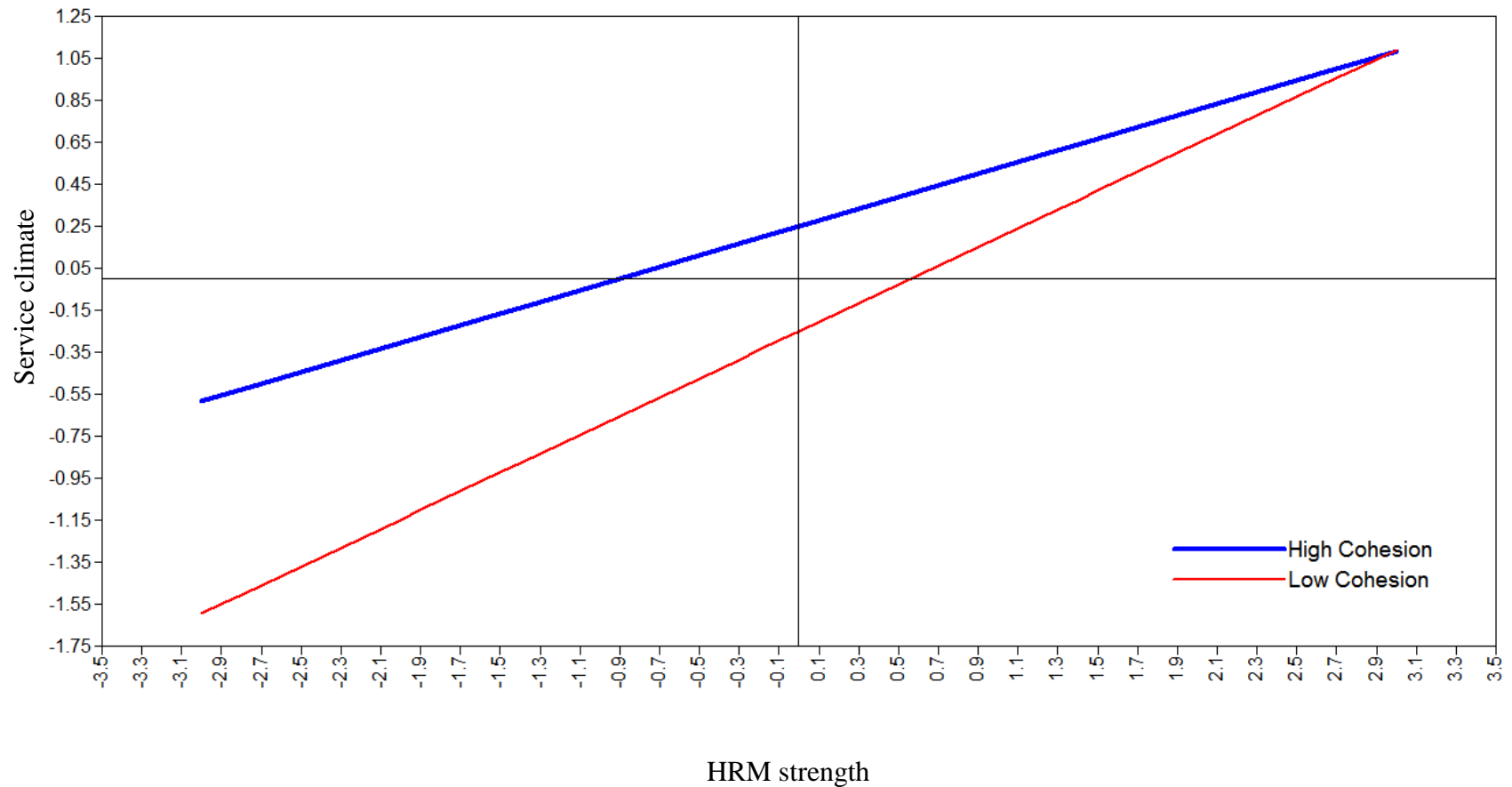


Figure 5.7. Plot of the interaction between group cohesion and HRM strength on service climate. The lines present the computed values for minus one standard deviation and plus one standard deviation from the mean for the group cohesion variable.

Table 5.18

*Results of Shop-Level SEM Analysis for Testing the Hypothesized Interaction Effect of HRM Strength and Group Cohesion on Service Quality*

Factor	Indicator	$\beta$	SE	p
Service climate (SC)	Parcel 1	.80	.05	.00
	Parcel 2	.82	.05	.00
	Parcel 3	.85	.05	.00
Cohesion (Cohes)	Parcel 1	.87	.05	.00
	Parcel 2	.94	.05	.00
	Parcel 3	.89	.05	.00
	SC → SQ	.19	.05	.00
	Cohes → SQ	.11	.04	.02
	SC x Cohes → SQ	.33	.04	.00

*Note.*  $N = 1,108$ . Due to the RANDOM analysis type selected to calculate latent interactions in Mplus, the unstandardized  $\beta$  estimates are reported, and model fit statistics are unavailable. Abbreviations used: SC = service climate; Cohes = group cohesion; SQ = growth in service quality.

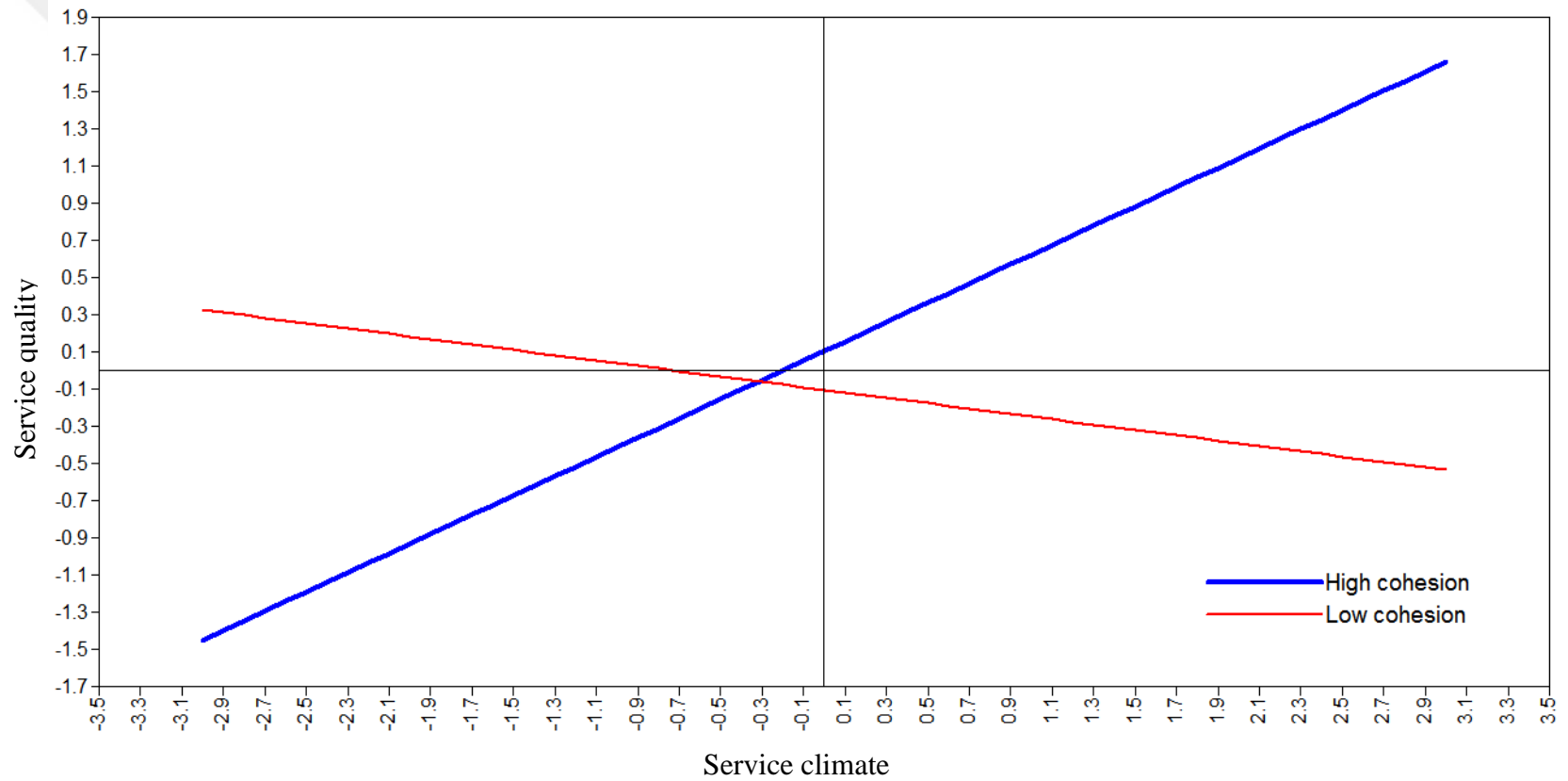


Figure 5.8. Plot of the interaction between service climate and group cohesion on service quality. The lines present the computed values for minus one standard deviation and plus one standard deviation from the mean for the group cohesion variable.

