

# **UNLOCKING THE BLACK BOX OF THE CONCEPTUAL RELATIONSHIP BETWEEN HRM SYSTEM AND ORGANIZATIONAL PERFORMANCE**

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## **ABSTRACT**

Scholars and researchers have devoted a great deal of time and effort in the last two decades in exploring the relationship between Human Resource Management (HRM) and organizational performance (OP). Despite the promising relationship that exists between HRM and performance, questions remain about what is referred to as the “black box” that are yet to be answered. The aim of this paper, therefore, is to develop and propose a conceptual model that captures the mediating effects of organizational variables such as “AMO” (skills and Abilities, Motivation, and Opportunity to participate), employees’ attitudes, and employees’ behaviors on the relationship between the HRM system and organizational performance. The proposed model intends to integrate both the content and the process approach to HRM. Investigating the proposed model would provide a clear and better understanding of the mechanisms that underlie the relationships and the effects of key organizational variables on the relationship between HRM system and organizational performance.

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## **INTRODUCTION**

Several studies have indicated an existing relationship between HRM and performance (e.g., Wright and Gardner, 2000). However, there are still some remaining questions referred to as the “black box” that are yet to be answered. This black box question refers to the intervening and mediating variables linking HRM and performance, in addition to the mechanisms by which such relationships occur. In response to this black box question, some models have been proposed that were assumed to be the key to opening of the black box, and served as the mediating stage between HRM and performance (Guest, 1997; Becker et al., 1997; Wright and Nishii, 2007b). Although many models have been proposed, the widely accepted theoretical basis is the “AMO” framework (Savaneviciene and Stankeviciute, 2011), which suggests that HRM can affect organizational performance by enhancing employees’ skills and abilities (A), motivation (M), and opportunity to participate (O).

Having a system of HRM that enhances the three main pillars of the AMO model, however, is not enough to have the desired positive effect on organizational performance. According to Bowen and Ostroff (2004), a “strong climate” that is characterized by shared perceptions among employees is an important component to operationalize the AMO model effectively. To have such a strong climate, HRM system needs to be distinctive in its presence, consistent in its messages, and deliver a well-developed consensus between both, HR managers and other managers regarding HRM system importance, objectives, and practices. These attributes form what Bowen and Ostroff (2004) called a “strong HR system”.

Given the importance of considering employees’ perception (strong climate) in extending our understanding of the relationship between HRM and performance, no empirical studies have been found that investigate the effects of strong climate as a “moderating variable” on the relationship between HRM system and the AMO model. Moreover, many studies have been conducted to discover the possible effects of HRM systems on organizational performance (Chadwick, 2010; Liao et al., 2009; Batt & Colvin, 2011); nevertheless, according to Delaney and Huselid, (1996), Bowen and Ostroff (2004), and Gardner and his colleagues (2001), the field of HRM studies has been criticized by many authors for its lack of empirical studies specifying the mediating variables by which HRM practices lead to organizational outcomes. Finally, according to Katou

(2012) most of these studies have been conducted in the U.S. and the UK context, and to the best of our knowledge, few studies have been conducted in the Asian region specifically in the Middle Eastern region. Therefore, the aim of this paper is to develop and propose a conceptual model that captures the mediating effects of organizational variables (AMO, employees' attitudes, and employees' behaviors), on the relationship between HRM system and organizational performance. The paper attempts to answer the questions of how and why HRM system affects organizational performance.

## **LITERATURE REVIEW**

### **HRM**

HRM has recently emerged as an essential factor for getting and acquiring sustained competitive advantage (Pfeffer, 1994; Barney & Wright, 1997; Khan, 2010). That is, organizations can easily imitate each other in terms of tangible assets such as machinery, equipment, facilities, and technology, but they cannot do so with human resources (HRs). Huselid (1995) contends that human resources (HRs) are not subject to the same degree of imitability as equipment or facilities, and investment in a firm's HR can further decrease the probability of such imitation. As a result, researchers have directed their efforts toward HRM as a strategic weapon through which organizations can achieve the competitive advantage (Dessler, 2008). HRM can be defined as a set of managerial activities and tasks concerned with developing and maintaining a qualified work force in ways that contribute to organizational effectiveness (Denisi&Griffin, 2005). Unfortunately, researchers have not agreed on a single unified definition of HRM, and there is considerable variation regarding what practices constitute HRM (Savaneviciene & Stankeviciute, 2011; Wright & Gardner, 2000). Such variations are due to the differences in the context of each study, the strategies implemented in the organization, government regulations, and other factors that could contribute to these variations (Ahmad & Schroeder, 2003). This problem is considered one of the theoretical challenges that Wright and Gardner (2003) mentioned as requiring further attention. The problem here lies in the fact that different sets of HRM practices have significant effects on similar organizational performance. This "equifinality" in the study of HRM-performance relationship has led Becker and Gerhart (1996) and Youndt et al. (1996) to think about the possibility of studying the abstract level of HRM rather than studying the micro or specific set of HRM practices. Following the proposition by Becker and Gerhart (1996) may eliminate the differences that exist in the literature regarding what constitutes HRM. In support of this argument, Boselie et al., (2005) conducted a meta-analysis of 104 articles, concluding that 26 different HRM practices were used in different studies. However, Boselie and his colleagues (2005) have mentioned that although there are 26 different HRM practices, they can be grouped into four main categories. These categories include training and development, compensation, recruitment and selection, and performance management including appraisal. Thus, according to these arguments, one can assume that organizations are similar with respect to the abstract-level HRM, but they are different when it comes to its sub-practices. Therefore, in order to eliminate or control for the differences in HRM practices, a focus should be directed toward measuring the abstract level of HRM practices.

