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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 (HPWSs), can enhance organizational performance (Becker and Gerhart, 1996; Gittel 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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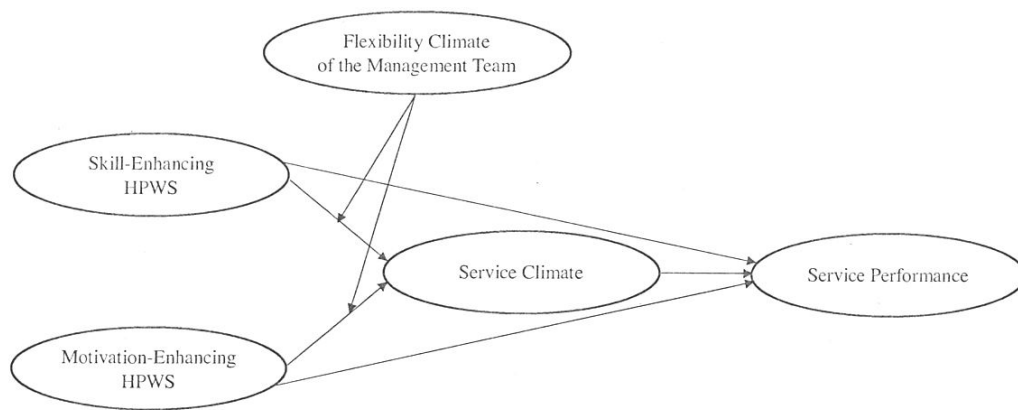


Fig. 1. Hypothesized research model.

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.

2. Literature review and hypotheses development

2.1. High performance work systems and organizational service performance

Due to intense global competition and the strong requirement of innovation, flexibility and responsiveness for the competitive advantage, there has been a pronounced shift in HR research toward a more strategic perspective (Camps and Luna-Arocas, 2009; Delery and Doty, 1996; Hayton, 2004). The core premise that HR is a strategic lever indicates how HR practices affect organization-wide outcomes and how they can be managed to maximize and enhance organizational performance and value creation (Combs et al., 2006). To gain better understanding of how HR decisions can increase organizational performance, scholars lead the system perspective toward SHRM studies, known as high performance work systems (HPWSs) (Becker and Gerhart, 1996; Gittel et al., 2010). The HPWS perspective emphasizes the importance of having a coherence in HR practices, an idea that internal consistency can be maximized when these practices are integrated and bundled to form a coherent system (Delery, 1998; Macky and Boxall, 2007). It implies that HPWSs have more influence on desired organizational outcomes than individual practice does, because of additional complementary and synergistic effects gained from accumulated practices (Ichniowski et al., 1997; Macky and Boxall, 2007). Taking this approach further, scholars have argued that since an HR system is an additive index of a highly varied set of individual HR practices, the HPWS can be divided into different types of sub-dimensions, each of which may have dissimilar impacts on organizational outcomes (Jlang et al., 2012). For example, drawing on the human capital theory, resource-based view, and motivational perspective of HRM, the HPWS can be categorized as skill-enhancing HPWS and motivation-enhancing HPWS (Huselid, 1995; Lepak et al., 2006; Jlang et al., 2012). This categorization is grounded in the view that people perform well when they are able and have the personal motivation to do so (Huselid, 1995; Jlang et al., 2012; Subramony, 2009). A review of these sub-dimensions indicates that most HR practices have synergistic and performance-increasing effects when they are joined into skill-enhancing HPWS that promote employee KSAs, and motivation-enhancing HPWS that provide employees with sufficient direction and inducements necessary for higher levels of performance (Batt, 2002; Gardner et al., 2011; Huselid, 1995; Jlang et al., 2012; Subramony, 2009).

The accumulative effects of different HR practices affecting the similar work characteristic (for example, staffing and training that affect employees' human capital; compensation and performance appraisal process that affect employees' workforce motivation) may exert greater positive influences on organizational performance (Huselid, 1995; Jlang et al., 2012; Subramony, 2009). Skill-enhancing HPWS based on human capital theory is a combination of staffing and training practices that focus on increasing the KSAs of the workforce (Bailey et al., 2001; Jlang et al., 2012; Subramony, 2009). Human capital levels enhanced through the use of staffing practices like recruiting extensive pools of applicants and selecting the talented and qualified ones for the organization and providing employees with adequate training program are proven to have a positive relationship with firm-level outcomes (Subramony, 2009). Furthermore, based on the Attraction-Selection-Attribution model (Schneider, 1987; Schneider et al., 1995), the consistent adoption of staffing and training practices will likely not only lead to higher levels of KSAs, but also facilitate the socialization that provides employees with effective organization-related skills and habits for participating in their organization (Subramony, 2009). Therefore, it is proposed that the synergistic combination of staffing (including recruiting and selecting) and training practices will lead to the desired organizational performance by attracting and select-

ing highly qualified applicants capable of ongoing learning, and consistently by ensuring that those applicants after they are hired acquire task-related and organization-relevant KSAs for high levels of performance (Batt, 2002; Jlang et al., 2012; Subramony, 2009). Along this line, neither staffing nor training is complete one without the other. Jointly, they can enhance the workforce human capital.