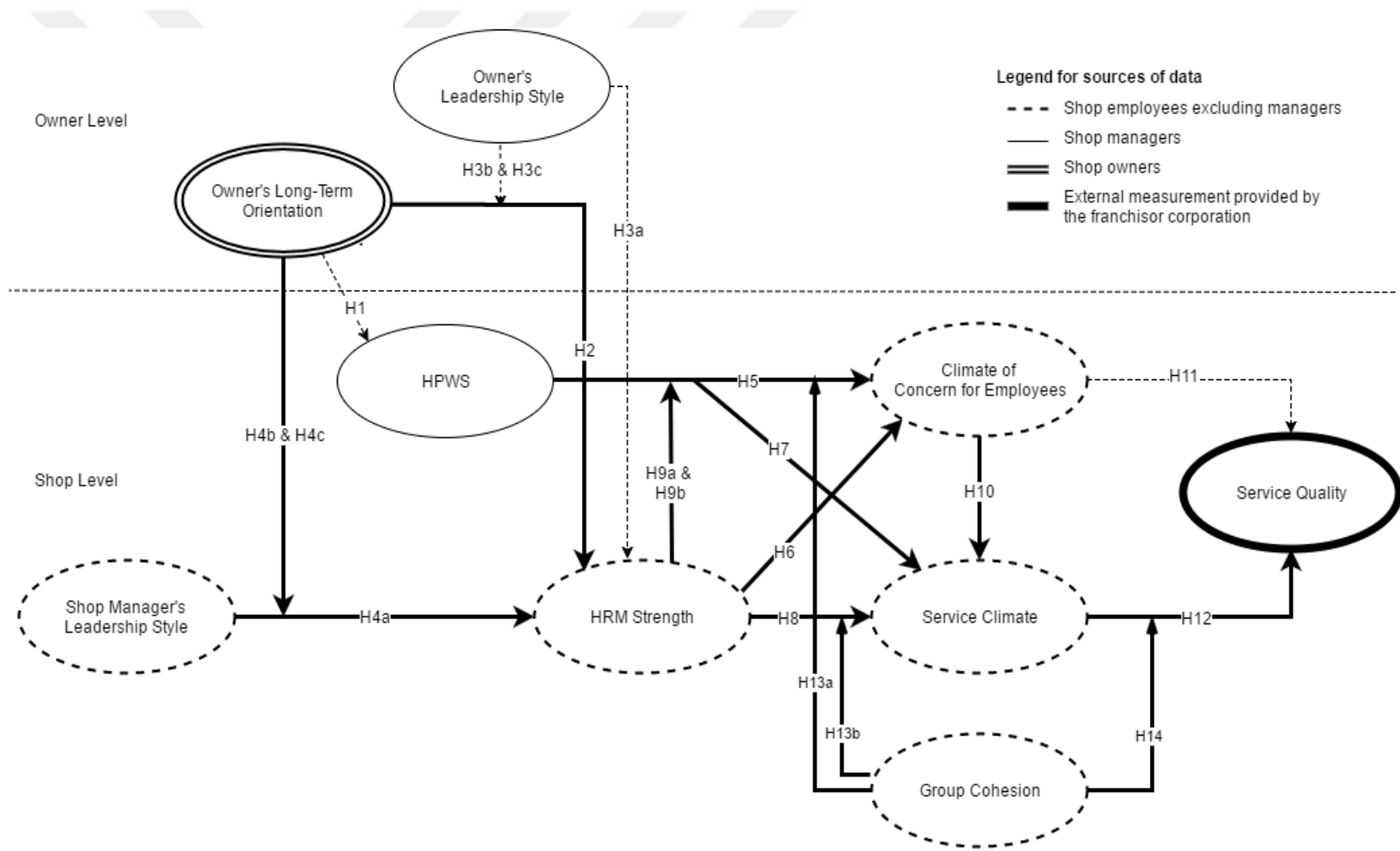


Figure 5.9. The results of the hypothesized model. Bold path arrows indicate relationships found significant at  $p < .01$  or  $p < .05$  levels. Unsupported hypotheses are indicated by dashed path arrows. The figure summarizes the results of the entire research model as a whole, but the depicted relationships were tested using multiple structural models.



Table 5.19

*Summary of Research Questions and Findings*

No	Hypothesis	Finding	Explanation
1	Owner's long-term orientation will be positively related to the use of HPWS practices.	Not supported	
2	Owner's long-term orientation will be positively related to HRM strength.	Supported	
3a	Owner's transformational leadership will have an overall positive effect on HRM strength.	Not supported	
3b	Owner's transformational leadership will moderate the effect of long-term orientation on HRM strength, such that the positive relationship between long-term orientation and HRM strength will be stronger for owners with a high degree of transformational leadership than those with a low degree of transformational leadership.	Not supported	
3c	Owner's transactional leadership will moderate the effect of long-term orientation on HRM strength, such that the positive relationship between long-term orientation and HRM strength will be stronger for owners with a high degree of transactional leadership than those with a low degree of transactional leadership.	Not supported	
4a	Shop manager's transformational leadership will be positively related to HRM strength.	Supported	

(continued)

No	Hypothesis	Finding	Explanation
4b	The effect of manager's transformational leadership on HRM strength will be moderated by owner's long-term orientation. The positive relationship between shop manager's transformational leadership and HRM strength will be stronger when owners have a long-term orientation.	Not supported	
4c	The effect of manager's transactional leadership on HRM strength will be moderated by owner's long-term orientation. Shop manager's transactional leadership will have a negative relationship with HRM strength when owner's long-term orientation is low.	Supported	
5	The use of HPWS practices will be positively related to the climate of concern for employees.	Not supported	Although the overall effect of HPWS on the climate of concern for employees is not significant, the finding from H 9a suggests that this is because HRM strength interferes with this relationship. When HRM strength is low, HPWS practices do have a positive effect on the climate of concern for employees.
6	HRM strength will be positively related to the climate of concern for employees.	Supported	

(continued)

No	Hypothesis	Finding	Explanation
7	The use of HPWS practices will be positively related to service climate.	Not supported	Although the overall effect of HPWS on service climate is not significant, the finding from H9b suggests that this is because HRM strength interferes with this relationship. When HRM strength is low, HPWS practices do have a positive effect on service climate.
8	HRM strength will be positively related to service climate.	Supported	
9a	The effect of HPWS on climate of concern for employees will both be moderated by HRM strength. This interaction will be such that the relationship between HPWS and climate of concern for employees will be more pronounced when HRM strength is high than low.	Supported	The hypothesized moderation effect is empirically supported. However, HRM strength was expected to strengthen the influence of HPWS on the climate of concern for employees. Instead, the results indicate that the HRM strength has an interference effect.
9b	The effect of HPWS on service climate will both be moderated by HRM strength. This interaction will be such that the relationship between HPWS and service climate will be more pronounced when HRM strength is high than low.	Supported	The hypothesized moderation effect is empirically supported. However, HRM strength was expected to strengthen the influence of HPWS on service climate. Instead, the results indicate that the HRM strength has an interference effect.

(continued)

No	Hypothesis	Finding	Explanation
10	The climate of concern for employees will be positively related to service climate.	Supported	
11	Climate of concern for employees will be positively related to service quality.	Not supported	
12	Service climate will be positively related to service quality.	Supported	
13a	The effect of HRM strength on climate of concern for employees will be moderated by group cohesion. This interaction will be such that the positive relationship between HRM strength and climate of concern for employees will be stronger when cohesion is low than high.	Supported	
13b	The effect of HRM strength on service climate will be moderated by group cohesion. This interaction will be such that the positive relationship between HRM strength and service climate will be stronger when cohesion is low than high.	Supported	
14	The effect of service climate on service quality will be moderated by group cohesion. This interaction will be such that the positive relationship between service climate and quality will be stronger when cohesion is high than low.	Supported	

## 6.

### DISCUSSION

#### 6.1. An Overview of Dissertation Objectives and Model

In this dissertation I aimed to examine how owners' long-term oriented internal management philosophies and their manner of enactment (through transformational and transactional leadership behaviors) influence the content (defined as high performance work systems practices) and process (indicating the strength of the HRM system) of HRM in the context of retail and service shops within SMEs. Based on the relevant theoretical foundations and literature on small business management, stewardship theory and strategic HRM, I identified the owner's long-term oriented internal management philosophies as a key driver of the intended portion of the process-based model of HRM implementation (Nishii & Wright, 2008). Thus, I purported that the owner's long-term orientation is positively related to both the type and extent of high performance yielding HRM practices that are exercised, and the manner in which the implemented formal and informal HRM-related decisions are perceived by employees through their evaluations of distinctiveness, consistency, and consensus (constituting HRM strength, as described by Bowen and Ostroff, 2004). I also hypothesized that the owner's leadership behaviors would regulate the degree to which long-term orientation is interpreted by employees as an indicator of a strong HRM process.

My research model also suggested that the emergent HRM structure and process in shops would subsequently be related to the formation of two types of interrelated climates:

climates of concern for employees and service. These effects were expected to be both linear and interactive in nature. Specifically, I purported that, in addition to the positive main effects of HPWS and HRM strength on climates, HRM strength would also be found to moderate the effect of HPWS on both types of shop climates. HRM strength was also posited to have an interactive effect with group cohesion on shop climates.

The final part of my study model hypothesized that these two types of shop climates would be positively related to the degree of service quality achieved by the shops, as indicated by their customers' service quality evaluations. This relationship was also posited to be moderated by the degree of group cohesion that exists between the members of the shop staff.

## **6.2. Discussion of Study Findings and Theoretical Implications**

### **6.2.1. The impact of owner's long-term oriented management philosophy**

Based on my observations throughout the qualitative part of the study and in line with prior literature, I had originally developed a construct of long-term oriented internal management philosophies that incorporated two main dimensions, which consisted of employee-loyalty and customer-loyalty orientations. Although a preliminary study that I had conducted indicated support for the relationships between these constructs and conceptually relevant dependent variables (such as employee engagement and service climate), the results of the large-scale survey study indicated that the scenario based measure that I had developed to capture these dimensions was lacking in reliability and validity. Hence, I was not able to test the effects of these posited dimensions of long-term oriented internal management philosophy. Nevertheless, I was able to measure the underlying construct of owner's generalized long-term orientation that is in effect during the management of their shops using another scale developed by Hoffmann et al. (2014). Thus, I proceeded testing my hypotheses using this measure instead.

The results of the multi-level path analysis indicates that owner's long-term orientation is positively related to employees' perceptions of HRM strength at the shops, but not related to use of HPWS practices, after controlling for shop and owner level demographic variables (i.e., shop's age and size and owner's age, gender, level of education, experience as franchisee, and number of shops owned). On the other hand, owner's transformational and transactional leadership behaviors are positively linked to HPWS, but not related to HRM strength. These results may be influenced by the shared variance between HPWS and owner's leadership variables due a common source (since they were all evaluated by shop managers). However, the results of the model that excluded the leadership variables also confirm that long-term orientation is positively linked to HRM strength but not to HPWS.