### **ORGANIZATIONAL PERFORMANCE (OP) AND HRM**

Organizations are established to accomplish certain objectives, regardless of the type or nature of such objectives. For organizations to ascertain the attainment of the planned objectives, they need to measure their performance. The only way organizations can use to assess their goal attainment is to have their organizational performance (OP) assessed against some organizational criteria. As a result, OP has become the ultimate concern for researchers, and, thus is, considered to be the dependent variable that is most widely studied (Rogers & Wright, 1998; Richard et al., 2009). Although OP has been studied extensively, the construct surprisingly remains vague and there is no unified definition of what constitutes OP (Carton, 2004; Gavrea et al., 2011). Among many efforts to reach a common definition of what constitutes OP, Dyer and Reeves (1995) conceptualized OP as a set of four measurement sequences: a) HR outcomes, b) organizational outcomes, c) financial outcomes, and d) market outcomes.

The impact of HRM practices on a firm's performance is an important issue in the field of HRM (Huselid, 1995). Thus, a great body of research has been conducted to uncover the possible effects that HRM may have on performance. Such studies have been conducted to investigate different performance outcomes that result from HRM practices. These studies have proved that HRM affects financial outcomes (Huselid, 1995; Adnan et al, 2011), productivity (Bloom&Reenen, 2010), job satisfaction (Petrescu&Simmons, 2008), turnover (Gardner et al, 2001; Tooksoon & Mudor, 2011), organizational commitment (Wright et al, 2003; Shahnawas&Juyal, 2006), and organizational performance dimensions including costs, quality, flexibility, and time (Jayaram et al, 1999).

A review of literature indicates that there has been a great deal of attention paid to examine the linkage between HRM practices and organizational performance (Ho, 2010). However, a big question still needs to be answered: how does HRM contribute to firm performance? Such question (the black box) urges the search for developing and refining theories and proposing more comprehensive models of the HRM-performance relationship that would include intermediate linkages (Bowen & Ostroff, 2004). According to Guest (1997), in order to better understand the relationship between HRM and organizational performance, a theory about HRM, a theory about organizational performance, and a theory about how HRM and organizational performance are linked must be developed. Furthermore, Dyer and Reeves (1995) have argued that, based on previous literature review, organizational performance could be broken down into four levels: employee outcomes, which include attitudinal and behavioral outcomes; organizational outcomes, including productivity, quality, and efficiency; financial outcomes, represented by profits and sales; and market outcomes (Savaneviciene and Stankeviciute, 2011).

Based on the work of both Guest (1997) and Dyer and Reeves (1995), it has been argued that the relationship between HRM and performance is no longer seen as a direct relationship; instead, indirect relationship that has a mediating variables between HRM and organizational performance is taken place in the recent studies (Becker & Huselid, 2006; Savaneviciene & Stankeviciute, 2011; Wriht & Gardner, 2000; Savaneviciene & Stankeviciute, 2010; Gelade & Ivery, 2003; Guest et al., 2003; Katou, 2012; Guest, 2011). The indirect relationship is based on the argument made by Dyer and Reeves (1995) which indicates that linking HRM directly to organizational performance is questionable due to not considering the proximal variables that could have significant effect on the ultimate or final outcomes. For example, supposing that HRM practices directly affect organizational performance (e.g., service quality) without taking into account the variables that are directly linked to HRM practices (employees' attitudes and behaviors) can result in a misleading conclusions (Wright & Gardner, 2000). Additionally, Wright and Gardner (2000) contend that "it seems that consensus exists that any theoretical or empirical effort should at least specify some mediating variables". As a result, researchers have suggested that in order to open the black box, the mediating effects of the more proximal variables (such as employees attitudes and behaviors) on the more distal ones (organizational performance) must be examined (Jiang et al., 2012). That is, in order to understand how HRM practices affect organizational performance, a focus should be directed toward understanding the effects of these HRM practices on the more proximal outcomes (individual outcomes), which are supposed, in turn, to have their own effects on the more distal outcomes ( organizational outcomes ) (Wright et al,2003). Such causal link flowing from HRM practices to organizational performance via the responses of employees is also assumed by many researches (Wright & Gardner, 2000; Macky & Boxall, 2007; Nishii & Wright, 2007; Katou, 2012).

