

# The International Journal of Human Resource Management

ISSN: 0958-5192 (Print) 1466-4399 (Online) Journal homepage: <http://www.tandfonline.com/loi/rijh20>



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To cite this article: Siu Yin Cheung, Yaping Gong & Jia-Chi Huang (2015): Emotional intelligence, job insecurity, and psychological strain among real estate agents: a test of mediation and moderation models, The International Journal of Human Resource Management, DOI: [10.1080/09585192.2015.1091369](https://doi.org/10.1080/09585192.2015.1091369)

To link to this article: <http://dx.doi.org/10.1080/09585192.2015.1091369>



Published online: 12 Oct 2015.



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## Emotional intelligence, job insecurity, and psychological strain among real estate agents: a test of mediation and moderation models

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We develop two models of the relationships between emotional intelligence (EI), job insecurity, and psychological strain. The moderation model suggests that EI reduces psychological strain by helping individuals cope with job insecurity when it arises. The mediation model suggests that EI reduces psychological strain by enabling individuals to conserve resources, thereby reducing their experience of job insecurity. Our results, based on a sample of 232 real estate agents, show that job insecurity mediates the relationship between EI and psychological strain. Contrary to what the moderation model suggested, the positive relationship between job insecurity and psychological strain was found to be stronger when EI was higher. Overall, the results provide more nuanced insights into the role of EI in psychological strain.

**Keywords:** emotional intelligence; job insecurity; psychological strain

### Introduction

Workplace stress has negative implications for employee's well-being and organizational effectiveness (Chang, Rosen, & Levy, 2009). A global employee survey indicated that employees in various parts of the world (e.g. North America, Europe, and the Asia-Pacific region) regard job stress as the greatest threat to their health (Towers Watson, 2013). Job insecurity, defined as the perceived uncertainty in continuing one's current job or certain features of the job, is a major stressor especially during periods of economic downturn (Greenhalgh & Rosenblatt, 1984). Of the various types of job stress elicited by job insecurity (Kahn & Byosiere, 1992), psychological strain is the most extensively examined negative emotional reactions (Cheng & Chan, 2008; Sverke, Hellgren, & Näswall, 2002).

One stream of research has focused on the role of emotional intelligence (EI) in job insecurity and psychological strain (Ogińska-Bulik, 2005; Summerfeldt, Kloosterman, Antony, & Parker, 2006; Tsaousis & Nikolaou, 2005). Several conceptual approaches to EI have been developed, such as ability-based model (Davies, Stankov, & Roberts, 1998; Mayer, Salovey, & Caruso, 2000) and competency model (Boyatzis & Sala, 2004; Goleman, 1995).

Emotional intelligence, at the most general level, refers to the abilities to recognize and regulate emotions in ourselves and in others ... These four domains are shared by all the main variations of EI theory, though the terms used to refer to them differ. (Goleman, 2001, p. 13)

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Mayer et al.'s (2000) ability-based model pertains to this set of abilities and their definition of EI has been accepted by most EI theorists (Cherniss, 2010). Therefore, we follow the ability-based model and define EI as a set of interrelated abilities: the ability to appraise and express one's own emotions, the ability to recognize and appraise the emotions of others, the ability to regulate one's own emotions, and the ability to use emotions to improve personal performance (Davies et al., 1998). Previous research has shown that EI generally has positive effects on employees' personal accomplishments (Durán, Extremera, & Rey, 2004), job performance (Law, Wong, & Song, 2004), and social skills and cooperation (Schutte et al., 2001).

Although previous research has examined EI and job insecurity as independent predictors to psychological strain, it remains to be seen how EI and job insecurity may relate to or work with each other to influence psychological strain. Jordan, Ashkanasy, and Hartel (2002) proposed that EI buffers negative emotional reactions to job insecurity. Underlying this buffering effect model is the assumption that individuals are reactive agents subjected to workplace stimuli. However, this generally accepted assumption understates individuals' efforts to actively determine their own functions and shaping their environments (Bandura, 2012). Based on this active agency assumption, individuals may proactively use EI as a resource to reduce their exposure to job insecurity and thereby decrease their psychological strain.

Extending Jordan et al. (2002), we examine the assumptions of active and reactive agency underlying research on the effects of EI on psychological strain. We embrace the conservation of resources (COR) theory (Hobföll, 1989, 2002) and view EI as a personal, emotional resource. COR theory suggests that individuals who encounter stressful experiences deploy their existing resources to offset the loss caused by the stressful experience, reducing their psychological strain (Hobföll, Johnson, Ennis, & Jackson, 2003). Drawing on this protection mechanism in COR theory (Wang, Liao, Zhan, & Shi, 2011) which assumes the reactive role of human agency, we propose that EI buffers the psychological strain induced by job insecurity because higher-EI employees are better able to understand and manage their emotional reactions to job insecurity and are thus better protected against the negative effects of these emotional reactions. This buffering effect based on COR theory is consistent with the prediction of the Job Demands-Resources (JD-R) model (Karasek, 1979) and the secondary appraisal process of transactional stress model (Lazarus & Folkman, 1984). Statistically, we expect EI to moderate the relationship between job insecurity and psychological strain.

COR theory also suggests that individuals strive to build up resources to guard against the possibility of future loss (Hobföll, 1989). According to this accumulation mechanism (Wang et al., 2011) which assumes active role of human agency, we propose that EI catalyzes resource accumulation and thereby reduces the experience of job insecurity and subsequent psychological strain. This prediction is consistent with the primary appraisal process of the transactional stress model (Lazarus & Folkman, 1984). Extending the COR theory, we contend that EI helps build resource endowments and thus reduces the appraisal of job insecurity. Statistically, EI is regarded as a distal predictor of psychological strain through job insecurity.