The finding that owner's long-term orientation is linked to HRM strength but not HPWS may indicate that, for conveying the owner's intentions to employees, HRM process is conceptually more pertinent than HRM content. HRM strength has been identified as a key mechanism through which organizational decision-makers can propagate their organizational aspirations. Bowen and Ostroff (2004) indicated that HRM strength is generated by individuals' idiosyncratic perceptions as a result of the "symbolic or signaling function" carried out by employers "by sending messages that employees use to make sense of and to define the psychological meaning of their work situation" (p. 206). As such, HRM strength can be seen as indicating employees' perceptions of the owner's intentions regarding the employment relationship. Nishii and Wright (2008) emphasized the importance of uncovering factors at multiple levels of analysis that contribute to the variation in HRM perceptions among employees during the implementation of intended HRM practices. The results of this study indicate that the existence of a long-term oriented management approach is an important predictor of HRM process. This finding can be interpreted in light of prior conceptualizations and studies in the literature that examine how the signals that owners emit through HRM processes are observed by employees through their attributions regarding their owner's managerial intentions (Nishii et al., 2008). Although I didn't specifically study these employee attributions, the fact that the variation in their HRM strength perceptions can be partially explained by owners' self-proclaimed orientations suggests that these signals are indeed effectively passed on

downwards from the owners and help employees develop their collective interpretations of what is expected of them (Bowen & Ostroff, 2004). Hence, HRM strength is conceptually closely tied to the transmission of owner's ideologies.

Owner's long-term orientations may be related to HRM strength but not to HPWS also due to the fact that this study was conducted in a small business context. Content-based HRM, which indicates the degree and complexity of performance-enhancing HRM practices implemented in the shops, reflects the formal structure of the employment practices (such as whether formal recruitment, performance management, employee participation practices are established and in effect). On the other hand, HRM strength reflects the perceptual, intangible aspect of all employment-related actions and decisions taken during the management human resources. In contrast to HPWS, HRM strength is an encompassing perceptual outcome that incorporates the effects of both formal and informal processes (Sanders, Shipton, & Gomes, 2014). Owner's messages can potentially be conveyed through both the formal practices that are established, and the non-systematic decisions and actions taken during the informal management of the employment relationship. However, in the context of small businesses that I have investigated, the informal aspects of HRM may be more salient than the formal practices. This is because small businesses are shown to rely less on formalized HRM systems and often resolve issues regarding the management of employees in an ad hoc and emergent manner (Harney & Dundon, 2006b; Mayson & Barrett, 2006). In such organizations the owner's strategic orientation may be reflected in the way in which employment-related decisions are taken, rather than the extent to which they utilize formalized and structured HRM systems. For example, Piening et al. (2014) investigated the links between intended and implemented HRM practices in German SMEs. They found support for the impact of employees' HRM strength perceptions. Furthermore, they indicated that employees' general expectations from HRM is an important determinant of their reactions to the implemented HRM system. In organizations where HRM content was low employees' reactions were still favorable because there was agreement about the firm's modest intentions in HRM investments and employees were consequently not very demanding. Such conditions are more likely to take place in the context of small organizations where past investments in HRM are often low. However, in larger organizations employees may be more likely to have higher



expectations regarding the type and extent of formal HRM practices offered. This may be due to the comparisons they may make with respect to other similarly sized firms they may have previously worked in or currently operate in their sectors. As a result, in employees in larger organizations may also be more respondent to the firms' adoption of commitment-enhancing formalized practices in evaluating the management's intentions.

In sum, the findings of the current research suggest that owners' managerial philosophies and strategic orientations—represented here by long-term orientated values—are among key components that drive the implementation of intended HRM processes. Particularly in the context of small businesses, they have significant influences on how employees perceive the overall employment system, which in turn can shape the organizational climate and culture that emerge.

#### **6.2.2. The impact of owner's and manager's leadership styles**

In the theoretical conceptualization portion of this dissertation I made some predictions regarding the influence of owner's and shop manager's leadership styles on the content and process of HRM implementation. The results that I obtained are mixed in terms of supporting these hypotheses. When main and interactive effects were tested at the owner level of analysis, transformational leadership behaviors are found to have positive effects on HRM strength. However, when a full multi-level model that included HPWS and control variables was tested, the owner's transformational leadership style is found to be positively linked with HPWS, but not with HRM strength. Conversely, manager's transformational leadership style is positively related to HRM strength, but not with HPWS. Once again, this can be attributed to the influence of common source bias. Due to elevated correlations between variables that are evaluated by the same source (owner's leadership and HPWS were rated by managers, manager's leadership and HRM strength were rated by employees), inclusion of all variables in the same model may have caused the relationships between variables from different sources to be wiped out.

The hypothesized interactive relationships of owner's transformational and transactional leadership styles with owner's long-term orientation on HRM strength were not supported by the findings. Combined with the previous finding indicating lack of a significant relationship between leadership styles and HRM strength at the owner level, these results imply that employees' HRM strength perceptions are influenced only by owners' long-term orientation. However, this may be due to the fact that I measured owner's leadership styles through responses from shop managers, whereas HRM strength perceptions were rated by employees. It is possible that owners' treatment of shop managers are different from their behaviors towards shop employees. Hence, an evaluation of their leadership behaviors from the perspective of shop managers may not be pertinent to employees' HRM strength cognitions.

The cross-level moderating effect of owner's long-term orientation on the relationship between shop manager's transformational leadership behaviors and HRM strength is also not found to be significant. This indicates that manager's transformational leadership has a positive influence on HRM strength that is independent from owner's long-term orientation.

Setting aside the methodological issues regarding the measurement of variables from different sources, it is generally possible to conclude that owner's and manager's transformational leadership styles have positive linear effects on HRM process and content. This is in line with previous findings on the relationship between transformational leadership and HRM content (Vermeeren, 2014; Zhu, Chew, & Spangler, 2005) and HRM strength (Pereira & Gomes, 2012). These previous studies, however, only examined the influences of one leader's behaviors (rather than examining both line manager's and owner/CEO's leadership behaviors) on either the content or process of HRM at a single level of analysis. Specifically, Vermeeren (2014) tested the influence of line manager's self-evaluated transformational leadership behaviors on their ratings of implemented HRM practices across a single organization (reported as  $\beta = .43$ ). Zhu et al.'s (2005) study investigated firm-level effects of CEOs' transformational leadership behaviors on HRM practices, both of which were rated by HR managers (reported as  $\beta = .63$ ). Lastly, Pereira and Gomes (2012) conducted the only published study that examined line manager's transformational leadership and HRM strength, but conceptualized these as two exogenous

variables that jointly influence organizational climate. Their individual level model was tested using employee responses from a single organization and reported a strong positive correlation between these variables (reported as  $\beta = .64$ ). My results indicate an even stronger level of association between owner's transformational leadership behaviors and HPWS at the firm level ( $\beta = .92$ ), but the shop-level association between manager's transformational leadership behaviors and HRM strength can be considered similar in magnitude to those leadership-HRM relationships reported by these previous studies ( $\beta = .54$ ).

The overall effects of owner's and manager's transactional leadership behaviors on HRM are generally similar to those of transformational leadership. The multi-level model results indicated that owner's transactional leadership has a positive relationship with HPWS, whereas manager's leadership is positively related to HRM strength. However, the effect of manager's transactional leadership on HRM strength should be interpreted with caution since the results of further analysis indicated existence of a significant cross-level interaction that alters its direction based on owner's long-term orientation.

As posited, owner's long-term orientation is found to have a moderating effect on the relationship between shop manager's transactional leadership behaviors and HRM strength at the shop level. The shape of the interaction generally supports the original premises of the hypothesis, but there are also some deviations from my expectations. As expected, when owner's long-term orientation is low, manager's transactional leadership behaviors are negatively correlated with HRM strength. On the other hand, I had expected that the effect of transactional leadership on HRM strength to be positive when owner is long-term oriented, but this was not the case. This indicates that the intercepts for high and low levels of long-term orientation are equal, but the slope of the relationship is close to zero for low levels of long-term orientation. Hence, owner's long-term orientation buffers the negative influence of manager's transactional leadership on HRM strength, but does not make it positive.

The existing literature on the individual and organizational level effects of transactional leadership has produced some mixed results (Dumdum & Avolio, 2002), but very few studies have explored the role of moderating variables. The findings of this study suggests that, while the effects of transformational leadership are found to be uniformly

positive, transactional leadership may interact with other contextual variables regarding their effects on the outcome variables of interest. Employees' reactions to an economic exchange-based managerial relationship are dependent on the messages emitted by those at the very top of the organizational hierarchy. A management approach that is generally unfavorable for the organization's and employees' overall well-being, which in this case was the lack of a long-term, people oriented managerial orientation, can cause employees to interpret their transactional relationships as a form of exploitation. In such cases employees will feel that their manager's controlling behaviors are not in line with their own long-term interests. Hence, their perceptions of the organizational conditions, which are reflected by HRM strength, are likely to suffer. This is a particularly important finding for the leadership literature in terms of uncovering the impact of situational boundary conditions in the efficacy of these leader behaviors, particularly at the organization level of analysis.

### **6.2.3. The impact of HRM content (HPWS) and process (HRM strength)**

As intermediary variables in my model, HPWS and HRM strength were expected to be linked with the emergence of climates of concern for employees and service in the shops. The effects of HRM strength on both climates types are indeed found to be positive. However, I was not able to find support for main effects of HPWS on either types of shop climate. Again, this can be partially due to the fact that HRM strength and climate measurements were obtained from shop employees, whereas HPWS was evaluated by shop managers. On the other hand, as hypothesized, I found interactive effects between HPWS and HRM strength on both types of shop climates. In line with my expectations, HPWS has a positive effect on shop climate when HRM strength is low. On the other hand, my original expectation for this interaction was that a high level of HRM strength would enhance this positive relationship. However, the shape of the actual interaction indicates that HRM strength has a zero slope with a high level of intercept. This indicates that HRM strength dominates over and compensates for the lack of HPWS on shop climate, essentially cancelling out its average main effect.

These findings indicate the HRM strength conceptualization put forward by Bowen and Ostroff (2004) are strongly supported in a small business setting. This makes a particularly important contribution to the strategic HRM research given the fact that Bowen and Ostroff's original discourse on the role of HRM process appears to be based heavily on the realities of a corporate organizational structure in which top level decision makers and those who establish and implement HRM systems (i.e., HR departments) are clearly separate. My findings indicate that these process based employee attributions are relevant and influential even in the context of small businesses where HRM message senders and implementers are usually the same parties. As purported by the HRM process model, employees' collective perceptions of HRM strength play a key role in the formation of the types of shop climates that are intended by top organizational decision makers (i.e., shop owners). The empirical contribution of this study to the strategic HRM research should also be noted considering that existing studies directly testing the effects of these HRM processes—especially using a multi-level approach—are still lacking (Ostroff & Bowen, 2016).