Based on the aforementioned importance of studying the intermediate linkage in the HRM-performance relationship, researchers have studied different mediating variables, including employees' attitudes (satisfaction, commitment, and engagement) (Boselie et al., 2005; Savaneviciene & Stankeviciute,2011; Petrescu & Simons, 2008; Wright et al., 2003; Alfes et al., 2013), and employees' behaviors such as absenteeism and turnover (Boselie et al., 2005, Huselid, 1995).

#### **AMO (ABILITY, MOTIVATION, AND OPPORTUNITY TO PARTICIPATE) FRAMEWORK**

According to Colvin and Boswell (2007), organizations do not perform, "people do". Individual employees make the difference through implementing organization's strategies and objectives. Also, for sustainable competitive advantage to be realized, an organization should possess the required assets and skills that reside in its employees (Aker, 1989). Therefore, employees' performance is considered to be an important part of any theoretical conceptualization. According to the individual-level theory of job performance (Campbell et al., 1993), employees KSAs (Knowledge, skills, and abilities) as well as motivation (M), play a crucial role in affecting the quality of jobs been conducted. The theory suggests that an individual employee's performance is affected by the level of KSAs possessed by the employee, and whether he/or she is motivated to do the job effectively. However, skilled and motivated employees need a space where they can apply their KSAs. Therefore, the opportunity to participate has been proposed by many researchers to act as the third dimension of the individual-level theory of job performance (Lepak et al., 2006). Thus, the AMO model suggests that organizational performance is affected by changes in employees' ability (A), motivation (M), and opportunity to participate (O).

With regard to the HRM-organizational performance relationship, HRM system should affect the more proximal variable before the distal one. Thus, HRM is supposed to affect employees' performance first. Referring to the literature, a consensus has emerged regarding how to conceptualize HRM (Alfes et al., 2013). According to Jiang et al. (2012), "All HR systems share a common make-up in their basic composition; such HR systems operate through influencing employees' abilities to perform, motivation to perform, and

opportunities to perform". In other words, HRM system positively affects firm performance by affecting one of the three main pillars of the AMO model:

1. Increasing employees' KSAs
2. Motivating employees to perform up to their potential
3. Giving employees the opportunity to apply their skills and to participate in the decision-making process related to their job

Although the majority of research conducted after 2000 has used the AMO model (Boselie et al., 2005), most empirical research has focused on only one dimension of the AMO model (Jiang et al., 2013). However, according to the classic work of performance theories (Blumberg & Pringle, 1982), the AMO dimensions "must all be present, at least to some degree, in order for the task to be performed" (Bos-Nehles et al., 2013); otherwise, a drop in performance is expected whenever one of the three dimensions of the AMO model drops. In other words, an employee who has a high level of skills but who is not motivated to do his or her job, simply will not perform the job effectively. Similarly, employees with a high level of skills and who are motivated, but who lack the opportunity to participate, will not benefit from their skills and motivation since they are unable to do the job effectively. Accordingly, it is highly important to study all the dimensions of the AMO model simultaneously. Also, even though AMO model has been shown to act as a mediating variable between HRM and organizational performance, few empirical studies have been found that empirically test the effects of HRM system on the AMO model (Jiang et al., 2013). Therefore, this study attempts to address these problems by studying the effects of HRM system on the AMO model.

### **STRONG CLIMATE AND STRONG HRM SYSTEM**

Having a system of integrated HRM, however, does not necessarily mean achieving competitive advantage unless it leads to a strong climate in which shared perception among employees is created. It has been argued that employees within an organization may perceive HRM practices differently. Such idiosyncratic perceptions are most likely to result in negative attitudes and behaviors (Bowen & Ostroff, 2004; Nishii & Wright, 2007). Therefore, it is extremely important to have an HRM system that leads to shared perception. Bowen and Ostroff (2004) contend that HRM system, in order to have the desired effect, should be strong enough to provide strong climate. A strong climate, according to Schneider et al (2002) is related to the situational strength concept developed by Mischel (1973). Strong situations are created when people start to perceive different events similarly, draw uniform expectations about the most appropriate behavior, and acquire the necessary KSA's to perform that behavior (Mischel, 1973). Based on the above mentioned arguments, Bowen and Ostroff (2004) propose that HRM system in order to be considered as a strong system, should have three characteristics:

- *Distinctiveness*, which is the degree to which HRM system practices are visible, understandable, relevant, and have legitimate authority (Bowen and Ostroff, 2004).
- *Consistency*, which is the extent to which an HRM's system practices are valid. The intended HRM practices must be consistent with actual or perceived HRM practices; they must be instrumental, which refers to having clear and unambiguous cause-and-effect relationships; and they must be compatible and stable in terms of signals sent by the HRM's practices (Bowen and Ostroff, 2004).
- *Consensus*, which is defined as the degree of agreement among employees in how they perceive HRM practices and what they expect of it. It also reflects the agreement among message senders (i.e. managers) about which behaviors are expected and which behaviors will be rewarded (Bowen and Ostroff, 2004).