This study makes three contributions. First, it is the first attempt to understand why EI may affect job insecurity and thus psychological strain. It enriches the emotional approach to job insecurity and psychological strain. We extend and expand the conventional view of EI as a coping resource (e.g. Jordan et al., 2002; Tsaousis & Nikolaou, 2005) by theorizing the resource accumulation function of EI on reducing job insecurity and subsequent psychological strain. We are among the first to theoretically and

empirically test the mediation model of EI on psychological strain (via job insecurity). Second, it provides a much-needed empirical test of the buffering effect of EI on the job insecurity–psychological strain relationship, as suggested by Jordan et al. (2002). This study offers insight into the assumption of reactive human agency that underlies the buffering effect model of EI. Together, the mediation and moderation models provide a fuller picture of the relationships between EI, job insecurity, and psychological strain. Finally, it contributes to the EI research. ‘Theory needs to be more specific in stating exactly what organizational criteria EI should predict, and investigations should be aimed at answering the “how” and “why” of these effects’ (Van Rooy, Whitman, & Viswesvaran, 2010, p. 151). We offer two theoretical explanations of why and how EI may affect workplace stress (specifically job insecurity) and subjective well-being (specifically psychological strain). This study thus advances existing knowledge of the predictive capacity of EI.

## Theory and hypotheses

### *COR theory*

According to the COR theory, individuals may experience psychological strain when threatened by the potential or actual loss of resources. Resources are broadly defined as ‘those entities that either are centrally valued in their own right ... or act as a means to obtain centrally valued ends’ (Hobföll, 2002, p. 307). Previous research has shown that resource loss is positively related to psychological strain (Hobföll et al., 2003) and that resource gain is negatively related to psychological strain (Holahan, Moos, Holahan, & Cronkite, 1999). The theory suggests that individuals preserve their well-being by creating and maintaining resources (Hobföll, 2002). They may identify potential sources of stress and be motivated to build resources in everyday circumstances to reduce the adverse effects of future stressful experiences. Furthermore, an individual who increases his or her resources is less likely to encounter stressful experiences, resulting in lower psychological strain (i.e. the accumulation mechanism) (Hobföll, 1989, 2002). Similarly, those with greater resource endowments are better placed to obtain additional resources by investing their existing ones. In contrast, those with fewer accrued resources are more vulnerable to further resource depletion, because they must make greater investments to compensate for their losses (Hobföll, 1989). The COR theory agrees with the transactional stress model (Lazarus & Folkman, 1984) in the central role of resources in the primary appraisal process, i.e. the process by which individuals appraise situations as more or less stressful (Hobföll, 2002). Transactional stress model contends that individuals experience a situation as stressful when it is perceived to tax or exceed their resources and endanger their well-being (Lazarus & Folkman, 1984). Individuals with greater resource endowments are likely to appraise their encounters more positively (Lazarus & Folkman, 1984). Both theories should make similar predictions on the *mediating role* of stressful experience in the relationship between resources and psychological strain.

Moreover, COR theory suggests that individuals use their resource reserves to protect themselves against the negative effects of stressful experiences (Hobföll, 1989). Individuals with richer resource supplies are better able to absorb resource loss during stressful encounters. They also have more resources to invest in sustaining their pursuit of key goals when stressful experiences occur (Hobföll, 2002). Therefore, individuals with greater resource endowments are better able to cope with negative reactions to stressful experiences (i.e. the protection mechanism). In contrast, individuals with

smaller resource reserves are more severely affected by negative reactions to stressful experiences, because they can draw on fewer resources to absorb loss. Bakker and Demerouti (2007) regarded the COR theory as part of the larger JD-R model (Karasek, 1979), according to which employees are likely to experience higher levels of psychological strain when their job demands increase and their latitude in making decisions (a type of job resource) decreases. An increase in resources is expected to help reduce the psychological strain caused by job demands. Researchers using the JD-R model have identified a large range of resources, such as autonomy, feedback, and support (see Bakker & Demerouti, 2007 for a review) and personal resources (e.g. person-job fit in Xie, 1996). Similarly, the secondary appraisal argument in transactional stress model (Lazarus & Folkman, 1984) suggests that greater resource endowments provide a greater range of strategies for coping with stressful experiences and thus reduce psychological strain. The COR theory, the transactional stress model, and the JD-R model all suggest that resources *buffer* the relationship between stressors and strain.

### ***Mediation model***

Drawing on the accumulation mechanism in COR theory, we propose a mediation model in which job insecurity links EI with psychological strain. Individuals with higher-EI levels are likely to suffer less psychological strain because EI helps them develop resources that reduce their job insecurity. Employees may perceive job insecurity as a threat to their resources in the workplace (Mäuno, Kinnunen, Mäkikangas, & Nätti, 2005). Individuals exposed to the same conditions (such as organizational downsizing or wider economic downturn) may experience different levels of job insecurity due to differences in their prior resource supplies or interpretations of their circumstances (Ashford, Lee, & Bobko, 1989; Greenhalgh & Rosenblatt, 1984; Lim, 1996). Employees with more resources are better able to compensate for loss or invest in new resources that can lessen their job insecurity and thus reduce their psychological strain. Among other resources, EI has been conceptualized and examined as a personal resource for reducing workplace stress. Ogińska-Bulik (2005) showed that EI was negatively related to employees' general perception of work stress and their depression symptoms.

