



# High performance work systems and organizational service performance: The roles of different organizational climates



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## ABSTRACT

Prior research on high-performance work systems (HPWSs) has extensively examined their effects on establishment- or firm-level performance in manufacturing settings. This study extends the literature to how HPWSs relate to organizational performance in a service setting. Studies in strategic human resource management indicate that organizational climate plays a critical role when exploring the relationship between HPWSs and organizational performance. However, little research has examined the roles of different organizational climates on this relationship. Extending the prior research on the mediating effect of service climate on organizational practices and service performance, we examine flexibility climate of the management team as a moderating indicator on the HPWSs–service climate link. Data collected from multiple sources involving 203 store owners/store managers and 568 management team members for 203 food-service chain stores reveal that service climate constitutes the mediating role for the relationship between skill- and motivation-enhancing HPWS and organizational service performance. Moreover, flexibility climate has the moderating effect on the relationship between the two types of HPWSs and service climate. Interestingly, flexibility climate can complement the effect of skill-enhancing HPWS and, on the other hand, substitute for the effect of motivation-enhancing HPWS on service climate. Managerial implications and suggestions for future research are offered.

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## 1. Introduction

Since the global economy has shifted its focus from manufacturing to service, more organizations now regard service quality or service excellence as a strategic opportunity (Schneider, 1990; Schneider et al., 1998). Excellent service, which often involves the personal interaction between consumers and service employees, requires a high quality of personal interaction between consumers and frontline employees. Employees play a critical role in creating positive consumers' experiences during the service process, which is an important determinant of consumer satisfaction with the service and their assessment of the service performance (Bitner et al., 1990; Donovan et al., 2004; Parasuraman et al., 1988). Consequently, human resource management practices are critical factors for improving organizational service performance (Chuang and Liao, 2010; Hong et al., 2013).

Human resource practices have an influential impact on organizational performance (Combs et al., 2006; Becker and Gerhart,

1996). To explore the connection among human resource management practices, employees' and organizational performance, the nature of potentially intermediate mechanism facilitating the link between human resource practices and organizational performance is a critical issue for strategic human resource management (SHRM) researchers (Aryee et al., 2012; Chiang et al., 2014; Jlang et al., 2012; Messersmith et al., 2011). Recently, research has argued that organizational climate can unveil the mystery of the relationship between HR practices and organizational performance, since it can interpret the way employees clearly perceive the features of their work environment and its implemented practices (Bowen and Ostroff, 2004; Ferris et al., 1998; Rogg et al., 2001). Hence, it is very likely that HR practices do shape the shared perceptions of the organizational climate, which in turn influence employees' collective behaviors and organizational performance.

A basic SHRM premise also argues that, rather than utilizing individual HR practices in isolation, a system of internally coherent HR practices applied in combination and referred to as high performance work systems (HRWSs), can enhance organizational performance (Becker and Gerhart, 1996; Gittell et al., 2010; Shih et al., 2013). Drawing on the different mechanisms through which HPWSs relate to organizational performance, scholars also argue that HPWSs can be categorized as sub-dimensions, i.e. skill-

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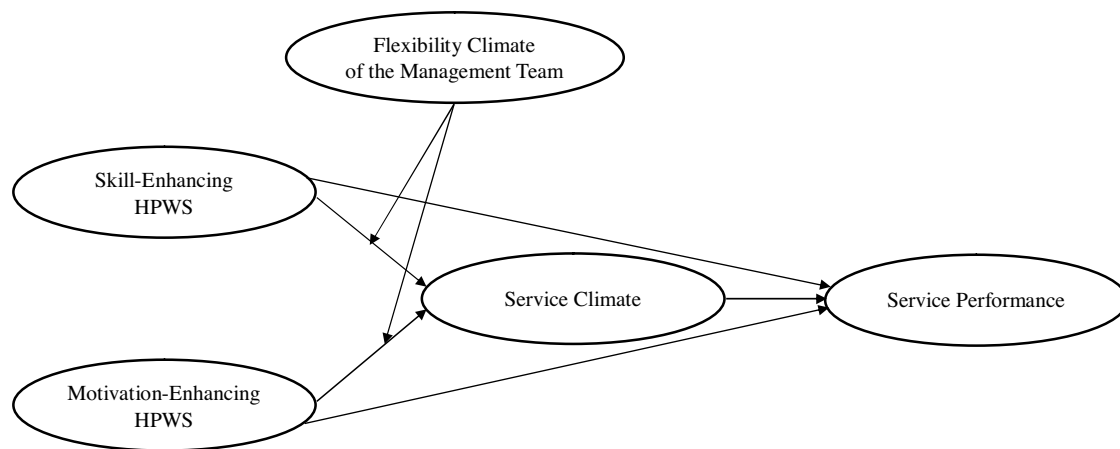


Fig. 1. Hypothesized research model.

enhancing HPWS and motivation-enhancing HPWS (Lepak et al., 2006; Jlang et al., 2012). This categorization is grounded in the view that the accumulative effects of different HR practices that affect a similar work characteristic (for example, employees' human capital or employees' workforce motivation) may have joint synergistic effects on organizational performance (Subramony, 2009).