Despite the importance of studying Bowen's and Ostroff's (2004) proposal that a strong HRM system should lead to a strong climate, few empirical studies were found that takes on its responsibility to investigate the validity of such theoretical argument (Nishii et al., 2008). Liao and his colleagues (2009) called for future research that empirically test the validity of Bowen and Ostroff's (2004) strong climate model by stating that "Bowen and Ostroff proposed a set of HR system meta-features that may influence the level to which employees build shared perceptions about the HR system. Studying these features may represent a promising avenue for future research". In addition, Jiang and his colleagues (2012) encouraged future studies to investigate the effects of consistency –which is considered a part of the strong HRM system- on the relationship between HR practices and performance. Unfortunately, few attempts to investigate such relationship were found. For example, Li, Frenkel, and Sanders (2011) found a significant relationship between employees' perception of a strong HRM system (consistency, consensus, and distinctiveness) and the so-called high performance work practices (HPWP). Such a relationship, in turn, leads to work satisfaction and reduced the intention to quit. Another example can be found in the work done by Sanders and her colleagues (2008). In their study of four hospitals,

they aimed at investigating the impact of “high commitment HRM” on the affective commitment taking into account strong climate as a mediating factor.

The results found by Sanders et al., (2008), however, did not support the proposed mediating relationship. Li and his colleagues (2011) argued that “according to organizational climate research, climate strength usually has a moderating effect on outcomes... Specifically, the relationship between antecedents and outcomes is stronger in a strong situation than in a weak one”. Furthermore, it has been approved that HRM system has a positive effect on organizational performance. Thus, having a strong climate acts as a moderator that strengthen the relationship between HRM and performance has a priority and advantage over perceiving strong climate as a mediator. In addition, the above mentioned research studied the effects of a strong HRM system on affective commitment (Sanders et al., 2008) and work satisfaction and the intention to quite (Li et al., 2011). However, it has been argued that almost a consensus among researchers has been emerged regarding the importance of including the AMO model in the HRM-performance relationship (Savaneviciene and Stankeviciute, 2011; Jiang et al., 2012). That is, in order to attain high performance, employees should 1) possess the necessary skills and abilities to carry out their jobs effectively and efficiently, 2) they should be motivated to do their jobs, and 3) they should be provided with the opportunity to handle their jobs in a way that makes them more productive. Therefore, “all HR systems share a common make-up” in terms of the way through which HRM system influence performance namely (employees’ ability (A), employees’ motivation (M), and opportunity to participate (O) (Jiang et al., 2012). Accordingly, to overcome such limitations in previous studies, the current study intends to investigate the moderating effects of a strong climate on the relationship between HRM system and the AMO model.

## **EMPLOYEES ATTITUDES (JOB SATISFACTION AND ORGANIZATIONAL COMMITMENT)**

### **Organizational Commitment**

Organizational commitment is defined as “a state in which an employee identifies with a particular organization and its goals and wishes to maintain membership in the organization” (Robbins & Judge, 2009). Due to its importance as a predictor of critical employees behavior such as organizational citizenship behavior (OCB), organizational commitment has been studied for more than thirty years, and has been a key topic of interest of many managers and researchers (Sanders et al., 2008) .

According to the literature, organizational commitment is largely perceived to act as a mediating variable between HRM and performance, and that HRM affects organizational performance (e.g., service quality) indirectly through employees’ commitment (Ahmad & Schroeder, 2003; Wright et al., 2003; Katou, 2012). The relationship between HRM system and organizational commitment is based on social exchange theory and the “norm of reciprocity” (Blau, 1964). The theory states that when someone receives good treatment from another person, he/or she will feel a sense of obligation to return the good treatment. Thus, when employees perceive that HR department cares about their well-being, treats them fairly, and invests in their skills and abilities, they will reciprocate by showing high levels of commitment to their organization (Kehoe & Wright, 2013).

According to Meyer and Allen (1991), organizational commitment includes three main dimensions: (a) *affective commitment* which represents the emotional part and the belief in the organization’s values and goals. (b) *Continuance commitment* which is the relative cost associated with leaving the organization. (c) *Normative commitment* represents the ethical and moral obligation to stay with the organization. Previous literature has shown that the majority of studies linking HRM to organizational commitment have focused on only one dimension of organizational commitment namely “affective commitment”. However, according to Gellatly and his colleagues (2009), organizational commitment is no longer perceived as a single dimension concept, rather it is “widely accepted” that organizational commitment is a multi-dimension concept. Therefore, theoretically, it is not adequate to study the effect of HRM system on one dimension of organizational commitment (affective commitment), since the other two dimensions (continuance and normative) are supposed to have a significant effect as well. For example, an employee who has the opportunity to participate and who has a voice in the decision-making process (Job design), not only perceives the organization as caring about his or her well-being thus, enhances the affective commitment; but they may perceive the cost associated with losing the opportunity to participate if he or she decides to work for another organization, hence continuance commitment will be experienced (Paré & Tremblay, 2007). Also, with respect to normative commitment, the ethical and moral obligation inherent in the normative commitment may prevent the employee from leaving the organization. When employees perceive an organization’s HRM system as supporting and investing in their KSAs, and caring about their well-being, their moral obligation will prevent them from leaving the organization, thus enhancing the normative commitment (Meyer et al., 2002). Based on the above arguments, it is important to study the

effect of HRM system on the three dimensions of organizational commitment in order to get the full picture of this relationship. Therefore, this study is aiming at investigating the effect of HRM system on “affective”, “continuance”, and “normative” commitment.