Highly skilled employees will have a limited effectiveness if they are not provided with the motivation to perform (Huselid, 1995). Motivation-enhancing HPWS grounded in motivational and social exchange theory will combine performance appraisal and compensation practices with the goal of directing employees' endeavors to accomplish work objectives, and providing them with the inducements to promote higher performance (Bailey et al., 2001; Jlang et al., 2012; Subramony, 2009). Performance appraisal and compensation practices that direct employees to attain specific goals let them receive task- or behavior-based feedback and align their efforts with compensation that will motivate employees to exert high levels of effort for increased performance (Subramony, 2009). These motivation-enhancing HR practices also bring about a sense of group and belonging that triggers the employees' intrinsic motivation to act (Gardner et al., 2011). Further, social exchange theory (Blau, 1964) suggests that the provision of various inducements, such as equitable pay, benefits, and pay for performance can make employees perceive their organizations as truly valuing their contributions (Allen et al., 2003; Rhoades and Eisenberger, 2002), which in turn obligates them to reciprocate by engaging in favorable performance (Subramony, 2009). It can also be argued that the combination of performance appraisal and compensation practices will have synergistic effects on organizational performance (Jlang et al., 2012; Subramony, 2009). The performance appraisal process can help employees set performance goals and communicate organizational expectations for desired employees' behaviors, while the compensation practices motivate and reinforce these behaviors. Therefore, performance appraisal and compensation practices cannot be complete one without the other. Jointly, however, the practices will enhance workforce motivation.

In service organizations, HPWSs play critical roles in helping employees achieve high-quality customer service, thus enhancing organizational service performance (Batt, 2002; Liao and Chuang, 2004; Schneider et al., 2005). Skill-enhancing HPWS helps enhance human capital by guaranteeing that appropriate competence pools are accumulated and more advanced KSAs are cultivated to ensure that employees can deliver service effectively. Besides, this HPWS promotes the capacity to learn what is critical in service organizations because employees must integrate the proliferation of new products and sales information into their existing work processes and also communicate constant changes in marketing, pricing, and packaging to their customers (Batt, 2002). Motivation-enhancing HPWS offers motivation to employees to increase service effectiveness and leverage their personal dedication to customer satisfaction. Bundles of performance appraisal and compensation practices also induce employee attachment and commitment, which further motivate quality service delivery and performance (Batt, 2002; Hong et al., 2013). The potential mechanisms embedded in HPWSs make employees more able and willing to approach and meet customers' needs, and, in turn, facilitate organization-level service performance or even superior market performance (Chuang and Liao, 2010). For these reasons, we argue that these two noted HPWSs not only enable and motivate employees to perform their service well, but these HPWSs also ultimately lead to the improvement of service quality and customer management in overall organizational service performance. Thus, we hypothesize the following:

Hypothesis 1. *Skill-enhancing HPWS will be positively related to organizational service performance.*

Hypothesis 2. *Motivation-enhancing HPWS will be positively related to organizational service performance.*

2.2. Service climate and organizational service performance

Service climate refers to incumbents' perceptions of the events, practices, procedures, and behaviors that are rewarded, supported and expected in a customer service setting (Schneider et al., 1998). Building on this notion, service climate is distinguished from general climate due to its being a strategic target for customer service and service quality (Schneider, 1990; Schneider et al., 1998; Hong et al., 2013).

Given its being a strategic anchor for service quality, service climate should have an influence on service outcomes (Schneider, 1990). Borucki and Burke (1999) found a significantly positive relationship between service climate and store service performance. Additionally, previous studies show that greater service climate is positively related to customer loyalty, satisfaction and retention, and eventually creates better service performance for the organization (Hong et al., 2013; Salanova et al., 2005). When a positive service climate is established, service performance is more likely to be enhanced since employees will recognize that greater customer service is supported, expected, and rewarded, which then triggers greater employee effort toward the growth of service quality for the whole organization. The following hypothesis is offered:

Hypothesis 3. *Service climate will be positively related to organizational service performance.*

2.3. High performance work systems and service climate

Several studies have recognized organizational resources (e.g., HR actions, managerial practices, management support, and technology resources) as the key factor in shared perceptions of service climate (Johnson, 1996; Salanova et al., 2005; Schneider et al., 1998). Although these studies did not examine HPWSs directly as a service climate predictor, they do provide evidence of the important linkage between organizational resources and shared perceptions of customer concern.

Schneider et al. (1998) were among the first to test the causal relationships between HR practices and service climate. They regarded HR practices (e.g. training and decision making activities) as the fundamental issue related to the shape of service climate. HR practices operate to bridge the strategic target of the organization to employees, thereby clearly transmitting the message of what is being supported, expected, and rewarded by the organization (Bowen and Ostroff, 2004; Hong et al., 2013). Moreover, the skills, resources, and motivating potentials that HR practices provide make employees able and willing to track their service quality.

In this study, we rely on SHRM research to examine a more comprehensive set of HR practices of HPWSs. Skill-enhancing HPWS includes staffing and training practices to ensure that hired employees have a positive service orientation and possess the competencies to deliver high-quality service. Motivation-enhancing HPWS comprises performance appraisal and compensation practices and encourages employees to display certain desirable behaviors and exceptional efforts in service delivery. Thus, the following two hypotheses are offered:

Hypothesis 4. *Skill-enhancing HPWS will be positively related to service climate.*

Hypothesis 5. *Motivation-enhancing HPWS will be positively related to service climate.*

2.4. Service climate as a mediator of high performance work Systems—organizational service performance links

In this study, we argue that two dimensions of the HPWS can further facilitate service climate, which in turn may encourage employees to achieve superior service performance. This hypothesized model is rooted in the SHRM premise that there are certain potential intervening mechanisms through which HPWSs have an indirect influence on organizational performance (Ferris et al., 1998; Ostroff and Bowen, 2000). Past studies provide further empirical evidence that work climate does help to uncover the hidden mystery regarding the relationship between HRWS and organizational performance (e.g., Burton et al., 2004; Gelade and Ivery, 2003). Therefore, we propose that HPWSs—organizational service performance links are mediated by service climate.