This research also sheds some initial light onto the issue of the joint effects of HRM content and process on organizational climate. An implication of the process model is that HRM strength is expected to result in the formation of a strong climate, regardless of the HRM content (Ostroff & Bowen, 2016). However, as of yet there has been no studies that directly examine these relationships by concurrently measuring both HRM variables. The nature of the interactive effects that I found suggests that the role of HRM strength on organizational climate is one that goes over and beyond the function of strengthening the effects of HPWS. Indeed, at least in the context of small businesses, HRM strength almost acts as a sufficient condition for establishing favorable organizational climates.

I also examined and showed the role of social group dynamics on the formation of group climates in shops. Group cohesion, which signifies the extent of social interaction and bonding among the members of a workgroup, is found to have a boosting effect on employees' collective perceptions of climate (including both climate of concern for employees and service). While overall levels of climate increase with HRM strength and are generally higher for shops with high levels of cohesion, shops with low levels of cohesion benefit more from an increase in HRM strength. This finding is in line with the

conceptualization of HRM strength by Bowen and Ostroff (2004) as an indicator of the degree to which employees perceive a strong situation through the messages signaled by employers and managers. As such, the influence of these leader-driven perceptions of HRM strength operate concurrently with the effects of social interactions with peers while employees develop collective meaning in their organizational environments (Luria, 2008). Therefore, results indicate support for the importance of both of these channels for effective organizational sensemaking and suggest that highest levels of strategically intended climates can be achieved under conditions in which both are maximized.

The relationships between the level of group climates observed within the shops and the shops' yearly growth in customer evaluations of service quality and satisfaction were also tested. The results indicated that service climate is positively related to service quality, but climate of concern for employees is not. This finding supports the premises and findings of linkage research (Pugh, Dietz, Wiley, and Brooks 2002), which suggest that service climate relates significantly to customer experienced service quality. Bowen and Schneider (2014) indicated that the effect sizes in the past studies range widely as based on the sample and sample size, whether the effects of mediators and moderators between service climate and customer experiences are also examined. A recent meta-analysis study (Hong et al. 2013) reported the estimate for this relationship as .25 (across 23 studies). The effect sizes that I obtained ( $\beta = .17$  for the multi-level model and  $\beta = .19$  for single level latent interaction model) are slightly lower, possibly since most of the previous studies did not include in their models the effect of climate of concern for employees. Also, I found a strong interaction effect of group cohesion that alters the direction of the relationship, which means that, as Bowen and Schneider also pointed out (2014), this average effect is an underestimate of the real relationship between these variables.

The interactive relationship that I found between service climate and level of group cohesion indicates that the positive effects of service climate on service quality is observed only when there is a socially cohesive environment in the shops. This finding points out the performance inducing effects of social bonds among peers by forcing its members to act in conformance with the climate that is established within the groups. In groups where clear and strong values, norms, and knowledge structures exist, frequent, positive and reciprocal social interactions discourage the emergence of social loafing and allow collective

synergies to produce a high level of service quality as perceived by customers. This finding makes a unique and valuable contribution to our understanding of collective service performance by explicating the boundary conditions of the influence of group climate.

In addition to providing empirical support for the posited link between HRM systems and climates, I conceptualized and tested the role of owner's internal management philosophies as one of the most significant antecedents of the structure and implementation of HRM and of the workgroup climates that consequently emerge. Establishment of these links indicates support for prior conceptualizations that emphasized the significance of owners and top managers' values and cognitions as the key determinants of organizational functioning, such as the upper echelons (Hambrick & Mason, 1984) and stewardship theories (Davis et al., 1997). Furthermore, I put forward and demonstrated the role of long-term orientation as an overall managerial mindset that guides both employee and customer-related processes and outcomes through their effects on the choice and implementation of employment practices.

### **6.3. Limitations and Directions for Future Research**

Despite the aforementioned theoretical and empirical contributions to the literature, my study also has some notable shortcomings. One of the most important of these pertained to the measurement of internal management philosophies construct. Based on the qualitative observations and preliminary analyses I conducted as well as the available literature on small businesses, strategic HRM, and service settings, I had originally conceptualized internal management philosophies as having a multi-dimensional structure that incorporated employee and customer oriented approaches as part of the long-term orientated management construct. I developed a scenario-based measure with a dual-ended response scale that was geared towards capturing these tendencies using hypothetical management issues that owners and managers in these shops are likely to face in their daily lives. Even though I attempted to examine the face and content validity of this construct through small focus group studies I conducted with owners and corporate regional sales

managers, I was unable to conduct a pilot study to test the validity of this measure with a large enough sample. Regrettably the results of the survey study indicated that the measure had problems with regard to internal consistency and predictive validity. Hence, to test my hypotheses, I had to utilize the results I obtained using another existing measure of managerial long-term orientation. This measure captures essentially the same construct that underlies the one I had developed; but it does so in a more generalized and unidimensional manner. The results indicated general support for my original propositions. However, due to the generalized nature of this alternative measure, I was unable to explore the role of these more specific employee and customer-oriented managerial values.

The inadequacy of the measure of internal management philosophies to produce consistent results can be largely attributed to the type of questions used. The scenarios I gave the participants inevitably required more time and cognitive processing on the part of the respondents. This could have caused a large proportion of them to answer without properly reading the questions and weighing the response options, which would have led to an increased level of measurement error. Also, the scenarios referred to incidences from a range of different situations that could be deemed unrelated. Hence, it lacked the content redundancies that are essential in ensuring internal consistency reliability (Hinkin, Tracey, & Enz, 1997). Future studies examining this construct may try to develop and utilize a measure of long-term orientation that comprises employee and customer oriented values using a conventional statement based question format with Likert-style response scale.

The current research inevitably has some methodological limitations that should be kept in mind while interpreting the results. First, the correlational and cross-sectional nature of the study constrains our ability to make causal inferences about the relationships between variables. Cook and Campbell (1979) identified three criteria for inferring cause: Covariation between the alleged cause and effect, the temporal precedence of the cause, and the ability to control or rule out for a possible cause and effect connection. The results of this study indicate support for the covariation condition. However, the issues of temporal precedence and elimination of the possibility of alternative explanations can be problematic for the type of research methodology that I utilized. The assumptions of temporal precedence for the hypothesized relationships in this study are based on existing theories and empirical literature. For example, theories of strategic choice (Child, 1972), upper



echelons (Hambrick & Mason, 1984), and managerial stewardship (Davis et al., 1997) identify owner values and ideologies as among the leading antecedents that produce the variation among organizations in terms of functioning and outcomes, including HRM systems and collective organizational perceptions. Similarly, strategic HRM research has identified HPWS and HRM strength as the structural and perceptual drivers of organizational climate and group performance outcomes. However, the empirical data and analyses in this study are not able to completely eliminate alternative explanations regarding the directionality of these relationships. It is possible that the variations in the managers' and employees' perceptions of HRM content and structure are—at least partially—reversely caused by factors such as past performance or the collective representations of meaning such as group climate. Organizations that have achieved high service quality and performance in the past may be more likely to develop collective sensitivities towards customer service. Due to their enhanced performance they may also have acquired larger amounts of slack resources, which would increase their ability to adopt and implement employee-oriented HRM practices such as providing higher pay and benefits (Wright, Gardner, Moynihan, & Allen, 2004).

As I previously indicated, in the current study context the franchisor corporation was known to terminate contracts with investors whose shops performed below their expectations. This can be problematic since it can point to a potential endogeneity problem with respect to my model. If performance increases with long-term orientation and low performing owners are routinely eliminated by the franchisor corporation, it might be possible that performance actually drives the variance in owners' long-term orientation.

In order to eliminate these potential threats to validity one would ideally need to utilize a research design that affords experimental control over the purported causal variables. However, this is exceedingly difficult to achieve in most field studies. An alternative method to maximize the validity of the proposed causal inferences is through utilization of longitudinal data collection methods. Wright et al. (2004) recommended, at the very least, studies on the effects of HRM systems to try to utilize data for the outcome variables that are collected subsequent to the measurement of the predictors. In light of these suggestions, the relationships examined in this study should be tested in future studies

by using fully longitudinal research designs that involve measurement of variables at multiple points in time with conceptually adequate amounts of time allotted in between.

The use of cross-sectional methodology poses particularly critical risks to the validity of results obtained when variables in the study are measured using the same source. A typical example of this is when data for independent and dependent variables in the model come from survey items rated by the same group of respondents. It has been widely established that the use of this common source methodology is likely to inflate (and even sometimes deflate) bivariate linear relationships between study variables (Podsakoff, MacKenzie, and Podsakoff, 2012). Undoubtedly, one way to eliminate this type of bias is to obtain measures of predictor and criterion variables from different sources. In this study I endeavored to achieve this by conducting surveys with multiple group of respondents (i.e., shop owners, managers, and employees). However, some of the measures collected from the shops still had to be rated by the same group of participants since they were the most relevant respondents to address the constructs in question. For example, both HRM strength and climate variables, by the nature of their content, had to be obtained through the collective evaluations of shop employees. Consequently, variables measured using such same source evaluations exhibited higher levels of correlations than those obtained from different sources. Inclusion of variables from the same sources may have also caused weaker relationships between variables from different sources to be rendered insignificant. This poses a limitation for interpreting the results of this study. Ensuring different data sources for the predictor and criterion variables could also be possible by splitting employees' responses within shops and conducting the tests of linear relationships using the different halves. Regrettably, this was not feasible in this study either since about 80 percent of the shops in the current dataset had less than three respondents. However, utilizing this approach may be beneficial for future studies examining these relationships in larger work groups. A second remedy for eliminating method biases is to use a temporal separation between study variables. In addition to the aforementioned benefits of conducting longitudinal study designs on testing causal relationships, using such a methodology eliminates the effects of individuals' response biases. Hence, the next step in expanding this line of research is to conduct follow up measurements in the same shops with conceptually meaningful time lags.