### **Job satisfaction**

Job satisfaction is defined as “a pleasurable emotional state resulting from the appraisal of one’s job or job experiences” (Colquitt et al., 2009). Job satisfaction is something that organizations find themselves with no choice but to exert much effort to satisfy their employees. That is, dissatisfied employees may engage in some “deviant behaviors in the work place” (Robbins & Judge, 2009). The problem here is that organizations cannot expect the behavior that could result from dissatisfied employees. Dissatisfied employees behave differently and their behavior depends on their estimation “of the job situation” and their “capabilities” of changing the situation (Henne & Locke, 1985). As a result, dissatisfied employees may engage in sabotage behaviors. Still others may search for a new job, resulting in higher levels of turnover, while the behavior of others may be to simply decide not to take on any extra role behaviors. Organizations that attempt to control absenteeism, for example, may establish or devise a policy to control such behavior. Absenteeism problem may effectively be solved, but the consequences of employees’ dissatisfaction may morph into another form of behavior. Therefore, it is important to direct the attention to the root cause –Job dissatisfaction- in order to eliminate any unwanted behaviors (Robbins & Judge, 2009).

Job satisfaction is considered to be one of the most important factors that affect employees’ behavior. According to the literature, there is a positive relationship between job satisfaction and productive behaviors (Robbins & Judge, 2009); customer satisfaction and their perception of quality (Gounaris & Boukis, 2013); and organizational citizenship behavior (OCB, discussed below) (Foote & Tang, 2008); and a negative relationship with absenteeism (MacShane, 1984), and turnover (Griffeth et al., 2000). On the other hand, job satisfaction is affected by many factors. Steijn (2004), Petrescu and Simmons (2008), and Bibi and her colleagues (2012) have all found a positive relationship between HRM practices and job satisfaction, except Steijn (2004) who found an indirect effect of HRM practices on job satisfaction.

The present study, however, investigates the effects of the HRM system on both job satisfaction and organizational commitment through the mediating effect of the AMO model. This is because; HRM system by itself does not have a direct effect on employee’s job satisfaction and commitment; rather, it is the outcomes of this system that make the difference. That is, employees with high levels of ability and skills, who are, motivated to do their work, and who have the chance to participate in the decision-making are more likely to be committed to and satisfied with their organization. This argument is supported by several previous studies. For example, Allen and Velden (2001) study revealed that skills mismatches –the poor match between available and required skills- (A) has a strong negative impact on job satisfaction. Moreover, employees who are both extrinsically and intrinsically motivated to do their jobs (M) are more satisfied with their jobs (Roos & Eeden, 2008). Finally, previous literature revealed that employee participation and empowerment (O) has a positive effect on employees’ job satisfaction and organizational commitment (Bhatti & Qureshi, 2007; Najafi et al., 2011).

### **ORGANIZATIONAL CITIZENSHIP BEHAVIOUR (OCB)**

OCB is defined as discretionary behaviors adopted by employees and are not required precisely in their job description, and they include: *altruism* (helping employees who face difficulties in their work), *courtesy* (the effort of preventing work-related problems), *sportsmanship* (tolerance and not complaining about trivial matters), *civic-virtues* (actively participating in the organizational life), and *conscientiousness* (behavior that goes beyond the standard requirement) (Podsakoff et al., 2000). Employees who exhibit OCB tend to 1) be more cooperative with other employees, 2) help others in doing their jobs, 3) improve others’ performance by giving suggestions, and 4) satisfy the organization’s customers by being courteous, welcoming, and helping them in case of any problem they face. It has been approved by previous studies that OCB is connected with positive firm performance. For example, Koys (2001) in his study of the effect of OCB on organizational effectiveness indicated that OCB affects profitability. Another example is the positive effect of OCB on team and group effectiveness (Sevi, 2010; Lin and Peng, 2009). Furthermore, OCB has been found to be a powerful indicator of delivering high service quality. This is because OCB creates a healthy cooperative environment within the organization which is likely to spread over employees interactions with customers (Schneider & Bowen, 1993), thereby high service quality is realized and perceived by customers (Morrison, 1996). However, although previous studies have agreed on the importance of studying employees’ behaviors as a mediating variable to organizational performance (e.g. Dyer & Reeves, 1995), and given that OCB is a critical employee behavior especially in delivering high service quality, few empirical studies have included OCB as a mediating variable

in the HRM-performance relationship (Snape & Redman, 2010). The current study addresses this deficiency by including OCB as a mediating variable affected by job satisfaction and commitment, while affecting organizational performance represented by service quality.