Although researchers argue that HPWSs have a positive influence on organizational effectiveness, there remains certain challenges for how realistic HPWSs benefit organizational performance. First, most of the prior research on HPWSs has elaborated their positive effects on organizational performance in manufacturing settings (e.g. Appleyard and Brown, 2001; Combs et al., 2006; Patterson et al., 2004; Subramony, 2009; Youndt et al., 1996), but has had difficulty when generalizing these effects to service settings. Second, the prior research has mostly adopted a general HPWS as the antecedent of organization-level variables (e.g. Camps and Luna-Arocas, 2009; Chuang and Liao, 2010; O'Neill et al., 2011), but it fails to clarify the different theoretical mechanisms by which HPWSs are driven to promote organizational attributes. Therefore, we argue that categorizing the HPWS into sub-dimensions based on theoretical rationale and empirical validity can clarify how HPWSs affect organizational performance. Third, although organizational climate is considered an intermediate variable between HPWSs—organizational performance relationship, little known for its potentiality to serve as the role of boundary condition may attenuate or strengthen the effects of HPWSs. This study, therefore, seeks to discover the role of mediation or moderation that different organizational climates play. Thus, present study does differ from prior research in three critical ways.

First, this study generalizes the positive influence of HPWSs on organizational attributes from manufacturing settings to service settings. Some scholars argue that the HPWSs—organizational outcome relationship is supposed to be stronger in manufacturing sectors, since manufacturing requires more HPWSs to produce successful implementation of complex initiatives, for example, total quality management and lean production systems (Combs et al., 2006). However, service sectors may benefit more from HPWSs because these sectors need more discretion and flexibility when interacting with customers, and an important outcome of HPWSs thus is to motivate discretionary efforts and flexibility to adapt to service uncertainty (Bailey, 1993; Batt, 2002; Rosenthal et al., 1997; Chuang and Liao, 2010). In support of these arguments, this study strives to explore the relationship between HPWSs and organizational performance in those same service sectors.

Second, extending the prior research, this study includes two types of HPWSs—skill-enhancing HPWS and motivation-enhancing HPWS—and examines their relationships with organizational service outcomes. Based on human capital/motivational or social exchange theory, we propose that two types of HPWSs can lead to greater service outcomes, as skill-enhancing HPWS and motivation-enhancing HPWS can further enhance workforce knowledge, skills and abilities (KSAs) and motives.

Third, different roles of organizational climates are discussed in the present study. Intrigued by the importance of service and its distinction from other industries, researchers consider service climate to be a critical linkage when translating organizational resources or management philosophy into actual organizational performance (Hong et al., 2013; Salanova et al., 2005; Schneider et al., 1998). Thus, a service climate is created in light of organizational practices that concentrate on enhancing service performance (Salanova et al., 2005). In line with this thinking, we reason that HPWS will enhance performance in the service context by facilitating a more strategically targeted organizational climate—a service climate. In addition, extending the prior research that examined the mediating effect of service climate on the relationship between organizational practices and service performance, we include flexibility climate of the management team as a moderating indicator for the HPWSs—service climate link.

Flexibility climate of the management team refers to the collective perceptions and the extent to which managers are able and willing to adapt their versatile resources to multiple situations. Team managers will behave and speak on behalf of the firm, thereby acting as sense givers and communicators of implemented organizational practices (e.g. HR practices) (Hales, 2005). Managers possessing flexible leadership are capable of adapting their responses to the changing workplace and more efficiently convey motivating potentials embedded in HPWSs to their employees in terms of what is being supported, expected, and rewarded in customer service. Since the service sector features environmental uncertainty and service intangibility, employees especially require flexible and adaptive manager guidance to help them transfer the KSAs gained from HPWSs to excellence in customer service.

By integrating the aforementioned arguments, the present study examines the mediating role of service climate on the relationship between the two noted HPWSs and organizational service performance, and investigates how flexibility climate of the management team moderate the effects of HPWSs on service climate. Taken together, Fig. 1 outlines the proposed model for this study.

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