Another potential threat to the validity of my findings is that the relationships observed can be spurious, meaning that they are caused by some unmeasured third variable. To minimize this threat I obtained a data on number of demographic and other contextual variables at different levels of analysis and examined the effects of these on the dependent variables. Among these variables, those with the highest conceptual relevance and empirical impact were included in my analyses as control variables. The findings indicate that none of them have a large impact on the relationships found. However, it is still possible that there could be other factors that I was unable to measure and control.

While this is one of the few studies that have actually examined HRM process model using a multi-level perspective and analysis, the extent to which I was able to conduct a truly hierarchical analysis was limited. This was due to the fact that the owners in my sample typically had one or two shops. So, when conducting multi-level analyses with shop and owner level variables, the cluster sizes ended up being too small for complex CFA models to converge. The same problem would also exist if I were to include individual level in the models, since for the majority of the shops there were one or two employee respondents. To overcome this difficulty I conducted all the CFA models at a single level of analysis and tested the multi-level relationships using path analyses (through factor means rather than constructing latent factors with individual items), which doesn't pose as strict restrictions on data or cluster size for model identification. Since this problem is inherent in the study population that I chose, the only possible solution for it would be to extend this study to organizations that are larger in size.

Extending the current study to larger organizations would also be useful in examining its external validity. The current study was conducted in a highly contextualized manner to reflect the realities of small businesses consisting of franchised sales and service shops in the retail sector. My observations indicated that, due to the fast paced nature of business that is characterized by short-term goals in this context, maintaining a long-term perspective was a challenge for firm owners. The results indicate that adoption of such a perspective and its implementation through HRM systems and processes do indeed pay off. Similarly, in larger organizations where situational incentives due to market other institutional conditions make a long-term orientation difficult to maintain, benefits of doing so may also prevail. Yet, it is also important to note that the influence of owners are likely

to be particularly pronounced in smaller organizations due to the fact that owners have direct and substantial impact on most aspects of management in their firms. In larger firms the managerial influence of owners—and even the top management team—may be more distributed and indirect, possibly weakening their effects on employees' perceptions within the organizations. In such settings, it may be important to examine how long-term oriented orientation and other relevant managerial values are passed on from top to middle or line managers, which in turn are likely to influence employees' perceptions.

In the shops that I studied significance of sales and service functions were rather balanced. Hence the dilemma between the adoption of a short-term oriented sales approach versus a long-term oriented employee and customer approach was expected to be particularly pronounced in this setting. However, the components and weights of these functions are likely to differ across organizations, which would result in different organizational dilemmas. For example, in manufacturing organizations concerns such as safety may be among the outcomes that are influenced by a long-term oriented management philosophy. In businesses pertaining to money management and finance, propensity to risk taking may be another relevant managerial value. These and other possible values can represent different context-dependent manifestations of long-term orientation and are likely to have implications on how HRM practices are adopted and carried out as well as the resulting organizational climates and outcomes. Hence, they need to be examined and incorporated into the study of managerial philosophies by conducting a thorough examination of the specific contexts in question.

Existing studies published on HRM so far have only examined the effects of either HPWS or HRM strength separately, but not together. However, findings of this study suggest that, as indicated by Bowen and Ostroff (2004), a high level of HRM strength, by itself, can produce a strong group climate, dominating over the positive effects of HPWS. In the context of small businesses this effect can be particularly pronounced, given that the use of formal HRM practices in such firms often takes a backseat. The extent to which this finding holds true for larger organizations also needs to be investigated by future studies.

## 6.4. Practical Implications

The findings of the current study have a number of important practical implications, particularly with regard to the management of HRM in small businesses. Since owners' managerial values are shown to have significant role on the internal management of their firms and the resulting collective attitudinal outcomes, their identities and selection become important factors in ensuring the effectiveness of these businesses. In the current study setting, the investors were chosen by the franchisor corporation. Although the actual selection criteria for these investors are not exactly known, based on my communications with the representatives of the franchisor corporation and my observations in the shops, the most likely factors are their financial means to make the necessary investments, level of experience in the sector, the extent of their connections in the local communities in which shops would be located, their demographic characteristics such as age, level of education, and possibly even gender, as well as maybe a mere willingness to pursue such an investment. The demographic data provided by owners also indicate that the franchisor corporation showed a preference towards continuing to work with long-standing investors. On the other hand, the corporate management was also known to often end contracts with investors whose performance—particularly with regard to financial goals—they did not find satisfactory. There was little indication, if any, however, that their selection involved an evaluation of the managerial mindsets and values that they may have. Conversely, my findings indicate that these managerial qualities play as much, if not greater, role in predicting their ability to successfully foster service-oriented firm environments that would be deemed desirable by the franchisor.

In addition to the implications of long-term orientation as an individual difference variable based on which investor selection can be conducted, it is also important to note its malleable and context-dependent aspects. Temporal choice is a cognitive process that involves memory and attention, and is susceptible to external influences posed by the prevailing decision environments (Irving, 2009). For example, Lavery (2004) found that in organizations where (1) a greater range of profitable possibilities for the future (“density”)

were provided and (2) organizational contribution rather than individual achievement was emphasized, people were less likely to undervalue the future and succumb to short-term pressures. This suggests that it is possible for organizations—and in this particular case the franchisor corporation—to encourage individuals' tendencies to make long-term strategic choices. In the current context, evaluating owners' performance on predominantly exceedingly short-termed (i.e., monthly) objectives while at the same time expecting them to excel on long-term success criteria such as employee satisfaction and service quality causes them to fall into “temporal traps” and only focus on short-term goals (Irving, 2009). Ambiguities in assigned roles, expectations, and information provided also enhances short-termism (Marginson & MacAulay, 2008). Instead, the franchisor corporation can try to depict win-win situations in which owners can envision multiple pathways to future success and develop trusting relationships with them that emphasize their contributions to the organization rather than individual achievements.

The findings of the current study emphasize the critical role of leadership behaviors in SMEs. Existing literature on transformational leadership has predominantly focused on the behaviors of large, publicly held organizations (Ling, Simsek, Lubatkin, & Veiga, 2008; Matzler, Schwarz, Deutinger, & Harms, 2008). However, while the findings regarding the effects of transformational leadership on firm outcomes in large firms are generally inconclusive, Ling et al. (2008) demonstrated that its effects on sales growth are much more pronounced in smaller sized and founder-run firms. My results complete this picture by showing how leadership effects are facilitated to produce these outcomes through their effect on HRM content and process. Owners' transformational leadership impacts their choice of employment practices and managers' leadership greatly influences how they are implemented and perceived by the employees. This points out to a major dilemma for the management of SMEs. In larger organizations a lot of emphasis is often placed on recruiting managers on the basis of their existing potential for leadership and developing these capabilities. However, in small firms these issues are hardly ever questioned. For example, in the current context the owners' leadership potential and behaviors were never systematically evaluated or attempted to be enhanced by the corporate management. Similarly shop managers often received little or no support from the corporate management and their employers to develop these skills. In many shops, managers were given little

managerial discretion, had low levels of formal education and managerial experience, and were not compensated in correspondence with their increased responsibilities. These indicate a large potential and need for improvement to increase the effectiveness of internal management in such firms.

Another important implication of the study findings pertains to the management of HRM. Existing dominant view in strategic HRM research have focused strongly on the adoption of a specific set of practices (such as high commitment or high performance practices) reflecting HRM content, and their effects on key organizational outcomes such financial performance. The recently developing process-based approach to HRM, on the other hand, indicates that merely adopting of a standard set of practices does not automatically guarantee increases in favorable employee attitudes and collective outcomes. The desired results can only be achieved if HRM practices send clear, consistent and instrumental messages to all employees. The current finding that HRM strength produces enhanced climate perceptions irrespective of the actual practices adopted paints a striking picture that features the immense importance of implementation over design. For large organizations this would mean that the critical role and responsibility of ensuring the success of HRM systems needs to shift considerably from HR departments to individual business lines. Line managers who typically handle the day-to-day execution of HRM decisions and practices become central figures in ensuring that the messages emitted by the top organizational decision makers are heard loud and clear by their employees. HR departments' role is augmented from merely establishing the rules of the game to also making sure that the top-down transmission of meaning and intent behind practices is conveyed strongly throughout their organizations.

For small businesses, these results support the existing deliberations made by scholars who have been investigating the functioning of HRM in SMEs. The nature of “informality and owner idiosyncrasy” in the management of HR in small firms is evident in their generally low degree of adoption of state-of-the-art and complex HRM practices (Marlow, 2006, p. 472). However, while those who have a normative perspective to HRM may see this as a deviance from the ideal case, others have noted the contextual advantages of such preferences. In SMEs, which are typically characterized by “resource poverty” (Welsh & White, 1981, p. 18) and “liability of smallness” (Heneman & Berkley, 1999, p.

53), an ad hoc and informal style of HRM may allow owners to minimize their operational costs as well as stay flexible enough to adapt to changing conditions. However, this does not mean that SMEs should be excluded from efforts to achieve possible improvements in HRM. The results of the current study indicate that adoption of formal HRM practices geared toward increasing employee capabilities and commitment do have a positive impact on the collective attitudinal outcomes. However, even when the adoption of formal HRM practices is not possible due to factors such as size and lack of resources, the advantages of a strong process implementation can still be reaped by ensuring that informal HRM decisions and practices are executed in a manner that yields high levels of distinctiveness, consistency, and consensus perceptions among employees. Indeed, developing awareness of and putting effort in improving these processes may be a more cost-effective and feasible way for SMEs to gain competitive advantages in the long term than making heavy investments in complex HRM systems.

My findings also suggest that owners and managers should be cognizant of the social dynamics of their organizations and their potential advantages or disadvantages for the establishment of intended strategic climates. Establishment of positive work norms is likely to be easier in small workgroups that established strong social ties by working together over a sufficiently long period of time. However, in organizational contexts where members of the work team change often due to high rates of employee turnover—as in the case of the retail shops that I studied—such social capital is harder to accumulate. The ability of leaders to send clear and consistent messages to their employees through their HRM-related decisions and actions is markedly more crucial in such contexts. Furthermore, organizational leaders should strive to foster these social structures by actively reducing interpersonal obstacles to social cohesion. They can also enhance the likelihood of social bonding within their organizations by providing employees with planned opportunities for functional (i.e., behaviors that goes above and beyond the call of duty) and social participation (e.g., participation in voluntary meetings and organization-sponsored social events) (Bolino, Turnley, & Bloodgood, 2002).