Specifically, we suggest that employees with higher-EI levels have more emotional resources to facilitate their acquisition of social and informational resources, which help lessen their job insecurity. Because these employees are better able to recognize and understand their own (and others') emotions, they have access to more information – both positive and negative – with which to evaluate a workplace situation. For example, employees often obtain feedback on their performance by observing or monitoring others while carrying out their own tasks (Ashford & Tsui, 1991). Employees interpret others' positive emotions as signs of their own good performance, reducing their fear of being made unemployed or losing desirable job features. Recognition of their own positive emotions may provide similar information to their appraisal of job insecurity.

Job insecurity experience can also be due to ambiguous job requirements or conflicting information (Ashford et al., 1989). Those with higher levels of EI are likely to attempt to acquire information from others with potentially greater knowledge (e.g. colleagues and supervisors). EI may help employees recognize and regulate their emotions when interacting with others, in turn enabling them to 'cultivate positive social interactions and exchanges in an organization' (Law et al., 2004, p. 486). Studies have shown that EI aids the development of high-quality interpersonal relationships

(Jordan & Troth, 2010; Schutte et al., 2001) and social support (Montes-Berges & Augusto, 2007). Drawing on these social resources, employees with higher levels of EI are more likely to directly request information that lessens their role ambiguity or clarifies their job requirements. Again, this reduces their job insecurity.

Additionally, employees with higher levels of EI are expected to more effectively appraise, regulate, and use negative emotions. Negative emotions are often a valuable source of information, alerting employees to problematic areas that require improvement (George & Zhou, 2007). Employees with higher levels of EI are better able to recognize their own negative emotions and use this information to enhance their performance and improve their situations. Although individuals are often unwilling to provide explicit negative feedback (Ashford, Blatt, & Vandewalle, 2003), employees with higher levels of EI are more likely to obtain informal negative feedback by appraising the negative emotions of people around them. They may then use this information to identify and resolve problematic issue. The seeking of negative feedback on self-performance helps enhance job performance, role clarity, and social integration (Gong, Wang, Huang, & Cheung, *in press*). Individuals may also cope with challenges by adjusting their interpretations of these challenges (Lazarus & Folkman, 1984). Employees with higher levels of EI may be better able to recognize the affective responses elicited by particular interpretations of a situation and alter their interpretations to produce more positive responses. For example, they may actively reinterpret a situation as a learning opportunity rather than a challenge or source of stress (Folkman, Lazarus, Gruen, & DeLongis, 1986). They will thus perceive the situation as less stressful and experience less psychological strain. To sum up, we hypothesize:

Hypothesis 1: The relationship between EI and psychological strain is mediated by job insecurity.

### ***Moderation model***

Drawing on the protection mechanism in COR theory (Hobföll, 1989), we suggest that more resourceful individuals experience less psychological strain, as they have more resources with which to cope with stress. EI is expected to ameliorate psychological strain by facilitating the recognition and management of emotional reactions to job insecurity. Compared with low-EI employees, high-EI employees may possess richer supplies of emotional and social resources, making them better able to cope with the psychological strain that arises from job insecurity. Specifically, Joseph and Newman (2010) proposed that emotions must be perceived and understood before they can be regulated. Higher-EI employees are expected to be better able to recognize their own emotional reactions to job insecurity, such as psychological strain. They are also more likely to seek emotional information by monitoring the emotions of others in their work environments. These reserves of emotional information help them appraise emotions accurately (Joseph & Newman, 2010). For instance, they may be better able to analyze complex emotions (e.g. frustration and anger) (Jordan et al., 2002) and identify the causes of these feelings (Mayer, Salovey, & Caruso, 2004).

High-EI individuals are skilled in recognizing emotions. They are thus more likely to build knowledge structures that influence their responses to or regulation of emotions (Joseph & Newman, 2010). These knowledge structures may be assembled from emotions associated with specific situations and outcomes that an individual has encountered in the past (Damasio, 1999). High-EI employees may draw on these resources to help them choose an effective strategy for coping with job insecurity. The greater



resources possessed by these employees help them cope with stressful experiences more effectively and thus reduce their psychological strain (Bakker & Demerouti, 2007; Karasek, 1979; Lazarus & Folkman, 1984). For example, higher-EI individuals facing job insecurity may be better able to suppress their negative emotions (e.g. anger) and enhance their positive emotions (e.g. enthusiasm for work) (Jordan et al., 2002). In turn, these positive emotions will enhance their motivation and decision-making abilities (Côté & Miners, 2006), improving their job performance (Bakker & Bal, 2010) and reducing the psychological strain they experience in response to job insecurity. Similarly, we expect high-EI employees to be less vulnerable to psychological strain when they experience job insecurity, due to their greater emotional reserves. Conversely, lower-EI employees are less able to build reserves of emotional information. As a result, they may be less capable of adapting their responses to job insecurity and thus more vulnerable to the associated psychological strain. Preliminary support for the buffering effects of EI was found on the relationships between job insecurity and somatic complaints and affective organizational commitment (Cheng, Huang, Lee, & Ren, 2012). To sum up, we hypothesize:

Hypothesis 2: EI moderates the relationship between job insecurity and psychological strain such that the relationship is weaker when EI is higher.

## Methods

### *Sample and procedure*

We conducted a three-wave study at a publicly listed real estate company in Taiwan, whose employees are vulnerable to psychological strain due to at-risk pay schemes and a highly competitive business environment. To close real estate deals, they interact frequently with their clients (property sellers and buyers) and other related parties (e.g. attorneys and real estate agents representing counterparties). Their awareness of and belief in how well they recognize and manage emotions may furnish vital resources in their daily interactions with others. When the data were collected, the Taiwanese economy was facing a severe threat from the overseas market. According to an economic report issued by the Central Bank of the Republic of China (Taiwan) in 2008, Taiwan's real estate market experienced a downturn before and during the period of data collection. In this economic environment, job insecurity was widespread among employees in Taiwan, including the real estate agents who participated in our study. Therefore, job insecurity was considered the most timely and relevant workplace stressor for investigation in this study.