Moreover, service climate reflects the incumbents' interpretations of the message derived from HR practices or the leaders' management regarding what types of behaviors are expected and rewarded, actions that then lead to desired service outcomes (Hong et al., 2013; Schneider et al., 1998). Along this same line, it is quite possible that organizational resources for HPWSs impact organizational service performance through the mediation of that same service climate. Thus, the following two hypotheses are offered:

Hypothesis 6. *Service climate will mediate the relationship between skill-enhancing HPWS and organizational service performance.*

Hypothesis 7. *Service climate will mediate the relationship between motivation-enhancing HPWS and organizational service performance.*

2.5. Flexibility climate of the management team

In recent decades, research on leadership has provided evidence that flexible, adaptive, and agile leadership is essential for most managers, because addressing problems that are emerging from intra- and extra-system dynamics is a crucial obligation of managers (Walumbwa et al., 2010; Yukl and Lepsinger, 2005; Zaccaro et al., 1991). In essence, the attribute of flexible leadership can be characterized as a manager's ability and willingness to adapt responses in different ways to address multiple situational requirements (Zaccaro et al., 1991; Mumford et al., 2007). The ability concept reflects task-related competence, which requires a broad and speedy response repertoire to be applied to appropriate situational demands, while the willingness concept argues that managers can voluntarily possess a strong tolerance for non-routine behaviors so as to adapt to the greater complexity of the circumstances.

According to our view of the literature, flexible leadership is comprised of three flexibility components: functional flexibility, skill flexibility and behavior flexibility, similar to the type of HR flexibility argued by Beltrán-Martín et al. (2008). Functional flexibility implies that managers can work on different tasks and under diverse circumstances, and both the cost and time needed during adaptation to new duties or tasks are low (Van den Berg and van der Velde, 2005). Therefore, functional flexibility facilitates the movement between the job and other responsibilities. Moreover, managers are flexible when they have higher learning efficiency when performing new tasks (Bhattacharya et al., 2005; Wright and Snell, 1998). It corresponds to the idea of skill flexibility (Beltrán-Martín et al., 2008). In this sense, skill flexibility refers to how easily and quickly managers absorb new skills and knowledge to perform their present jobs and also anticipate future skill requirements (Beltrán-Martín et al., 2008; Dyer and Ericksen, 2005). Finally, behavior flexibility refers to managers' ability to display diverse behavioral repertoires in different circumstances (Bhattacharya et al., 2005) and their willingness to adapt their responses to constantly changing environments based on improvisation rather than

Table 1
Statistics of construct items.

Second-order/First-order construct		Items	Second-order/First-order factor loading		AVE
Skill-enhancing HPWS	Staffing	S1	.87	.78	.76
		S2		.70	
		S3		.71	
		S4		.56	
	Training	T1	.87	.74	
		T2		.76	
		T3		.80	
		T4		.68	
Motivation-enhancing HPWS	Reward	R1	.66	.59	.52
		R2		.58	
		R3		.50	
		A1		.79	
	Appraisal	A2	.78	.83	
		A3		.89	
		A4		.77	
		A5		.75	
Perception of the management team flexibility	Function	FF1	.89	.81	.80
		FF2		.87	
	Skill	SF1	.89	.80	
		SF2		.82	
		SF3		.87	
	Behavior	BF1	.90	.86	
		BF2		.70	
		BF3		.80	
	Service climate	SC1		.83	.68
		SC2		.82	
		SC3		.84	
		SC4		.81	
	Organizational service performance	SP1		.78	.61
		SP2		.74	
		SP3		.82	
		SP4		.78	

fixed and rigid actions (Bhattacharya et al., 2005; Dyer and Ericksen, 2005).

Beltrán-Martín et al. (2008) propose that there are mutual interdependences among these three components of managers' flexibility. We, therefore, adopt their arguments to take into account the interdependencies of the three dimensions of managers' flexible leadership. For the purpose of this study, the variable of flexible leadership is conceptualized at the organizational level. In other words, we want to realize collective perceptions of the whole management team flexibility (rather than the individual perception of the manager's flexible leadership) in order to assess the extent to which managers apply versatile resources to multiple situations. That is, we discuss whether the whole management team has the needed abilities to learn new tasks quickly, detect complex external changes, and tolerate a large number of non-routine behaviors (Beltrán-Martín et al., 2008; Bhattacharya et al., 2005). Thus, the aggregation statistics will be examined afterwards.

2.6. Flexibility climate of the management team as a moderator of the relationship between HPWSs and service climate

Although previous research has demonstrated a positive relationship between the HPWS and service climate (Chuang and Liao, 2010; Hong et al., 2013), relatively few studies have focused on the potential moderating effects between the two variables. Hales (2005) proposed that managers are the employees' regular point of contact for implemented HR practices, playing multiple roles as communicators, sense givers, authorizers, and innovators in introducing HR policies and decisions to employees (Mcdermott et al., 2013). In this context, compared with a management team with rigid leadership, those with functional, skill, and behavior flexibility are better able to convey to their employees the motivating potentials embedded in HR practices about what is supported, expected, and rewarded in terms of customer service.