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## Appendices: Study Measures

### Appendix A. Internal Management Philosophy

Aşağıda XXX mağazalarının yönetimiyle ilgili kısa farazi vakalara ve her vakaya yönelik olarak tercih edilebilecek iki eyleme yer verilmiştir. Bu vakaları dikkatle okuyarak bir XXX yatırımcısı ve mağaza yöneticisi olarak sizce hangi eylemin daha doğru olduğunu aşağıdaki 5'li ölçeği kullanarak değerlendiriniz.

Sol taraftaki eyleme tamamen katılıyorsanız 1'i, sağ taraftaki eyleme tamamen katılıyorsanız 5'i, her iki eyleme de eşit derecede katılıyorsanız 3'ü, iki seçenektan birine kısmen katılıyorsanız 2 veya 4'ü işaretleyiniz.

#### Cost vs. employee loyalty orientation

1. Mağaza(lar)nızın çalışanları arasındaki devir hızı çok yüksektir. Personelin önemli bir kısmı işe girdikten kısa bir süre sonra ayrılmaktadır. Bu durum mağazanın işleyişinde aksaklıklara neden olmaktadır. Bu durumda...  
Mağazadaki çalışan sayısını belirli düzeyde tutabilmek için düşük ücretle çok sayıda yeni eleman işe alırım. 1 2 3 4 5 Mevcut çalışanları elimde tutabilmek için çalışma şartlarını iyileştiririm.
2. Hedef gerçekleştirme döneminin sonundasınız ve mağazanın iş yoğunluğu çok fazla. Mevcut çalışan sayınız ise iş yoğunluğu ile baş etmekte yetersiz kalıyor. Bu yoğunluk esnasında hedeflerin gerçekleştirilmesinde önemli rol oynayan çalışanlarınızdan biri mücbir bir sebeple (ailede bir hastalık vb. gibi) önceden planlanmamış 3 günlük bir izin kullanmak istiyor. Eğer bu çalışan izin kullanırsa mağazanın performansı o ayki hedeflerinin altında kalacak ve maddi zarar oluşacak. Diğer yandan söz konusu iznin çalışan açısından çok önemli olduğunu da görüyorsunuz. Bu durumda...  
Mağazanın içinde bulunduğu durumu neden göstererek çalışanın izin talebini şimdilik ertelemesini isterim. 1 2 3 4 5 Durumu bildiği halde izin istediğine göre bunun çalışan için önemli olduğunu düşünür, talebini kabul ederim.
3. Mağazanızda birkaç senedir çalışan bir kişinin yaptığı ciddi bir evrak hatasından dolayı büyük miktarda bir maddi zarar oluştu. Söz konusu çalışanın şu ana kadar böyle bir hatası olmamıştı ve olayın art niyetli olduğu konusunda bir bulgu yok. Ancak gözleminiz çalışanın bu olayda büyük ihmalinin olduğu şeklinde. Ayrıca böyle bir hatanın tekrarlanmasından endişe duyuyorsunuz. Bu durumda...

- |  |   |   |   |   |   |  |
|--|---|---|---|---|---|--|
| Çalışanın diğerlerine kötü örnek teşkil etmemesi için kendisini işten çıkarırım. | 1 | 2 | 3 | 4 | 5 | Çalışana uyarıda bulunduktan sonra yaptığı hatadan ders aldığından emin olup görevine devam ettiririm. |
|--|---|---|---|---|---|--|
4. Sahip olduğunuz mağazaların son 3 aydır toplam performansı verilen hedeflerin altında kalıyor. Öyle ki elde edilen gelirler giderleri zar zor karşılar durumda. Diğer yandan uygulanmakta olan bireysel performansa dayalı prim sistemine göre prim almaya hak kazanan çalışanlar da var. Bu kişilere prim ödenmesi durumunda bunun finansmanını yatırımcı olarak cebinizden yapmanız gerekecek. Daha da önemlisi, mağazanın gelecekteki performansı ile ilgili olarak önünüzü göremiyorsunuz ve yatırımcı olarak kazancınızı ciddi şekilde tehdit eden bu uygulamayı daha ne kadar süre devam ettirmeniz gerekeceği de belli değil. Bu durumda...
- |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|
| Oluşabilecek maddi zararı en aza indirmek için çalışanlara prim ödenmesini mağazaların toplam performansları düzeline kadar durdururum. | 1 | 2 | 3 | 4 | 5 | Çalışanların motivasyonunu baltalamamak için toplam performans düzeyi ne olursa olsun mevcut sisteme göre çalışanlara primlerini tam olarak öderim. |
|---|---|---|---|---|---|---|
5. Son dönemlerde mağaza(lar)nızda yürütülen işlemlerle ilgili yapılan hataların sayısı arttı. Her biri küçük miktarlarda ama çok sayıdaki bu maliyetler toplamda önemli bir gider kalemi oluşturuyor. Çalışanların bu konuda daha dikkatli olmaları için yaptığınız konuşma ve uyarılar da maalesef durumun düzelmesine yetmedi. Bu durumda...
- |   |   |   |   |   |   |  |
|---|---|---|---|---|---|--|
| Çalışanların daha dikkatli davranmalarını sağlamak amacıyla bundan sonra bireysel hatalardan dolayı oluşacak maliyetlerin kendilerine yansıtırım. | 1 | 2 | 3 | 4 | 5 | Yapılan hataların toplamı ne kadar yüksek olursa olsun, çalışanların moralini bozmamak adına maliyetleri ben üstlenirim. |
|---|---|---|---|---|---|--|
6. Bir çalışanınız mağaza içerisinde sürekli olarak iş dışı konularda (Facebook, Whatsapp gibi uygulamalar kullanarak) mesajlaşıyor ve birçok kere uyarmanıza rağmen bu davranışı sergilemeye devam ediyor. İlk başlarda kendisine yumuşak şekilde uyarılarda bulundunuz, fakat artık içten içe sabrınızın taşmaya başladığını hissediyorsunuz. Bu durumda...
- |   |   |   |   |   |   |  |
|---|---|---|---|---|---|--|
| Çalışanın yumuşak dilden anlamadığına kanaat getiririm. Bu sefer daha sert şekilde tepki gösterir, böyle giderse kendisini işten çıkaracağımı söylerim. | 1 | 2 | 3 | 4 | 5 | Her ne kadar haklı olsam da, çalışanın moralini bozmamak için her koşulda sert çıkmaktan kaçınır, onu yumuşak bir üslupla doğruya yönlendirmeye çalışırım. |
|---|---|---|---|---|---|--|

## Sales vs. customer loyalty orientation

7. Mağaza(ları)nıza müşteriler tarafından verilen NPS skorları istenen seviyenin altında seyretmektedir. Bu durum genel hedef performansına zarar vermektedir. Bu durumda...  
Zararı dengelemek için satış hedeflerine daha da fazla ağırlık verilmesini sağlarım. 1 2 3 4 5 Verilen hizmetin kalitesinin artırılması için müşteri hizmetlerine daha fazla zaman ayrılmasını sağlarım.
8. Müşterilere tanıtılan tarife ve paketlerde daha sonradan yansıtılacak ek maliyet ve vergiler kendilerine net bir şekilde ifade edilmeyebiliyor. Müşterilerin bu durumu daha sonra fark ettiklerinde memnuniyet kaybına uğrayabildiklerini ve tepki gösterebildiklerini görüyorsunuz. Öte yandan paketler tanıtılırken bu maliyetler açıkça belirtildiğinde ise müşterilerin bunları almaktan vazgeçebildiklerini, bu nedenle de personelin bu konularda müşterilere önceden açık uyarılarda bulunmaktan kaçınabildiklerinin de farkındasınız. Bu durumda...  
Satış yapabilmek için çalışanların bazı detayları fazla ön plana çıkarmamaları gayet anlaşılabilir bir durumdur. Bunu özel olarak teşvik etmesem de kuvvetli bir tepki de göstermem. 1 2 3 4 5 Satışların düşmesine neden olsa da oluşacak maliyetlerin müşterilere önceden açıkça belirtilmesi konusunda titizlik gösterir, çalışanlara sürekli bu doğrultuda uyarılarda bulunurum.
9. Mağazada müşteri yoğunluğunun en fazla olduğu zamanlarda mevcut çalışanlar tüm müşterilerle aynı anda ilgilenemiyor. Özellikle böyle zamanlarda çalışanların yeni ürün ve cihaz almak için gelen müşterilere öncelik verdiğini, onlara daha fazla zaman ayırdığını, diğer yandan hatlarıyla ilgili sair işlem yapmak için bekleyen müşterilerin geri planda kaldığını ve sıra gelse bile yoğunluk içerisinde hızla savuşturulduklarını gözlemlediniz. Bu durumda...  
Mağazanın aylık hedefleri ve finansal performansı açısından yeni ürün ve cihaz satışının önemi daha büyüktür. Dolayısıyla çalışanların bu müşterilere öncelik vermelerine müsaade ederim. 1 2 3 4 5 Yapılacak işlemin maddi getirisi ne olursa olsun müşterilere her zaman gerekli ilginin gösterilmesi önemlidir. Gerekirse satış faaliyetlerine ayrılan zamanı sınırlayarak operasyonel hizmetlere öncelik verilmesini sağlarım.
10. Mağazanıza hizmet almaya gelen müşterilerden biriyle ciddi bir sorun yaşıyorsunuz. Müşteri aslında sizin bayi olarak doğrudan sorumlu olmadığınız ve [Genel Müdürlük] tarafından verilen hizmetlerle ilgili bir konudan şikâyetçi ve hakkının yendiğini düşünüyor. Müşteri yaşadığı sorunla ilgili olarak mağazanızdaki personeli muhatap

olarak görüyor ve oldukça büyük bir tatsızlık çıkıyor. Aslında maddi olarak büyük olmayan bir maliyet söz konusu olsa da, oluşan gerginlik ortamında çalışanlarınızın da sabrının taşıdığını ve durumun kontrolden çıkmaya başladığını görüyorsunuz. Bu durumu çözmek için personelinize yön göstermeniz gerekiyor. Bu durumda...