With the consent of the top management and the support of a senior executive assistant of the company, we randomly sampled 60 branch offices in six metropolitan areas and distributed questionnaires to all of the 390 real estate agents working in those offices. The participants completed the questionnaires in their own time. We explained the purpose of our research clearly and provided assurances of confidentiality in the instructions. As a token of appreciation, each participant received a NT\$50 coupon on the completion of each wave of the survey. We temporally separated the measurements to reduce the possibility of common method variance (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). The second interval was longer than the first, a constraint imposed by the company. Although it is conventional for the waves of a survey to be separated by identical intervals, there is no firm consensus on the time-lag duration (Sinclair, Wang, & Tetrick, 2013). It is not unusual for researchers to conduct waves of field surveys at different intervals (e.g. Dorman & Zapf, 1999).

In the first wave of the survey, the participants provided demographic information (age, gender, and organizational tenure) and responded to questions on EI and trait negative affectivity. We received 313 responses. Among these 313 participants who responded to the first survey, 288 reported on their job insecurity one month later, in the second wave of the survey. Among the 288 participants who responded to the second survey, 238 reported on their psychological strain in the third and final wave of the survey, three months after the second wave. Excluding the cases with missing values yielded a useable sample of 232 matched observations (across three waves of surveys) from 56 branch offices, representing a response rate of 59.5% of all of the agents working in the 60 branches sampled. On average, the participants were 29.76 years old ( $SD = 4.00$ ) and had worked for the company for 2.96 years ( $SD = 2.55$ ). Majority (75%) were male. An average of four employees at each branch office participated in the survey.

To determine whether any patterns existed between the excluded and retained cases, we followed Demerouti, Bakker, and Bulters (2004) in performing *t*-tests to identify significant differences, if any, between the mean scores of the variables (i.e. age, gender, organizational tenure, trait negative affectivity, EI, job insecurity, and psychological strain) for the retained and excluded cases. None of the 95% confidence intervals were found to contain zero, indicating that there were no particular patterns in the missing data. Therefore, we used the 232 complete responses in our subsequent analysis.

### **Measurements**

We used Brislin's (1990) method of translation and back translation to translate all of the measures from English into Chinese.

#### *Emotional intelligence*

The 16-item WLEIS scale (Wong & Law, 2002) has been developed and rigorously validated for use in Chinese contexts (Law et al., 2004; Wong & Law, 2002). EI was found as a latent construct behind the four dimensions/subscales. Cronbach's alpha for this scale in previous research has consistently exceeded the conventional cutoff threshold of .70 (Nunnally, 1978), which supports its internal reliability. As our data were collected in Taiwan, we followed previous studies in using the WLEIS to measure EI (Law, Wong, Huang, & Li, 2008; Shi & Wang, 2007).

Each branch of EI was measured using four items on a 5-point scale (1 = very inaccurate to 5 = very accurate). Sample items included, 'I always know whether or not I am happy' for self-emotion appraisal ( $\alpha = .89$ ); 'I am a good observer of others' emotions' for others-emotions appraisal ( $\alpha = .88$ ); 'I am able to control my temper and handle difficulties rationally' for regulation of emotions ( $\alpha = .89$ ); and 'I would always encourage myself to try my best' for use of emotions ( $\alpha = .83$ ). The Cronbach's alpha for the 16-item scale was .91. We averaged the scores of the 16 items to obtain an overall score for use in the regression analysis.

#### *Job insecurity*

We used the 3-item scale from Caplan, Cobb, French, Van Harrison, and Pinneau (1980) to measure the global concept of job insecurity ( $\alpha = .91$ ). This scale has been used with samples of employees in the service industry and has been shown to be a



reliable measure (Ashford et al., 1989; Lim, 1996; Mäuno et al., 2005). It has also been shown to predict employee outcomes such as organizational commitment, job satisfaction (Ashford et al., 1989), turnover intention, and work engagement (Mäuno et al., 2005). A sample item is, 'How certain are you about your job security in this company?' (reverse-coded) (1 = very uncertain to 5 = very certain). We averaged the scores for the three items to obtain an overall score for use in the regression analysis.

### *Psychological strain*

We measured psychological strain using the scale from Caplan et al. (1980), which comprises three indicators: anxiety (defined as a feeling of nervousness or worry; 4 items), depression (defined as a feeling of unhappiness; 6 items), and irritation (defined as a feeling of annoyance or anger; 3 items). 'These mental strain indicators, individually or in combination, are the most commonly cited in organizational stress literature' (Arsenault, Dolan, & Van Ameringen, 1991, p. 487). A high-order latent construct exists when multiple dimensions reflect a common underlying and unobservable construct (Law, Wong, & Mobley, 1998). Conceptually, the three dimensions represent specific forms of psychological strain in response to stressors. Previous studies have shown that the combined scale is a reliable measure for use with employees in the service sector (Arsenault et al., 1991; Enzmann, Schaufeli, Janssen, & Rozeman, 1998).