### **SERVICE QUALITY (SQ)**

Service quality is defined as “a form of an attitude, related but not equivalent to satisfaction, that results from the comparison of expected service levels with perceived performance” (Johnson & Sirikit, 2002). Service quality is perceived to be one of the most frequently studied performance measure in service organization literature (Santouridis and Trivellas, 2010). Such importance is due to the strong impact that service quality has on both customer loyalty and satisfaction which in turn results in increased market share (Ostrowski et al., 1993; Tylor & Baker, 1994; Zeithaml, 2000; Santouridis & Trivellas, 2010).

The critical role that SQ plays in service organizations has urged researchers to put extra efforts into investigating the possible antecedents of service quality. Among many possible antecedents found to have positive effects on SQ, human resource management (HRM) is considered to be an important determinant (Schneider & Bowen, 1993). As a result, studies have attempted to investigate the effect of HRM practices on delivering high SQ. For example, Waldman and Gopalakrishnan (1996) found that some of HRM practices (such as participation and involvement, and recognition) were positively related to customer perceptions of SQ. Moreover, Chand (2010) found that HRM practices (recruitment, selection, planning, job design, training, quality circle, and compensation) have a positive effect on SQ. Also, Thakurta and Suresh (2012) in their study found that quality assurance depends significantly on HRM practices especially those concerning staffing practices.

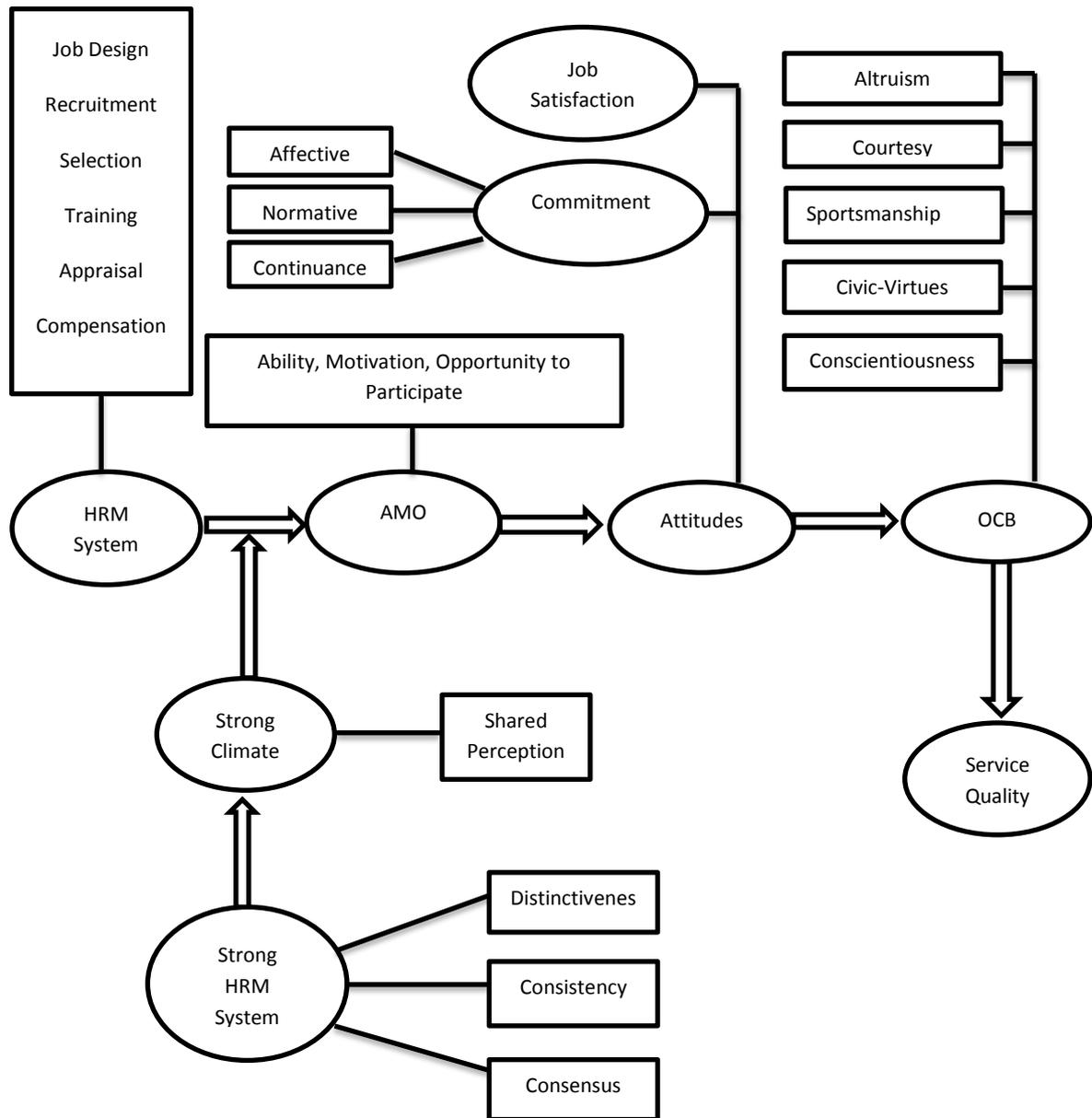
However, the previously mentioned studies indicated a direct relationship between HRM and service quality. In fact, assuming a direct relationship is theoretically problematic. Recall from what was discussed earlier that the, HRM-performance relationship is no longer considered to be a direct relationship, and a consensus has been reached that any theoretical or empirical efforts should at least specify some mediating variables (Wright & Gardner, 2000). In addition, previous literature has indicated an indirect effect between HRM and service quality (Tsaur & Lin, 2004; Morrison, 1996). Returning to the literature, OCB is one of the key factors that determine the link between HRM and service quality (Nishii et al., 2008; Morrison, 1996). Therefore, the current study will attempt to investigate the effect of OCB on service quality.