Konu bizim sorumluluğumuzda olmadığından müşterinin sorununu çağrı merkeziyle çözmesi için yönlendirilmesini sağlarım.	1	2	3	4	5	Esasen haklı olmamıza rağmen taviz vererek oluşan maliyetin üstlenilmesi ve sorunun tatlıya bağlanması yönünde çalışanları yönlendiririm.
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11. XXX tarafından size verilen satış hedefleri kapsamında dönemsel olarak bazı ürün ve cihazların satışının özel olarak teşvik edilmesi amacıyla primleri daha cazip olacak şekilde belirleniyor. Dolayısıyla mağaza(lar)ınızda çalışanlarınız arasında bu cihazların satışına ağırlık verme ve müşterileri mümkün olduğunca bunlara yönlendirme eğilimi geliştiğini gözlemliyorsunuz. Diğer yandan tüm müşterilere aynı cihazların satılmasının müşterilerin bireysel ihtiyaçlarına ne kadar cevap verdiği ve uzun vadede müşteri memnuniyetini ne kadar sağladığı konusunda soru işaretleri mevcut. Bu durumda...

Zorlu rekabet ortamında satış hedeflerimizi gerçekleştirebilmemiz için getirisi yüksek olan ürün ve cihazlara ağırlık vermemiz gerekir. Ben de çalışanlarımın bu yöndeki eğilimini teşvik ederim.	1	2	3	4	5	Yüksek getirili ürün ve cihazların satışına ağırlık vermek, uzun vadede müşteri memnuniyetine zarar verebilir. Gelirimizi azaltmak pahasına da olsa çalışanlarımı müşterilerin ihtiyaçlarına göre tavsiyelerde bulunmaya yönlendiririm.
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## Appendix B.

### Owner's Long-term Orientation

Aşağıda yer alan ifadeleri mağaza(lar)ınızda oluşturmayı hedeflediğiniz iş ortamını düşünerek değerlendiriniz.

1- Kesinlikle katılmıyorum; 2-Biraz katılmıyorum

3-Ne katılıyorum ne katılmıyorum;

4- Katılıyorum; 5- Kesinlikle katılıyorum.

1. *The management in our firm focuses in particular on long-term profitability.*  
Yönetim, özellikle uzun vadeli kârlılığa odaklanmıştır.
2. *Long-term goals have priority over short-term goals among our management.*  
Yönetimde kısa vadeli hedeflerden ziyade uzun vadeli hedeflere öncelik verilir.
3. *The management in our firm invests deeply into the long-term development of employees.*  
Çalışanların uzun vadeli gelişimlerine gerçekten yatırım yapılır.
4. *The management in our firm emphasizes long-term investments.*  
Yönetimde uzun vadeli yatırımlara ağırlık verilir.

## Appendix C.

### HPWS

Aşağıdaki ifadelerde, mağazanızda personel yönetimine dair oluşabilecek bazı görüşlere yer verilmiştir. Geçtiğimiz 6 aylık süreçteki mağazanızın personel yönetimini göz önünde bulundurarak bu ifadelere ne kadar katıldığınızı değerlendiriniz.

- 1- Kesinlikle katılmıyorum; 2-Biraz katılmıyorum  
3-Ne katılıyorum ne katılmıyorum;  
4- Katılıyorum; 5- Kesinlikle katılıyorum.

#### Staffing & Organization of work

1. *The store selects the best all around candidates when recruiting employees.*  
İşe alımda her açıdan en iyi adaylar seçiliyor.
2. *The store places priority on candidates' potential to learn when recruiting employees.*  
İşe alım yapılırken adayların öğrenme ve gelişim kapasiteleri ön planda tutuluyor.
3. *Qualified employees have good opportunities for promotion.*  
Başarılı çalışanlara yükselmek için iyi fırsatlar var.
4. İşlerin doğru ve zamanında yürütülmesi için yeterli sayıda personel istihdam ediliyor.
5. Farklı sorumluluklar alabilmeleri için çalışanların mağazadaki farklı işlerde (örneğin satış ve aktivasyon gibi) dönüşümlü olarak görev almaları sağlanıyor.
6. Günlük mesai süresinin uzun olmaması için shift (vardiya) sistemi uygulanıyor.

#### Training

7. *The store provides an orientation program for newcomers to learn about the company.*  
Yeni başlayan çalışanlara bir oryantasyon ve eğitim programı uygulanıyor.
8. Tüm çalışanlara belirli aralıklarla iş başında (mağaza içi) eğitimler veriliyor.
9. Çalışanların [Genel Müdürlük] tarafından verilen eğitimlere katılmaları kuvvetle teşvik ediliyor.

#### Involvement & Participation

10. *If a decision made might affect employees, the store asks them for opinions in advance.*  
Çalışanları etkileyecek bir karar alınacağında kendilerine önceden fikirleri soruluyor.
11. *Employees are often asked to participate in work-related decisions.*  
İşle ilgili kararlar alınırken çalışanlardan katılım göstermeleri isteniyor.



12. *Employees have discretion in settling customer complaints without reporting to a supervisor or other specialists.*  
Çalışanların bir amire veya uzman kişiye bildirmeden müşteri şikâyetlerini gidermek için takdir yetkileri var.
13. *Employees are allowed to make necessary changes in the way they perform their work.*  
Çalışanların iş yapış biçimlerinde gerektiğinde (kurumsal politika ve kısıtlamalar dâhilinde) değişiklik yapmalarına izin veriliyor.

### **Performance Appraisals**

14. *Performance appraisals provide employees feedback for personal development.*  
Çalışanların bireysel performansları düzenli olarak değerlendirilerek kendilerine bilgi veriliyor.
15. *Performance appraisals are based on multiple sources (self, coworkers, supervisors, customers, etc.).*  
Çalışanların performansları değerlendirilirken farklı tarafların (kendisi, çalışma arkadaşları, müşteriler gibi) görüşlerine başvuruluyor.
16. *Performance appraisals are based on objective, quantifiable results.*  
Çalışanların performansları objektif ve ölçülebilir iş sonuçlarına göre değerlendiriliyor.

### **Compensation/Rewards**

17. Çalışanların iş güvencesi (yani işten çıkarılmayacakları) hemen hemen garanti altında.
18. Çalışanların özlük hakları (SGK) işe başlarken eksiksiz sağlanıyor.
19. *On average the pay level (including incentives) of our employees is higher than that of our competitors.*  
Çalışanların ortalama ücret seviyesi (primler dâhil) rakiplerimizden daha yüksek.
20. *Employee salaries and rewards are determined by their performance.*  
Çalışanların maaş ve ödülleri performanslarına göre belirleniyor.
21. *The store rewards employees for new ideas for improving customer services.*  
Çalışanların mağaza işleyişine yönelik yeni fikirleri ödüllendiriliyor.
22. Ekip çalışmasını teşvik etmek için grubun ortak başarısına bağlı olarak verilen ödül ve teşvikler mevcut.
23. *The store provides a variety of benefits.*  
Çalışanlara çeşitli yan haklar (yemek, ulaşım, sağlık sigortası, fazla mesai ödemesi gibi) sunuluyor.
24. *Employees receive monetary or nonmonetary rewards for great effort and good performance.*  
Çalışanlara üstün çabaları ve performanslarının karşılığında parasal veya parasal olmayan ödüller veriliyor.

## **Caring**

25. Çalışanların haftalık ve yıllık izinlerini zamanında ve tam olarak kullanmaları sağlanıyor.
26. *The store considers employee off-work situations (family, school, etc.) when making schedules.*  
Çalışma programı belirlenirken çalışanların iş dışı durumları (aile, okul, vb.) göz önüne alınıyor.
27. *The store cares about work safety and health of employees.*  
Çalışanların güvenliğine ve sağlığına yönelik uygulamalar mevcut.
28. *The store cares about work–life balance of employees.*  
Çalışanların iş-hayat dengesine önem veriliyor.
29. *The store has its ways or methods to help employees alleviate work stress.*  
Çalışanların iş stresi ile baş edebilmeleri için yol ve yöntemler sunuluyor.

## Appendix D.

### HRM Strength

Aşağıda mağazanızda kullanılabilecek insan kaynakları uygulamalarına dair bazı ifadelere yer verilmiştir. Mağazanızda mevcut uygulamaları düşünerek bu ifadelere ne kadar katıldığınızı değerlendiriniz.

- 1- Kesinlikle katılmıyorum; 2-Biraz katılmıyorum  
3-Ne katılıyorum ne katılmıyorum;  
4- Katılıyorum; 5- Kesinlikle katılıyorum.

#### Distinctiveness

##### Visibility

1. Bu mağazada personele yönelik uygulamaların (ücret, performans, eğitim gibi) neler olduğunu net olarak biliyorum.
2. İşe yeni girenler personele yönelik uygulamalar konusunda hemen bilgilendirilirler.
3. Çalışanlar kendilerine yönelik (ücret, performans, eğitim gibi) uygulamalarda değişiklikler olduğunda açıkça bilgilendirilirler.

##### Understandability

4. Ücretimin (maaş ve prim) nasıl belirlendiğini net olarak biliyorum.
5. Hedeflerimi gerçekleştirdiğim takdirde alacağım ödülün ne olduğunu ve miktarını öngörebiliyorum.
6. Performansımın nasıl ölçüleceği nettir.
7. Personelin çalışma saatleri, ne zaman ve ne kadar izin kullanılacağı önceden belirlenir ve açıklanır.

##### Legitimacy of authority

8. Mağaza yönetiminin personelle ilgili kararlarına itibar ederim.
9. Burada personelle ilgili konuların doğru şekilde yürütülmesine büyük bir önem ve titizlik gösteriliyor.
10. Yönetimdekiler, mağazanın başarısı için neler yapılması gerektiğini biliyorlar.

##### Relevance

11. Mağazanın stratejik hedefleri benim bireysel amaçlarımla uyum içerisinde.
12. Bu mağazada çalışanlar kendilerine verilen hedeflerin anlamlı ve önemli olduğunu düşünüyorlar.
13. Grup olarak başarmaya çalıştıklarımız bu mağazadaki çalışanları heyecanlandırıyor.