Sample items included, 'I feel nervous' for anxiety ( $\alpha = .80$ ); 'I feel sad' for depression ( $\alpha = .75$ ); and 'I feel aggravated' for irritation ( $\alpha = .81$ ). All of the responses were rated on a 5-point scale (1 = never or a little of the time to 5 = most of the time). The three indicators were found to be highly correlated ( $r_s = .65, .70, \text{ and } .72, p_s < .01$ ), suggesting that they reflected the same concept of psychological strain (Arsenault et al., 1991). We combined the three subscales to form a global measure of psychological strain. Cronbach's alpha for the whole psychological strain scale was .90.

### *Control variables*

In line with previous research on psychological strain (Kessler & Cleary, 1980; Xie & Johns, 1995), we controlled for age, gender, and organizational tenure. Middle-aged individuals are likely to experience greater job insecurity than their younger counterparts, due to family burdens (De Witte, 1999). Men are likely to experience greater job insecurity than women (Kinnunen, Mäuno, Nätti, & Happonen, 1999), because they are traditionally regarded as the family breadwinners. Employees with a longer organizational tenure are likely to experience less job insecurity due to expectations of favorable treatment at times of redundancy (Bender & Sloane, 1999). In this study, employee age and organizational tenure had a correlation of .62 ( $p < .01$ ). We examined the variance inflation factors (VIFs) to check whether multicollinearity would impair the regression analysis. The VIFs for age and organizational tenure were 1.62 and 1.06, respectively. As both fell below the common threshold of 10 (Belsley, Kuh, and Welsch, 1980), multicollinearity was not a problem. We thus retained age and organizational tenure as control variables.

Because individuals high in trait negative affectivity tend to perceive their environments negatively and thus experience job stress and strain (Brief, Burke, George, Robinson, & Webster, 1988), we also controlled for trait negative affectivity using the 10-item scale developed by Watson, Clark, and Tellegen (1988) on a 5-point rating scale (1 = not at all to 5 = very much so). Cronbach's alpha for this scale was .77. In

the instructions accompanying the measurement, we asked the participants to rate how they had felt over the previous few weeks. The general ratings are stable within the stated time-frame (Burke, Brief, & George, 1993; Watson et al., 1988). We averaged the item scores to obtain an overall score for use in the regression analysis.

### **Analytic strategies**

The individual respondents were nested within branch offices of the organization. Prior to hypothesis testing, we examined non-independence (Bliese & Hanges, 2004) using Program R. We examined the intra-class correlation coefficients (ICCs) to ascertain the potential non-independence of the data (Chen, Mathieu, & Bliese, 2004). ICC(1) denotes the amount of variance in an individual phenomenon to be explained by group membership. ICC(2) indicates the extent to which the groups can be reliably differentiated based on average member ratings of the phenomenon. The ICC(1) values for EI, job insecurity, and psychological strain were .14, .08, and .04, respectively. The ICC(1) values for job insecurity and psychological strain were lower than the .12 threshold (James, 1982), but the value for EI marginally exceeded the threshold. The ICC(2) values for EI, job insecurity, and psychological strain were .41, .26, and .16, respectively. These values were far below the recommended cutoff threshold of .80 (Van Mierlo, Vermunt, & Rutte, 2009). We concluded that there was no strong evidence of non-independence.

Next, we performed confirmatory factor analysis (CFA) to validate the factor structure of the key variables (EI, job insecurity, and psychological strain). We then tested the mediation model using structure equation modeling (SEM). We followed Liao (2007) and used residuals after partialling out the effects of the control variables on all of the indicators. We also performed a bootstrapping test (Preacher & Hayes, 2004) to determine the indirect effect of EI on psychological strain through job insecurity. We created 5,000 bootstrapped samples by resampling with replacements from the existing sample. We then computed a 95% confidence interval based on the sampling distribution of the indirect effects. The indirect effect is significant if the interval does not contain zero.

We used ordinary least squares (OLS) regression to test Hypothesis 2 (the moderation model). We mean-centered the variables involved before creating the interaction terms. In step 1, we entered all of the control variables. We added job insecurity and EI in step 2, followed by the interaction term (job insecurity  $\times$  EI) in step 3. Following Aiken and West (1991), we used the OLS regression results to plot a two-way interaction with the values of the moderators at one standard deviation below and above the mean.

### **Results**

The means, standard deviations, and zero-order correlations between the variables are presented in Table 1. EI was found to be negatively related to job insecurity ( $r = -.27, p < .01$ ) and psychological strain ( $r = -.34, p < .01$ ). Job insecurity was positively related to psychological strain ( $r = .30, p < .01$ ). Except trait negative affectivity which had a positive correlation with psychological strain ( $r = .15, p < .05$ ), none of the control variables was significantly correlated with job insecurity or psychological strain.

Table 1. Means, standard deviations and correlations.

Variables	Mean	SD	1	2	3	4	5	6
1. Age <sup>a</sup>	29.76	4.00						
2. Gender <sup>b</sup>	.76	.43	.19*					
3. Tenure <sup>c</sup>	35.48	30.65	.62**	.08				
4. Trait negative affectivity	2.56	.47	-.08	.04	-.09			
5. EI	4.05	.50	.16*	.10	.02	.02		
6. Job insecurity	2.12	.96	-.01	-.07	-.03	-.06	-.27**	
7. Psychological strain	2.60	.62	.01	-.04	.11	.15*	-.34**	.30**

Note:  $N = 232$ . \* $p < .05$ ; \*\* $p < .01$ .

<sup>a</sup>Age was reported in years.

<sup>b</sup>1 = male; 0 = female.

<sup>c</sup>Tenure was reported in months.