### **CONCEPTUAL FRAMEWORK AND RESEARCH HYPOTHESES**

The proposed model depicts an operational model linking HRM to organizational performance. The model is adapted from Applebaum et al (2000), who argued that HRM outcomes (AMO) mediate the relationship between HRM practices and organizational performance. Also, the proposed model is built on the work of Bowen and Ostroff (2004) who recognize that a strong HRM system (exhibiting distinctiveness, consistency, and consensus) is important for creating a strong climate, which in turn facilitates the desired effects of HRM system on employees outcomes, thereby organizational performance.

High-quality human resources are considered to be a source of competitive advantage, and HRM is a mean to achieve it (Barney & Wright, 1997). Competitive advantage to be truly sustainable it needs to be based on competent and qualified employees who are equipped with the necessary skills and abilities (Ferguson & Reio, 2009). The effectiveness of qualified and skilled employees will be worthless, however, if they are not motivated to perform their jobs (Delaney & Huselid, 1996). Furthermore, the effectiveness of skilled and motivated employees will be limited if they are not given the opportunity to participate in designing their work and have a control over their jobs (Delaney & Huselid, 1996). From this view, the AMO framework introduces itself as a key that may open the black box (Figure. 1).

**FIGURE 1. CONCEPTUAL FRAMEWORK**



According to the resource-based view (Barney, 1991) HRM practices have an impact on employee attributes such as skills, abilities, motivation and so on, which subsequently lead to improved organizational performance (Katou, 2008). On the other hand, however, HRM practices need to be managed in a system of interrelated practices. This is because, individual HRM practices do not work in isolation, and that employees are facing many HR practices simultaneously. Also, it has been proven that a bundle of HR practices may have a greater effect than the sum of isolated HR practices (Jiang et al., 2012). Accordingly, previous studies in the field of HRM such as (Purcell et al,2003; Boselie et al,2005; Savaneviciene & Stankeviciute,2011) have concluded that according to the AMO framework, HRM system of skill- enhancing practices ( recruitment, selection, training and improvement) influences employees ability to work, HRM system of motivation-enhancing practices (compensation, reward system, and promotion) influences employees' attitudes; and that

HRM system of empowerment-enhancing practices ( job design, involvement) influence their behaviors. Thus, it could be hypothesized that:

- [Hypothesis 1]: There is a positive effect of HRM system on HRM outcomes represented by the AMO.

The presence of HRM system does not necessarily guarantee achieving competitive advantage, nor of having a positive effect on an employees' ability, motivation, and opportunity to participate. That is, organizations are perceived as social unit composed of employees working together to accomplish specific objectives. According to Mischel (1973), people tend to behave differently according to their perception with respect to a given situation. A climate in which employees have different perceptions which in turn results in different attitudes and behaviors is considered to be a weak climate. This is because, different perceptions may lead to conflicts among employees regarding how to do their jobs, which skills and abilities are more desirable to the organization and which performance indicators are required; this in turn will result in resentment among employees. Thus, employees' abilities, motivation, and the opportunity to participate are affected negatively (Liao & Toya, 2009; Jiang et al, 2012). In addition, previous studies have revealed that organizations with less consistent and shared perceptions are less successful organizations (Edgar & Gear, 2009). Therefore, it is important to have a strong climate, in which employees interpret HRM practices similarly. Bowen and Ostroff (2004) contend that HRM system, in order to have the desired effect, should be strong enough to provide a strong climate in which employees share similar interpretations and perceptions with respect to different situations. That is, HRM messages and communications could have negative effects if they lack distinctiveness in their presence, consistency in their decisions and procedures, and consensus among HRM executives and top managers a negative effect could be in place (Bowen & Ostroff, 2004). Therefore, it could be hypothesized that:

- [Hypothesis 2a]: There is a positive moderate effect of a strong climate on the relationship between HRM practices and the AMO model
- [Hypothesis 2b]: There is a positive effect of a strong HRM system on creating a strong climate.