## Consistency

### Instrumentality

14. İstenmeyen davranışlarda bulunanlara (örneğin işe geç kalanlara) yaptırım uygulanıyor. (ITEM DROPPED)
15. Çalışanlar hedeflerini gerçekleştirdiklerinde fazla zaman geçmeden ödülleri alıyorlar.
16. Burada işini iyi yapanlar işsiz kalma korkusu yaşamaz.
17. Burada işini iyi yapanlara iyi bir kariyer sunuluyor.

### Validity

18. Mağazanın satış performansına ve hizmet kalitesine katkıda bulunacak kişiler işe alınıyor.
19. Burada verilen eğitimler çalışanların performanslarını artırıyor.
20. Çalışanların performansının ölçülmesinde kullanılan kriterler gerçekte yaptıkları işi doğru ve tam olarak yansıtıyor.
21. Yürütülen ücret ve ödüllendirme uygulamaları satış performansını ve hizmet kalitesini artırıyor.

### Consistent HRM messages

22. Çalışanlara yönelik uygulamalarda mağaza yönetimdekilerin söyledikleri ile yaptıkları birbirini tutmuyor. (R)
23. Yönetimdekiler bize değer verdiklerini söylüyorlar ama çalışanlara yönelik uygulamaları aksini gösteriyor. (R)
24. Çalışanlara yönelik karar ve uygulamalar zaman içinde tutarlı ve istikrarlı (örneğin bazen cimri bazen bonkör değil).
25. Hedeflerde yapılan değişiklikler nedeniyle hangi yöne gitmemiz gerektiğini şaşırdığımız oluyor. (R) (ITEM DROPPED)

## Consensus

### Agreement among principal HRM decision makers

26. Çalışanlara yönelik uygulamalar konusunda yönetimdekiler arasında fikir ve uygulama birliği var.
27. Çalışanlara yönelik uygulamalar konusunda işverenimiz ve [Genel Müdürlük] yönetimi arasında fikir ve uygulama birliği var.

### Fairness

28. Görev ve sorumluluklar çalışanlar arasında adaletli bir şekilde dağıtılıyor.
29. Ödüller gerçekten hak eden kişilere veriliyor.
30. Yönetimdekiler kimseyi kayırmıyor.
31. Çalışanlarla ilgili kararlar alınırken kendilerine yeterince bilgi veriliyor.

32. Çalışanlarla ilgili kararlar alınırken kendilerine itiraz etme hakkı tanınıyor.
33. Çalışanlara verilen hak ve ödüller verilen emeği karşılıyor.
34. Çalışanlara her zaman onurlarını kırmayacak şekilde ve saygılı davranılıyor.



## **Appendix E.**

### **Transformational & Transactional Leadership**

Mağaza müdürünüzün / İşvereninizin (yani mağaza sahibinin) aşağıdaki davranışları ne sıklıkla sergilediğini değerlendiriniz.

1-Hiçbir zaman veya nadiren 2-Arada bir 3-Bazen  
4-Oldukça sık 5-Her zaman veya çok sık

#### **Transformational Leadership**

1. *Vision: communicates a clear and positive vision of the future.*  
Geleceğe dair net ve olumlu bir vizyon ifade eder.
2. *Staff Development: treats staff as individuals, supports and encourages their development.*  
Çalışanlara birer birey olarak davranır, onların gelişimlerini destekler ve teşvik eder.
3. *Supportive Leadership: gives encouragement and recognition to staff.*  
Çalışanları yüreklendirir ve takdir eder.
4. *Empowerment: fosters trust, involvement and cooperation among team members.*  
Ekip üyeleri arasındaki güveni, katılımcılığı ve işbirliğini artırır.
5. *Innovative Thinking: encourages thinking about problems in new ways and questions assumptions*  
Sorunlar hakkında yeni yollarla düşünülmesini teşvik eder ve varsayımları sorgular.
6. *Lead by Example: is clear about his/her values and practises what he/she preaches.*  
Değerlerinin neler olduğu konusunda nettir ve başkalarına verdiği öğütleri kendi uygular.
7. *Charisma: instills pride and respect in others and inspires me by being highly competent.*  
Çalışanlara gurur ve saygı aşılar ve yüksek düzeydeki yetkinliğiyle ilham verir.

## Transactional Leadership

### Contingent Reward

1. *Provides assistance to those he/she leads in exchange for their effort.*  
Çaba göstermeleri karşılığında çalışanlara yardım sağlar.
2. *Discusses in specific terms who is responsible for achieving performance targets.*  
Performans hedeflerine ulaşılmasında kimin sorumlu olduğunu açıkça tartışır.
3. *Makes clear what one can expect to receive when performance goals are achieved.*  
Performans hedeflerine ulaşıldığında çalışanların ne elde edebileceklerini açıklar.
4. *Expresses satisfaction when others meet expectations.*  
Çalışanlar beklentileri karşıladıklarında memnuniyetini ifade eder.

### Management-by-Exception (Active)

5. *Focuses attention on irregularities, mistakes, exceptions, and deviations from standards.*  
Dikkati düzensizliklere, hatalara, istisnalara ve standartlardan sapmalara yoğunlaştırır.
6. *Concentrates full attention on dealing with mistakes, complaints and failures.*  
Tüm dikkatini yanlışları, şikâyetleri ve başarısızlıkları düzeltmek üzerine yoğunlaştırır.
7. *Keeps track of all mistakes.*  
Çalışanların yaptığı tüm hataları takip eder.
8. *Directs attention toward failures to meet standards.*  
Standartlara ulaşma konusundaki eksikliklere dikkat çeker.

## Appendix F. Group Cohesion

Aşağıdaki maddeleri çalıştığınız mağazada son 6 ayda gözlemlediğiniz ortamı düşünerek değerlendiriniz.

- 1- Kesinlikle katılmıyorum; 2-Biraz katılmıyorum  
3-Ne katılıyorum ne katılmıyorum;  
4- Katılıyorum; 5- Kesinlikle katılıyorum.

Bu mağazada...

- 1. There is a great deal of trust among members of my work group.*  
Mağaza çalışanlarının birbirlerine duydukları güven bir hayli yüksek.
- 2. Members of my group work together as a team.*  
Mağazada herkes ekip olarak beraberce çalışıyor.
- 3. The members of my work group are cooperative with each other.*  
Mağaza çalışanları birbirleriyle işbirliği içindedir.
- 4. My work group members know that they can depend on each other.*  
Mağaza çalışanları birbirlerine güvenebileceklerini bilirler.
- 5. The members of my work group stand up for each other.*  
Mağaza çalışanları birbirlerini savunurlar.
- 6. The members of my work group regard each other as friends.*  
Mağaza çalışanları birbirlerini arkadaş olarak görüyorlar.



## Appendix G.

### Climate of concern for employees

Aşağıdaki maddeleri çalıştığınız mağazada son 6 ayda gözlemlediğiniz ortamı düşünerek değerlendiriniz.

1-Kesinlikle katılmıyorum; 2-Katılmıyorum

3-Ne katılıyorum ne katılmıyorum;

4- Katılıyorum; 5- Kesinlikle katılıyorum.

Bu mağazada...

1. *Our store cares about employees' opinions.*  
Çalışanların fikirlerine değer veriliyor.
2. *Our store shows very little concern for employees. (R)*  
Çalışanlara çok az önem gösteriliyor. (R)
3. *Our store would forgive employees' honest mistakes.*  
Çalışanların istemeden yaptığı hatalar affediliyor.
4. *Our store really cares about employees' well-being.*  
Çalışanların refahına gerçekten önem veriliyor.
5. *Our store is willing to help if employees need a special favor.*  
Çalışanlar özel bir iyiliğe ihtiyaç duyduklarında mağaza yönetimi yardım etmek ister.
6. *Our store strongly considers employees' goals and values.*  
Çalışanların bireysel hedef ve değerleri önemle dikkate alınıyor.
7. *Help is available from our store when employees have a problem.*  
Çalışanlar bir sorun yaşadıklarında mağaza yönetimi tarafından yardım sağlanıyor.
8. *If given the opportunity, our store would take advantage of employees. (R)*  
Fırsat verilirse çalışanlar yönetim tarafından istismar edilir. (R)

## Appendix H. Service Climate

Aşağıdaki maddeleri çalıştığınız mağazada son 6 ayda gözlemlediğiniz ortamı düşünerek değerlendiriniz.

1- Kesinlikle katılmıyorum; 2-Biraz katılmıyorum

3-Ne katılıyorum ne katılmıyorum;

4- Katılıyorum; 5- Kesinlikle katılıyorum.

Bu mağazada...

- 1. constantly check to make sure store policies and procedures don't cause problems for customers.*  
Mağaza politika ve prosedürleri müşteriler için sorun oluşturmadığından emin olmak için sürekli olarak kontrol ediliyor.
- 2. think of customer's point of view when making big decisions.*  
Önemli kararlar alınırken konulara müşterilerin gözüyle bakılıyor.
- 3. really want to give good value to our customers.*  
Müşterilere ödedikleri paranın karşılığını gerçekten en iyi şekilde vermek isteniyor.
- 4. plan to keep our store ahead of our competitors by understanding the needs of our customers*  
Müşterilerin ihtiyaçlarını anlayarak rakiplerden önde olmak amaçlanıyor.
- 5. have focused the business objectives around customer satisfaction.*  
İş hedefleri müşteri memnuniyeti sağlamaya odaklanmıştır.
- 6. assess customer satisfaction regularly.*  
Müşteri memnuniyeti mağaza yönetimi tarafından düzenli olarak değerlendiriliyor.
- 7. have organized our store to serve the needs of our customers.*  
Mağazanın işleyişi müşterilerin ihtiyaçlarını karşılamak üzere düzenleniyor.
- 8. My company pays close attention to after-sales service*  
satış sonrası hizmetlere büyük özen gösteriliyor.
- 9. closely monitors and assesses employee commitment to serving customers needs.*  
Müşterilerin ihtiyaçlarına cevap verme konusundaki çalışan bağlılığı yakından izleniyor ve değerlendiriliyor.