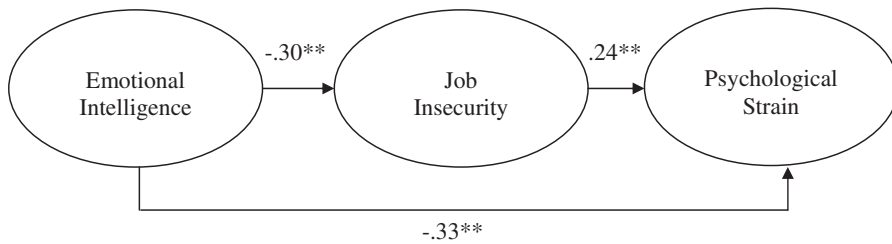
### Measurement properties

To perform CFA, we subjected the four first-order factors of EI (i.e. the four branches of EI) to a second-order latent construct (EI). We also subjected depression, anxiety, and irritation to a second-order latent construct (psychological strain). The model with seven first-order factors and two latent second-order factors was found to provide a reasonable fit for the data:  $\chi^2 = 959.27$  ( $p = .00$ ),  $df = 456$ ; CFI = .95, NFI = .91, and RMSEA = .07. We compared this model with a model containing only the first-order factors based on indices that reflect parsimony (PNFI and RMSEA) (Hair, Black, Babin, Anderson, & Tatham, 2006). The first-order measurement model had a PNFI of .78 and an RMSEA of .12, whereas the second-order measurement model had a PNFI of .83 and an RMSEA of .07. These results favored the second-order model. Therefore, we carried out SEM with one measure of EI using the scale values of the four EI branches as indicators, one measure of job insecurity using its three items as indicators and one measure of psychological strain using the scale values of depression, anxiety, and irritation as indicators.

### Hypotheses testing

We performed SEM to test the mediation model (Hypothesis 1). A partial mediation model provided an excellent fit for the data:  $\chi^2 = 43.91$  ( $p = .08$ ),  $df = 32$ ; CFI = .99, NFI = .97, and RMSEA = .04. It also offered a significantly better fit for the data than the full mediation model ( $\Delta\chi^2 = 17.36$ ,  $p < .01$ ). As shown in Figure 1, the path between EI and job insecurity was negative ( $\beta = -.30$ ,  $p < .01$ ) and the path between job insecurity and psychological strain was positive ( $\beta = .24$ ,  $p < .01$ ). The direct path between EI and psychological strain was negative ( $\beta = -.33$ ,  $p < .01$ ). The bootstrapped 99% confidence interval for the indirect effect of EI on psychological strain (via job insecurity) was  $(-.20, -.02)$ . These findings again indicated that EI decreases psychological strain by reducing job insecurity. In summary, Hypothesis 1 (the mediation model) was supported.

Table 2 presents the OLS regression results for the moderation model (Hypothesis 2). The findings show that EI moderates the relationship between job insecurity and psychological strain ( $\beta = .13$ ,  $p < .05$ ). The results of a simple slope analysis (Aiken & West, 1991) indicated that job insecurity was positively associated with psychological strain ( $\beta = .37$ ,  $p < .01$ ) when EI was high. This relationship was found to be weaker but still significant ( $\beta = .16$ ,  $p < .05$ ), when EI was low. The two slopes were



Notes:  $N = 232$ .  $*p < .05$ ;  $**p < .01$ .

Figure 1. SEM results for the mediation model.

significantly different ( $\Delta\beta = .21$ ,  $p < .05$ ). As shown in Figure 2, psychological strain increased more rapidly with job insecurity when EI was higher. Therefore, Hypothesis 2 was not supported. In the following, we offer a *post hoc* explanation for these surprising findings and discuss the results of an exploratory analysis performed to test our explanation.

**Exploratory analysis**

Testing the moderation model yielded unexpected results. Until this point, we had treated EI as a single concept. Joseph and Newman (2010) showed that it is conceptually meaningful to examine how the dimensions of EI may affect each other in influencing employee job performance. This leads us to consider the possibility of the interaction effects of braches of EI on psychological strain experienced as a result of job

Table 2. Moderating effects of EI on the relationship between job insecurity and psychological strain.

Variables	Model 1 $\beta$	Model 2 $\beta$	Model 3 $\beta$
Controls			
Age	-.06	-.02	-.01
Gender <sup>a</sup>	-.05	-.02	-.01
Tenure	.17*	.11	.10
Trait negative affectivity	.17**	.19**	.20**
Independent			
Job insecurity		.25**	.26**
Moderator			
EI		-.27**	-.26**
Interaction term			
Job insecurity $\times$ EI			.13*
$R^2$	.04*	.21**	.23**
$\Delta R^2$		.17**	.02*
$df$	4,227	6,225	7,224

Note:  $N = 232$ .  $*p < .05$ ;  $**p < .01$ .

<sup>a</sup>1 = male; 0 = female.