Furthermore, according to Bandura's (1977) social learning cognitive theory, individuals can learn by observing and emulating the behaviors of credible role models to attain positive behavioral outcomes. In organizations, managers always serve as role models to prompt employee beliefs and behaviors (Mcdermott et al., 2013; Walumbwa et al., 2010). When employees observe that their managers are resilient and able to act efficiently under uncertain circumstances and then meet strategic targets, they may be triggered to devote their skills and abilities acquired from HPWSs to fulfilling certain specific organizational goals (e.g., delivering superior service quality). Since the service sector features environmental uncertainty and service intangibility, employees especially require flexible and adaptive manager guidance to help them transfer the abilities and skills gained from HRWSs to delivery of excellent customer service.

As noted in previous sections, HRWSs help set clear behavioral standards across the service encounter and enhance the instrumentality of service behavior by offering superior reward systems. We further argue that a favorable management team with flexibility helps HRWSs send clear signals to employees that service behaviors and initiatives are supported, expected, desired, and rewarded in the firm, thereby creating a strong service-oriented climate. In addition, the role model effect of flexible managers facilitate the influence of HRWSs on service climate. As a result, it is suggested that HPWSs' interaction with collective perceptions of management team flexibility (flexibility climate of the management team) may have a significant effect on overall service climate. Thus, the following two hypotheses are offered:

Hypothesis 8. Flexibility climate of the management team will moderate the influence of skill-enhancing HPWS on service climate, such that the influence of skill-enhancing HPWS on service climate will be more positive when the flexibility climate of the management team is high than when it is low.

Table 2
Means, standard deviations, and correlations among variables.

	Mean	SD	1	2	3	4	5	6	7	8
1. Store size	49.09	14.07								
2. Store age	12.36	5.02	.17 [†]							
3. Store owner's tenure	7.31	4.40	.00	-.06						
4. Skill HPWS	5.47	0.77	.06	-.07	-.14 [†]	(.84)				
5. Motivation HPWS	5.39	0.72	-.09	-.08	-.12 [†]	.69 ^{**}	(.82)			
6. Flexibility climate	5.65	0.59	.01	.10	-.11	.27 ^{**}	.26 ^{**}	(.90)		
7. Service climate	5.72	0.74	.00	-.09	-.15 [†]	.65 ^{**}	.59 ^{**}	.28 ^{**}	(.89)	
8. Service performance	5.62	0.81	-.04	-.10	-.12 [†]	.62 ^{**}	.57 ^{**}	.22 ^{**}	.64 ^{**}	(.86)

Note: The store size was measured as the number of employees. The store age and the owner's tenure were calculated in years. Cronbach α coefficients were reported in the parentheses. $N = 203$.

[†] $p < .10$.

^{*} $p < .05$.

^{**} $p < .01$.

Hypothesis 9. Flexibility climate of the management team will moderate the influence of motivation-enhancing HPWS on service climate, such that the influence of motivation-enhancing HPWS on service climate will be more positive when the flexibility climate of the management team is high than when it is low.

3. Method

3.1. Participants and procedures

Data collection was carried out through structured questionnaires administered to leading multinational food-service chain stores located in Taiwan. We contacted 290 stores in advance, explained the purpose of the study, and invited them to participate in our research. Each store was then given a survey package, which contained one questionnaire for the store owner/store managers and three questionnaires for the management team members. A cover letter attached to each questionnaire explained the objective of the survey and assured all participants of the confidentiality of their responses.

Because store owners and store managers often serve as policy and message transmitters of the organization and thus are responsible for the business operation and organizational effectiveness of the store, they are critical informants who are believed to respond accurately to measures of HPWSs, service climate and organizational service performance (e.g., Chuang and Liao, 2010; Liao and Chuang, 2004). Similarly, members affiliated with a team are critical informants on team leader behaviors (e.g., Ayoko and Chua, 2014; Ortega et al., 2014), since they can consistently observe how that leadership works and whether any adaptive leadership is provided. Management team members are thus believed to be key informants on management team flexibility. Accordingly, these store owner/store managers were asked to rate each item of service climate, organizational service performance, and skill-enhancing and motivation-enhancing HPWS. Three randomly selected management team members of each store were asked to rate each item of their perception of management team flexibility. All questionnaires were completed anonymously and were returned back via stamped addressed envelopes included in the survey package.

Of the 290 distributed survey packages, 211 survey packages were returned. After excluding returned questionnaires that contained missing data, we received valid questionnaires from 203 chain stores. Specifically, we totally received valid questionnaires from 203 store owners/store managers and 568 management team members, with valid response rates of 70.00% and 65.29% respectively. Since flexibility climate of the management team is an organization-unit variable, we then aggregate 568 data of the individual-level flexibility perception to the higher store-level flexibility climate ($N = 203$). We ultimately used 203 sample size for the analyses that followed. Of these 203 chain stores, the average

store size (average number of employees per store) was 49.09, and average store age was 12.36 years.

3.2. Measures

This study utilized five major variables: skill-enhancing HPWS, motivation-enhancing HPWS, flexibility climate of the management team, service climate, and organizational service performance. All variables in the study were measured with established scales proposed by antecedent studies. Items were answered on a 7-point Likert scale that ranged from 1 (strongly disagree) to 7 (strongly agree).

3.2.1. Skill-enhancing HPWS and motivation-enhancing HPWS

The 16 items used to assess skill-enhancing and motivation-enhancing HPWS were based on the measurement scale proposed by Snell and Dean (1992). Skill-enhancing HPWS ($\alpha = .84$) included comprehensive staffing and extensive training with 4 items each. Motivation-enhancing HPWS ($\alpha = .82$) consisted of 3 items on equitable reward, and 5 items on developmental performance appraisal.

