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Procedia Economics and Finance 36 (2016) 540 – 554

Procedia Economics and Finance

www.elsevier.com/locate/procedia

1st International Conference on Applied Economics and Business, ICAEB 2015

Conceptual Analysis of Moderator and Mediator Variables in Business Research

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Abstract

The major purpose of this article is to expand the domain of the business research by providing conceptual analysis of the moderating and mediating variables and exploring their potent effects in business research. To provide specific implications, Kang et al. (2015) model with respect to Balanced Scorecard technique is conceptually extended. Theoretical foundation of the moderating, mediating, and their major distinctions along with appropriate statistical tests applicable to each situation are also provided. The model is also extended to analyzing interaction effects of Mediated-Moderation and Moderated-Mediation designs and their testing. The article concludes that: 1) the nature of complex business problems will be more transparently captured by considering moderating and mediating variables, 2) without specifying moderating and mediating variables, business models are incomplete and therefore are not able to solve real business obstacles. Lack of inclusion of moderating and mediating effects is one viable reason which indicates why most business models do not function in real practice, 3) moderating and mediating variables are widening the scope of the prevalent business theories, and 4) moderating and moderating variables makes it possible to respond to the inquiries regarding "when" "how" and "why" a particular relationship exists between the independent and dependent variables. Hence, this study posits great impacts in future correlational and experimental studies in business.

Peer-review under responsibility of SCIJOUR-Scientific Journals Publisher

Keywords: Keywords:Business Research; Moderating and Mediating Variables; Moderated Mediation; Mediated Moderation; Balanced Scorecard

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Peer-review under responsibility of SCIJOUR-Scientific Journals Publisher
doi:10.1016/S2212-5671(16)30064-8

1. Introduction

A famous aphorism in statistics, which is originated by professor Box (1976), the great statistician of the 20 century, is that "all world's models are wrong", because they are abstracting the reality so much. On the contrary, it is argued that because of the impossibility of capturing complex realities into a model, some kind of abstraction is mandatory. While this argument stems from the facts, a critical inquiry is: to be useful, how much abstraction should be made in establishing a particular model? Despite a lack of any unambiguous rule in this regard, a general guideline in every disciplines tends to call on scientists to establish a sumptuous model in an attempt to get surrounding to reality as much as possible.

The general motivation of this article is to provide a conceptual analysis for extending the reality into models. This analysis is comprehensive and can be applied to any discipline such as engineering, hard sciences, social sciences, agricultures and medical sciences. However, in order to be specific, merely business models in the context of the Balanced Scorecard (BSC) (Kaplan & Norton, 1992), which is a contemporary universally multidisciplinary technique, will be discussed.In most modern business models,(e. g., Farooq and Hussain, 2011; Karabulut, 2015; and Kang et. al, 2015) when experimental and causal designs are exerted, researchers' effort is usually focused solely on analyzing the relationship between dependent and independent variables to study designated obstacles. For instance, in the domain of the Balanced Scorecard (BSC), Karabulut (2015) investigates the effect of innovation on the performance of the manufacturing firms based on the BSC and it's four perspectives. Fig1 shows the study's design.

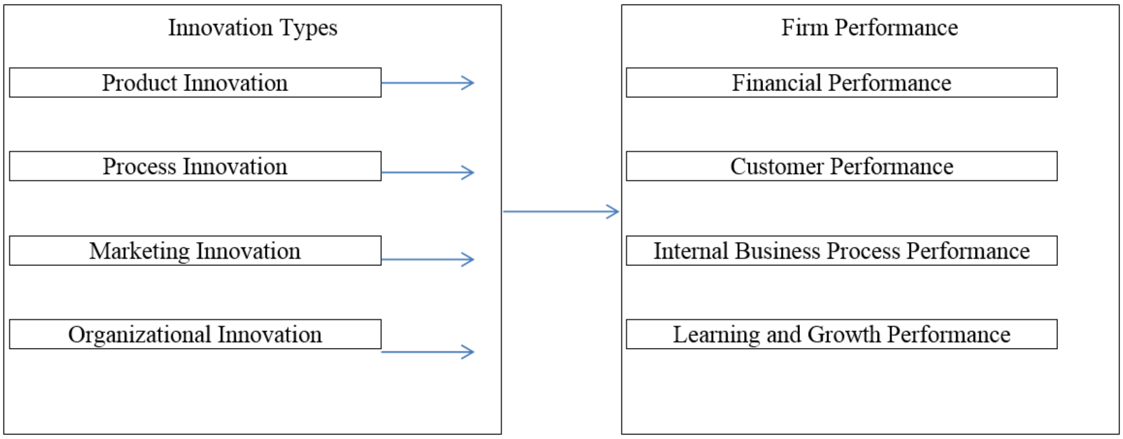

Fig 1. Karabulut (2015: 3159) research model

By applying multiple regression analysis, the author reports that the product, process and organizational innovations show a positive effect on all four BSC perspectives. However, the marketing innovation demonstrates a positive impact only on financial, customer, and internal business processes perspectives and a negative impact on the learning and growth performance.

In a more elaborate study, Kang et al. (2015) study the relationship between Corporate Social Responsibility (CSR) and Family Hotels' Financial Performance (FHFP) based on the Sustainability Balanced Scorecard (SBSC) – Financial (FIN), Customer (CUS),Internal business (INT), Learning and growth (L & G),Non-market (social and environmental) perspectives, and hotels' Goals(GOA) and Vision (VIS). Fig 2 shows the research design.