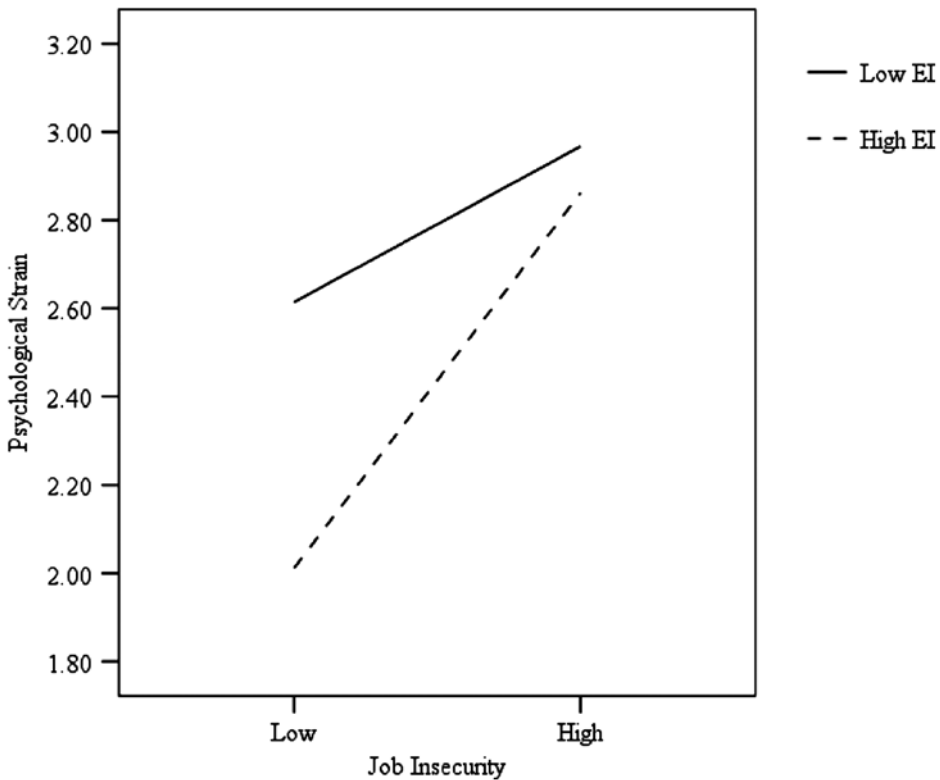


Figure 2. Interaction effect of job insecurity and EI on psychological strain.

insecurity. A possible explanation is that higher levels of EI relating to the appraisal and understanding of emotions may motivate individuals to consciously monitor their own and others' emotions, making them more aware of the emotions associated with job insecurity. This increase in awareness may not reduce emotional reactions to job insecurity; indeed, it may intensify these emotions. Their EI in emotional management, however, may motivate them to regulate and use their emotions to cope with job insecurity, thus reducing the severity of psychological strain. The interaction effect of these two dimensions of EI (the recognition of emotions and the management of emotions) may have been responsible for the unexpected pattern observed in the moderating effect of EI.

To test this potential explanation, we examined the interaction effect of job insecurity, the ability to recognize emotions and the ability to manage emotions on psychological strain. We also reanalyzed the mediation model with the two broad dimensions of EI stated above. Conceptually, the appraisal of one's own and others' emotions broadly captures the recognition of emotions. Therefore, we collapsed these two branches into a single variable, 'EI-recognition' ( $\alpha = .89$ ). Individuals' regulation and use of emotions broadly capture their ability to manage emotions. We thus collapsed these two branches into a single variable, 'EI-management' ( $\alpha = .86$ ). The two variables were positively correlated ( $r = .55, p < .01$ ).

Because we found support for job insecurity to partially mediate the relationship between EI and psychological strain, we tested a partial mediation model in the

exploratory SEM analysis. Specifically, we specified EI-recognition and EI-management as proximal predictors of job insecurity and distal predictors of psychological strain. We added two direct paths to psychological strain from the two broad dimensions of EI. The model was found to provide a reasonable fit for the data:  $\chi^2 = 104.86$  ( $p = .01$ ),  $df = 48$ ; CFI = .97, NFI = .95, and RMSEA = .07. EI-management was significantly negatively related to job insecurity ( $\beta = -.18, p < .01$ ), which in turn was significantly related to psychological strain ( $\beta = .27, p < .01$ ). The results indicate that EI-management decreased psychological strain by reducing job insecurity. The results of a bootstrapping test were consistent. The bootstrapped 99% confidence interval for the indirect effect of EI on psychological strain (via job insecurity) was  $(-.15, -.01)$  and did not contain zero.

Exploratory analysis of the moderation model revealed that job insecurity, EI-recognition, and EI-management had a significant three-way interaction effect on psychological strain ( $\beta = -.18, p < .05$ ). The OLS regression results are summarized in Table 3. Figure 3 plots this three-way interaction effect. The results of the simple slope test (Aiken & West, 1991) indicated that job insecurity was positively related to psychological strain when EI-recognition was high ( $\beta = .31, p < .05$ ). Job insecurity was found to be positively but insignificantly related to psychological strain when EI-recognition was low ( $\beta = .16, p > .10$ ). The two slopes differed marginally from each other ( $\Delta\beta = .15, p < .10$ ). Job insecurity was found to be positively related to psychological strain under both low ( $\beta = .62, p < .05$ ) and high ( $\beta = .32, p < .05$ ) levels of EI-recognition. The two slopes were significantly different ( $\Delta\beta = .30, p < .01$ ). The implications of these findings are discussed in the next section.

## Discussion

Drawing on the COR theory, we develop a moderation model which suggests that EI reduces psychological strain by enabling individuals to better cope with job insecurity when it arises. We also propose a mediation model in which EI reduces psychological strain by lowering their job insecurity. Our results were consistent with the mediation model but not the moderation model. Moreover, job insecurity was more positively related to psychological strain when EI was higher. We conducted an exploratory analysis to cast light on this unexpected interaction effect. We identified two broad dimensions of EI, examined their interaction effect with job insecurity on psychological strain. We discuss the exploratory findings in the following sections.

### *Implications for theory and research*

In this study, we advanced theoretical development in the EI approach to psychological strain by proposing that EI affects psychological strain through job insecurity. We compared this mediation model with a moderation model to offer a more comprehensive understanding of the significance of EI in psychological strain. We used the COR theory as our main theoretical framework. We followed the logic of resource accumulation to suggest that EI helps employees develop richer informational and social resources, which in turn reduce their experience of job insecurity. We found empirical evidence that job insecurity mediates the relationship between EI and psychological strain.