3.2.2. Perception of the management team flexibility

We used a 8-item revised scale originally proposed by Beltrán-Martín et al. (2008) to measure the perception of the management team flexibility ($\alpha = .90$). The scale had three categories: functional flexibility (2 items), skill malleability (3 items), and behavior flexibility (3 items). To justify aggregation of individual-level perceptions to a higher store-level climate, we calculated within-group agreement (r_{wg} ; James et al., 1993), intraclass correlations (ICC[1]), and the reliability of the means (ICC[2]). The average r_{wg} was .95, the ICC[1] was .16, and the ICC[2] was .95, providing empirical justification for aggregating the scores for flexibility climate of the management team.

3.2.3. Service climate

We used a 4-item scale adopted from Salanova et al. (2005) to assess service climate, which was originally developed by Schneider et al. (1998). The coefficient alpha for this scale was .89.

3.2.4. Organizational service performance

We used a 4-item revised Perceived Organizational Performance Scale (Delaney and Huselid, 1996) to measure organizational service performance. The revision was based on the original measure to increase item clarity and scale brevity. The measure was relativity and benchmark-oriented in the sense that store owners were requested to assess their service performance relative to that of other chain stores. The coefficient alpha for this scale was .86.

3.2.5. Control variables

Previous studies have argued that certain demographic characteristics may be associated with HPWSs, organizational performance, and control mechanisms (Beltrán-Martín et al., 2008; Camps and Luna-Arocas, 2009; Delaney and Huselid, 1996; Youndt et al., 1996). Consistent with these studies, we controlled for store size (measured as number of employees), store age in years, and store owner's tenure.

3.2.6. Preliminary analysis of common method variance bias

Although anonymous questionnaires were designed and items pertaining to key constructs were arranged in separate sections of the questionnaires for the study, we still were unable to rule out the possible bias from common method variance (CMV) bias entirely. We conducted a Harman's single-factor test and confirmatory factor analysis (CFA) to test the presence of the common method effect.

In light of Harman's single-factor test (Podsakoff et al., 2003), if a substantial amount of CMV bias existed, either a general factor would emerge from the factor analysis, or it would account for the most variance of all measured items. A principal component factor analysis with varimax rotation revealed the presence of six distinct factors with the eigenvalue greater than 1.0, rather than a general single factor. The six factors totally accounted for 67.90 percent of the variance, and the first factor did not account for a majority of the variance (39.20%). Therefore, no general factor was apparent.

Moreover, all variables were loaded on one factor to examine the fit of the CFA model. If CMV bias is largely responsible for the relationship among the variables, then the one-factor CFA model should fit the data well (Beltrán-Martín et al., 2008; Korsgaard and Roberson, 1995; McFarland and Sweeney, 1992; Mossholder et al., 1998; Podsakoff et al., 2003; Podsakoff and Organ, 1986). The CFA result showed that the one-factor model failed to fit the data ($\chi^2(324, N=203)=1600.19, p<.01, NNFI=.62, CFI=.65, RMSEA=.14, SRMR=.09$), which indicated that no serious CMV bias existed in the study.

Harman's single-factor test and CFA suggested that CMV bias is not a great concern and thus it is unlikely to confound the results of the analyses that followed.

4. Results

Following Anderson and Gerbing's (1988) suggestion, we first implemented CFA to examine the construct validity before testing the hypotheses. Table 1 presents the factor loadings and average variance extracted (AVE) of CFA for the measurement model. These results indicated that the hypothesized 5-factor measurement model fit the data ($\chi^2(303, N=203)=567.04, p<.01, NNFI=.90, CFI=.91, RMSEA=.07, SRMR=.05$). The factor loadings of all the items are significant on the corresponding factors. Moreover, none of the confidence intervals of the correlations covered the value of 1 for each pair of factors. These results revealed that convergent and discriminant validities were both supported. The second-order CFA of skill-enhancing HPWS, motivation-enhancing HPWS, and flexibility climate was also examined. Based on the recommendation of Brown and Cudeck (1993), the result showed that the 2-factor model of skill-enhancing HPWS (comprehensive staffing and extensive training) and motivation-enhancing HPWS (equitable reward and developmental performance appraisal) met the model-fit indices ($\chi^2(99, N=203)=192.48, p<.01, NNFI=.91, CFI=.93, RMSEA=.07, SRMR=.05$). The 3-factor of flexibility climate (functional, skill, and behavior flexibility) also met the model-fit indices ($\chi^2(17, N=568)=86.03, p<.01, NNFI=.96, CFI=.98, RMSEA=.08, SRMR=.02$).

Table 3

Results of measurement invariance across groups.

	χ^2	df	NNFI	CFI	RMSEA	$\Delta\chi^2(\Delta df)$
Baseline model	231.41	96	.94	.96	.10	
Metric invariance	236.79	108	.95	.96	.09	5.38(12)
Scalar invariance	247.57	120	.96	.96	.09	10.78(12)
Strict factorial invariance	258.86	126	.96	.96	.09	11.29(6) ^a

^a $p<.10$, $p<.05$, $p<.01$.

Table 4

Results of structural invariance across groups.

	χ^2	df	NNFI	CFI	RMSEA	$\Delta\chi^2(\Delta df)$
Baseline model	249.34	123	.96	.96	.09	
Constrained model	258.86	126	.96	.96	.09	9.52(3) ^a

^a $p<.10$, $p<.05$, $p<.01$.

Table 2 presents the mean values, standard deviations, internal consistency coefficients, and correlations for the factors. As expected, both skill-enhancing and motivation-enhancing HPWSs were positively correlated with service climate and service performance. Service climate was also positively related to organizational service performance. The Cronbach α coefficients ranged between .82 and .90, thus exceeding the .70 threshold recommended by Hair et al. (1998).