Studying OCB is extremely important, especially in the service environment. Service organizations exist in an environment characterized by randomness in terms of the unpredictable nature of the behaviors required to satisfy customers (Aryee et al., 2013). Therefore, in the service contexts, employee behaviors that are considered important to deliver high service quality are usually never mentioned in employees' formal job description. Instead, necessary behaviors are discretionary and are not formally required by the employer (Nishii et al., 2008) Therefore, it is important that organizations have OCB embraced by their workforce. The question is, how do employees become engaged with OCB and take it as their common behavior? The answer, according to the literature, is job satisfaction and commitment. In other words, employees who are satisfied with their job and like their organization are more likely to engage in OCB. On the other hand, employees who are dissatisfied with their job and dislike their organization are unlikely to exert any extra role behavior, or in extreme cases may even engage in sabotage behavior. Previous studies support the aforementioned argument. For example, the studies by both Foot and Tang (2008) and Swaminathan and Jawahar (2013) found a significant and positive relationship between job satisfaction and OCB. Also, Schappe (1998) and Ibrahim and Aslind (2013) both found that commitment is a significant predictor of OCB. Moreover, previous studies have indicated that employees with a wide range of skills and abilities (A), who are motivated (M), and who are empowered and have a voice in decision making (O), are likely to be satisfied and committed to their organization. (Gardner, et al.2001 ; Petrescu & Simmons, 2008). Thus, it could be hypothesized that:

- [Hypothesis 3]: there is a positive effect of AMO on job satisfaction and commitment.
- [Hypothesis 4]: there is a positive effect of job satisfaction and commitment on organizational citizenship behavior (OCB).

Service quality has been divided into two distinct conceptualizations, technical and functional as proposed by Gronroos (1991) and (SeyedJavadin et al., 2011). According to Javadin and his colleagues (2011): "technical quality refers to tangible aspects of services... [whereas] functional quality refers to intangible aspects of services... [which] refers to employees' behavior toward the customer during the process of offering services". Thus, employees' behaviors are seen as an essential part of service quality. Service quality, according to the internal marketing concept, depends largely on how each employee behaves toward other employees, the organization, and the customers (George, 1990). Therefore, it is important to specify the necessary skills and behaviors in order to achieve the required service quality. As was mentioned previously, many of these behaviors –especially in the service environment- "cannot be specified in advance which means that it is difficult to ensure the behaviors through traditional techniques such as training, job description, and rewards" (Morrison, 1996). From this point, OCB presents itself as a potential solution or producer of such behaviors. The concept of OCB is in line with the internal marketing concept. That is, employees with OCB tend to

informally mentor new or less skilled employees, helping other employees as well as customers in handling their problems, and offering advices and proposals for quality improvement purposes (Yoon and Suh, 2003; Morrison, 1996).

The abovementioned argument is supported by previous studies that have explored the effect of OCB on service quality. For example, Javadin and his colleagues (2011) investigated the “effects of internal marketing on service quality” taking into account OCB as a mediating variable. However, their study results revealed that there is a positive and significant relationship between OCB and service quality. Therefore, it could be hypothesized that:

[Hypothesis 5]: there is a positive effect of employees’ organizational citizenship behavior (OCB) on Service Quality (SQ).

## CONCLUSION

The investigation of the relationship between HRM and organizational performance by introducing key organizational variables as moderators and mediators would make a significant contribution to the literature, both theoretically and practically.

Theoretically, according to the HRM literature, the direct relationship between HRM and performance has been challenged for its ignorance of many related variables. Instead, indirect relationship incorporating mediating variables is highly advised if one needs to gain a more realistic picture of such relationship (Katou, 2012). In addition, the literature indicates that there are two main approaches when studying HRM: the content approach and the process approach (Li, 2010). The content approach addresses the practices that constitute HRM system, whereas the process approach addresses how HRM practices communicate messages to employees. In other words, the process approach represents how employees perceive the HRM system and whether the system can create shared perception (strong climate) among employees (Bowen & Ostroff, 2004). Accordingly, in order to unlock the “black box”, the content and the process approach should be studied simultaneously.

Practically, the customers nowadays have more power, are knowledgeable, and are more demanding of high quality service with a reasonable price than ever before. Thus, service organizations urgently need to maintain their customers let alone losing them. According to the literature review, service quality is one of the most powerful weapons that lead to customer satisfaction, thereby increasing the market share (Santouridis & Trivellas, 2010). Moreover, the literature review reveals that in order to achieve service quality, employees should have the required skills and abilities, they should be motivated to do their jobs, and they should have the chance to participate in their work. HRM practices are seen to be the tool through which companies can build such powerful workforce (Thakurta and Suresh, 2012).

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