We then used the multiple sample SEM analysis ($N=101$ for high flexibility climate; $N=102$ for low flexibility climate) to test our hypotheses. Since our samples were divided into high ($N=101$) and low ($N=102$) flexibility climate groups based on a median split, measurement invariance (ME/I) was assessed in advance. To detect ME/I, the chi-square difference was examined between an unconstrained model and a constrained model (Lee and Back, 2009; Yoo, 2002). If the chi-square difference between the two models does not reveal statistical significance, then the measurement model shows invariance across the two group (Lee and Back, 2009; Yoo, 2002). In the unconstrained model (baseline model), every parameter was specified to vary across two groups. Following Yoo's (2002) three levels of factorial invariance for a measurement model, three models existed as specialized conditions of ME/I—metric invariance, scalar invariance and strict factorial invariance, in which factor loadings, error variances, and factor variance-covariances are increasingly fixed to be equal across two groups (Jöreskog and Sörbom, 1993; Yoo, 2002). As shown in Table 3, all the chi-square differences between the baseline model and the metric invariance model ($\Delta\chi^2=5.38, p>.10$), the metric invariance model and the scalar invariance model ($\Delta\chi^2=10.78, p>.10$), and the scalar invariance model and the strict factorial invariance model ($\Delta\chi^2=11.29, p>.05$) were not significant. Therefore, the proposed measurement model was invariant across the two groups.

After identifying the ME/I, we examined the structural invariance (ST/I) to prove whether the proposed structural model was equivalent across two groups (Lee and Back, 2009; Yoo, 2002). Similar to the approach used to test ME/I, if the chi-square difference between an unconstrained model (baseline model) and a constrained model does not reveal a statistical significance, then the structural model shows invariance across the two groups (Yoo, 2002). On the contrary, if the chi-square difference reveals a statistical significance, then a moderating effect is assumed to exist in the proposed model (Lee and Back, 2009; Yoo, 2002). In the unconstrained model of ST/I, the path parameters were freely estimated across two groups, and nonetheless path parameters are specified to be equal in the constrained model (Yoo, 2002). As shown in Table 4, the chi-square difference between the baseline model and the constrained model was significant ($\Delta\chi^2=9.52, p<.05$). Therefore, there a moderating effect of flexibility climate existed in our proposed model.

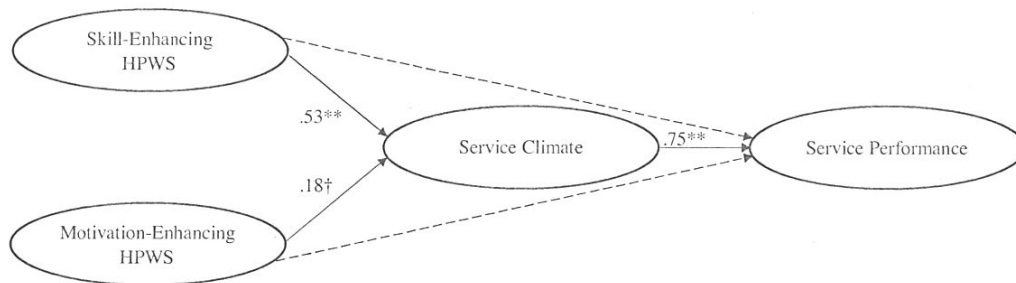


Fig. 2. Results of structural equation modeling for the high flexibility climate group. The dashed line represented that the direct effect lose its significance. $N = 101$. $\dagger p < .10$, $* p < .05$, $** p < .01$.

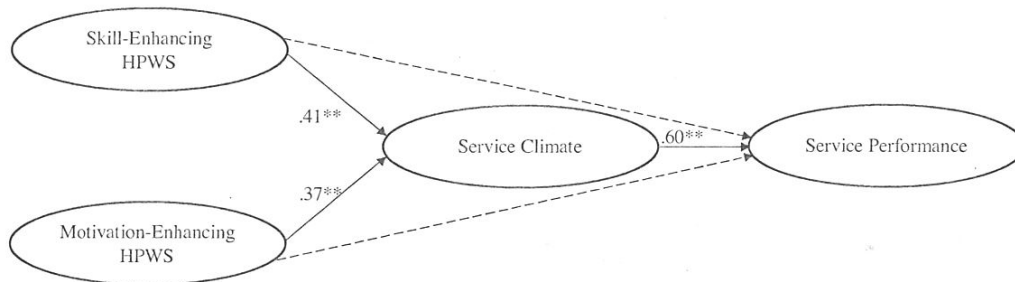


Fig. 3. Results of structural equation modeling for the low flexibility climate group. The dashed line represented that the direct effect lose its significance. $N = 102$. $\dagger p < .10$, $* p < .05$, $** p < .01$.

As shown in Figs. 2 and 3, Hypothesis 1–5 were supported in the high and low flexibility climate groups, but the relationship between motivation-enhancing HPWS and service climate was weaker in the high flexibility climate group ($\gamma = .18$, $p < .10$). Furthermore, according to Baron and Kenny (1986), since the direct effect of HPWSs on organizational service performance lost the significance, service climate could play a full mediating role between both the skill-enhancing HPWS–service performance relationship and the motivation-enhancing HPWS–service performance relationship in both groups, which thus supported Hypothesis 6 and 7.

Since Table 4 showed the evidence of the moderating effect of management team flexibility, the path of corresponding variables was then individually tested to assess the chi-square difference between the unconstrained model and the nested model (in Table 5). First, with respect to the path from skill-enhancing HPWS to service climate, the high flexibility climate group revealed a stronger relationship than the low group did ($\Delta\chi^2 = 8.20$, $p < .01$, high group: $\gamma = .53$ vs. low group: $\gamma = .41$), which supported Hypothesis 8. Second, with respect to the path from motivation-enhancing HPWS to service climate, the high flexibility climate group revealed a weaker relationship than the low group did ($\Delta\chi^2 = 11.68$, $p < .01$, high group: $\gamma = .18$ vs. low group: $\gamma = .37$). These results revealed that flexibility climate of the management team indeed had a moderating effect on both the relationship between two types of HPWSs and service climate. However, it was interesting that the two moderating effects provided distinct theoretical and empirical implications. Specifically, flexibility climate of the management team could potentially complement the effect of skill-enhancing HPWS on service climate, implying that the coexistence of flexibility climate and skill-enhancing HPWS could create a positive synergy on service climate. On the other hand, a potential substitute effect of the management team flexibility and motivation-enhancing HPWS on service climate existed, such that

the influence of motivation-enhancing HPWS on service climate became more positive when the flexibility climate is low. Table 6 shows the results of all the hypothesis analyses.

5. Discussions

HPWSs have long been contingent on organizational capabilities to gain the competitive advantage by obtaining and maintaining valuable and scarce resources (Combs et al., 2006). Previous studies have provided empirical evidence that reveals that HPWSs can enhance service quality and performance (Chuang and Liao, 2010; Liao and Chuang, 2004) and have demonstrated that organizational climates do play a significant role in linking HPWSs and organizational performance (Bowen and Ostroff, 2004; Chuang and Liao, 2010; Gelade and Ivery, 2003). In this study, we expand the role of organizational climate to examine how different types of organizational climate facilitate the relationship between HPWSs and organizational service performance.

This study provides significant evidence that demonstrates the linkage among HPWSs, service climate, and organizational service performance. This current finding corresponds to past research that shows a positive relationship between service climate and service performance (Borucki and Burke, 1999; Liao and Chuang, 2004). Moreover, this study is consistent with prior studies to support the notion that organizational climate mediates the relationship between HPWSs and organizational performance (Bowen and Ostroff, 2004; Evans and Davis, 2005). Our study adds to the literature examining service climate as the mediating mechanism between HPWSs and organizational service performance (i.e., Chuang and Liao, 2010; Tang and Tang, 2012). The impacts of both skill-enhancing HPWS and motivation-enhancing HPWS on organizational service performance are fully mediated by service climate.

More specifically, the research argues that HPWSs shape the shared mental model of employees (Evans and Davis, 2005),

Table 5

Results of structural invariance across groups.

Path	Unconstrained model (Freely estimated)	Nested model (Fixed to be equal)	$\Delta\chi^2(\Delta df)$
Skill HPWS → Service climate	$\chi^2(123) = 249.34$	$\chi^2(124) = 257.54$	8.20(1)**
Motivation HPWS → Service climate	$\chi^2(123) = 249.34$	$\chi^2(124) = 261.02$	11.68(1)**
Service climate → Service performance	$\chi^2(123) = 249.34$	$\chi^2(124) = 251.07$	1.73(1)

* $p < .10$, ** $p < .05$, *** $p < .01$.

Table 6

Results of hypothesis analyses.

Hypothesis	Result
1. Skill-enhancing HPWS will be positively related to organizational service performance.	Supported
2. Motivation-enhancing HPWS will be positively related to organizational service performance.	Supported
3. Service climate will be positively related to organizational service performance.	Supported
4. Skill-enhancing HPWS will be positively related to service climate.	Supported
5. Motivation-enhancing HPWS will be positively related to service climate.	Supported
6. Service climate will mediate the relationship between skill-enhancing HPWS and organizational service performance.	Supported
7. Service climate will mediate the relationship between motivation-enhancing HPWS and organizational service performance.	Supported
8. Flexibility climate of the management team will positively moderate the influence of skill-enhancing HPWS on service climate.	Supported
9. Flexibility climate of the management team will positively moderate the influence of motivation-enhancing HPWS on service climate.	Rejected

which can have strong influence on employees' collective behaviors. Skill-enhancing HPWS can create environments that enable employees to engage in discretionary behaviors that are required in a service context (Bitner et al., 1990; Bitner et al., 1994). Skill-enhancing HPWS also help employees broaden their skills and knowledge to adapt to lower task routinization and flexible work role requirements (Way, 2002). Extensive training, the core element of skill-enhancing, focuses on the employees' KSAs necessary to function effectively in the service context and its results and thus can result in greater fit and adjustment to the prevailing organizational climate (Cable and Parsons, 2001). As argued, our results also show that skill-enhancing HPWS can facilitate a strong service-oriented organizational climate in organizations.

On the other hand, motivation-enhancing HPWS can facilitate forms of reciprocity between employees and the organization and then generalize the norms of reciprocity (Rhoades and Eisenberger, 2002). It is usually suggested that HPWSs are likely to encourage and facilitate reciprocal and cooperative behaviors toward coworkers and customers (Chuang and Liao, 2010). Performance-contingent compensation practices can also deliver distinctive and highly visible messages to employees regarding such desired behavior (Gerhart and Rynes, 2003). Our findings confirm that motivation-enhancing HPWS can lead to greater consensus on service requirements (i.e., service climate) among organizational employees.

Our study further demonstrates that flexibility climate of the management team moderates the relationship between HPWSs and service climate. Interestingly, we find that flexibility climate complements skill-enhancing HPWS to enhance service climate. Moreover, we find an opposite moderating effect of management team flexibility climate on the relationship between motivation-enhancing HPWS and service climate, which suggests that flexibility climate can be a substitute for motivation-enhancing HPWS while promoting service climate. This result implies that management team flexibility climate may indeed be the atmosphere that the organization should want to pursue and should play a critical role in shaping follower commitment to organizational flexibility (Zaccaro et al., 2002). While skill-enhancing HPWS can facilitate employees' skills and the knowledge to adapt to flexible work requirements in service context, the management team flexibility climate may strengthen the organizational atmosphere of flexibility. These two are thus complementary to each other, as 'doing more of one thing increases the returns to doing more of another' (Milgrom and Roberts, 1995). Thus, if skill-enhancing HPWS is effective, it becomes necessary to shift employees' atti-

tudes toward higher flexibility and adaptability, which are related to actual flexibility in the workplace (Mollema, 2009). Flexibility climate should help shape employees' attitudes toward flexibility due to social learning (Bommer et al., 2003; Ehrhart and Naumann, 2004; Mayer et al., 2009). Thus, flexibility climate can reinforce skill-enhancing HPWS to create further complementary effects.

However, flexibility climate demonstrated by a management team can also serve as a target that may suggest directions that conflict with the messages being delivered by motivation-enhancing HPWS. Motivation-enhancing HPWS may emphasize the reciprocity of exchange relationships; meanwhile, management team flexibility climate may emphasize efficient adaptation of environments, which then may create more intensive work requirements (Murphy and Jackson, 1999). Highly-demanding work environments may diminish the reciprocal effects created by motivation-enhancing HPWS, and flexibility climate becomes a substitute for motivation-enhancing HPWS. Thus, the moderating effect of the management team flexibility climate then becomes significantly negative in our study. Prior studies also mention that whether the formal leaders' roles result in low or high favorableness depends on different contextual situations (Kerr and Jermier, 1978; Mowday and Sutton, 1993). Their contingent perspective on leader function argues that certain task and organizational characteristics can substitute for the influence of a hierarchical superior. For instance, organizations characterized as machine-paced operations and highly standardized tasks (i.e., a food-service chain) may overly specify performance requirements and the rigid rules that employees must follow, which in turn neutralizes or substitutes for the task-oriented or job-centered roles that leaders play (Kerr and Jermier, 1978). In this study, management team flexibility reflects manager task-related competence to facilitate task efficiency and work requirements, and therefore this is task-oriented in nature. For this reason, the management team flexibility is expected to play a negatively moderating role in formalized organizations.

5.1. Managerial implications

The results of this study raise substantial implications for service organizations. Leaning on the standpoint of SHRM, the results suggest that forming a sound service-oriented organizational climate by implementing HPWSs may be related to the improvement of organizational service performance. Specifically, we find that two dimensions of HPWS underlying different mechanisms can foster service climate and in turn facilitate service performance.

These findings suggest that organizations in service settings might increase the advantages of investing in HRWSs considered in this study. An organization's investment of skill-enhancing HPWS practices, such as comprehensive staffing and extensive training, helps ensure that employees have service-related skills and abilities needed to enhance service quality (Chuang and Liao, 2010; Liao and Chuang, 2004). Moreover, in motivation-enhancing HPWS, as equitable reward and developmental performance appraisal help organizations to offer potential motivation, they are unfolded to contribute to the development of employee willingness and indeed passion to work toward positive service outcomes (Chuang and Liao, 2010; Liao and Chuang, 2004).

Our study also finds that there is a mediating process between the investment in HPWSs and service performance. That is, both the creation and maintenance of a service climate play central roles in linking skill-enhancing and motivation-enhancing HPWSs to service performance. As service climate is an intimate reflection of an organization's philosophy and practices (Johnson, 1996; Salanova et al., 2005; Schneider et al., 1998; Schneider et al., 1998), organizations should usually pay close attention to such a climate to comprehend to what extent it is created and maintained to help provide quality service as well as how effectively it facilitates the conveyance of organization expectations of service excellence.

In addition, the finding of a moderating effect suggests that organizations should pay more heed to the potential effects of the management team flexibility climate. High management team flexibility climate may reinforce skill-enhancing HPWS, but instead substitute for motivation-enhancing HPWS when promoting service climate. To shape and sustain the strategic target for service quality, decision makers should understand the deployment of the human resource practices in their organizations, and then explore exactly how skill-enhancing and motivation-enhancing HPWS can be aligned in ways that do complement or substitute for one another to better facilitate the overall service performance of the organization.

5.2. Limitations and future research

Some limitations of this study have to be acknowledged. One limitation relates to the potential for common source bias. However, this bias was controlled for both methodologically and statistically in this study. We counterbalanced the order of items, and we assured the participants of the anonymity of their responses. In addition, the result of Harman's single-factor test suggests that no serious common variance caused by the measure scale occurred. Therefore, CMV is not a serious problem in this study. Future research might consider employing a multi-sourced assessment of the measures of service climate and service performance.

Second, our sample included the stores of a single foodservice chain, which might raise questions regarding the generalizability of our findings to other service settings. Nonetheless, these findings do support the hypotheses that were developed on the basis of extant HR research in the service context, and hence they do not need to be considered sample-specific. Future research can reexamine this hypothesized structure for possible future replication in other service settings.

Third, this study examined the interacting effect of one certain leadership climate and HPWSs on service climate. For future research, another moderating avenue for other types of leadership can be taken into account to broaden the research framework.

In addition, the inferences in this study rested on cross-sectional data, which makes the causal claims of the variables more difficult. We believe that relevant hypothesized relationships can be strictly measured in future longitudinal research to assess these problems appropriately.

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