The results of the exploratory analysis provide further insights into these findings. The ability to manage emotions was found to decrease the experience of job insecurity and thus psychological strain. The results suggest that such ability helps employees



Table 3. Results of exploratory analysis of the interaction effects of job insecurity, EI-recognition, and EI-management on psychological strain.

Variables	Model 1 $\beta$	Model 2 $\beta$	Model 3 $\beta$	Model 4 $\beta$
Controls				
Age	-.06	-.02	-.01	-.01
Gender <sup>a</sup>	-.05	-.01	-.01	-.01
Tenure	.17*	.11	.11	.11
Trait negative affectivity	.17**	.19**	.19**	.21**
Independent				
Job insecurity		.25**	.26**	.35**
Moderators				
EI-recognition		-.11	-.09	-.13
EI-management		-.19**	-.20**	-.22**
Two-way interaction effects				
Job insecurity $\times$ EI-recognition			.06	-.03
Job insecurity $\times$ EI-management			.09	.12
EI-recognition $\times$ EI-management			.03	.02
Three-way interaction effect				
Job insecurity $\times$ EI-recognition $\times$ EI-management				-.18*
$R^2$	.04*	.22**	.23**	.24**
$\Delta R^2$		.17**	.02	.01*
$df$	4,227	7,224	10,221	11,220

Note:  $N = 232$ . \* $p < .05$ ; \*\* $p < .01$ .

<sup>a</sup>1 = male; 0 = female.

build resources and appraise situations, thereby reducing their job insecurity. This study thus extends existing knowledge of the distinct effects of branches of EI (Cherniss, 2010) on psychological strain. It casts new light on the relationship between EI and psychological strain by moving beyond the simple direct effect of EI on psychological strain examined in previous research (Summerfeldt et al., 2006; Tsaousis & Nikolaou, 2005). It also reveals that human beings are active agents in the stress process.

Unexpectedly, the positive relationship between job insecurity and psychological strain was found to strengthen when EI increased. The results for the moderation model did not support the resource protection argument of the buffering effects of EI on psychological strain in reaction to job insecurity. To test a possible explanation, we differentiated the ability to recognize emotions from the ability to manage emotions and examined their joint effect in interaction with job insecurity on psychological strain. The exploratory analysis revealed that when EI-management was low, the positive relationship between job insecurity and psychological strain strengthened when EI-recognition increased (see Figure 3). This result implies that EI-recognition exacerbates psychological strain when EI-management is low. Under these circumstances, employees may become more aware of the stimuli associated with job insecurity and their resulting emotional reactions, but less able to manage these reactions effectively.

Figure 3 also shows that when EI-management was high, the positive relationship between job insecurity and psychological strain strengthened when EI-recognition decreased. Employees who are less able to recognize their emotions have less

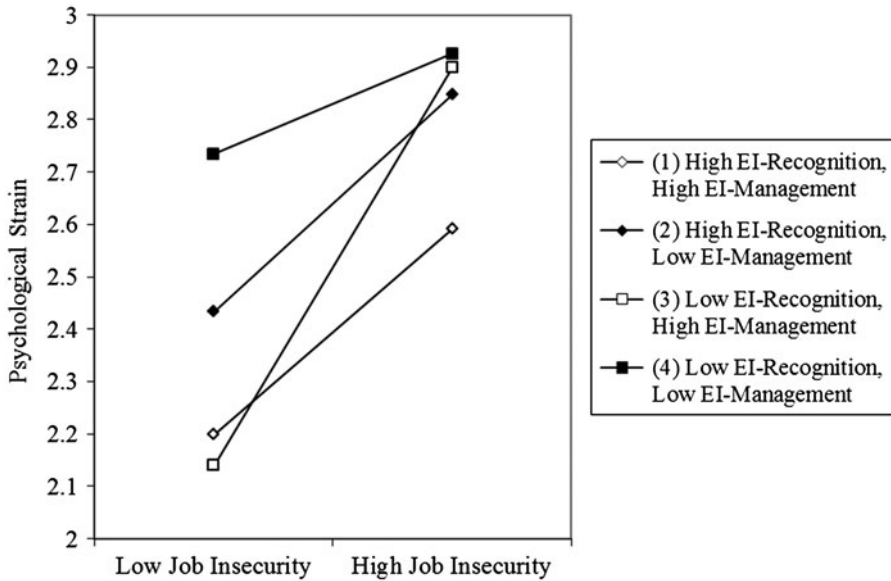


Figure 3. Interaction effect of job insecurity, EI-recognition, and EI-management on psychological strain.

emotional information from which to draw. An accurate understanding of one's emotions may facilitate the evaluation of coping strategies (Matthews, Schwan, Campbell, Saklofske, & Mohamed, 2000). Therefore, employees with less emotional information may be less able to identify appropriate strategies to regulate their emotional reactions to job insecurity, resulting in greater psychological strain. When both EI-recognition and EI-management are high, employees are expected to experience lower levels of psychological strain, as they have a more accurate understanding of their emotions and are better able to identify effective regulation strategies. Overall, the findings of the exploratory analysis provide interesting new insights into the joint effects of EI's dimensions on employee psychological strain. The argument that EI protects against workplace stress and the underlying reactive agency assumption do not hold unless employees are capable of both recognizing and managing emotions.

The unexpected results for the moderation model might also be attributed to the measures of job insecurity and psychological strain used in this study. Our measure of job insecurity was cognitively based (Caplan et al., 1980). Recently, researchers have distinguished between cognitive and affective job insecurity (Huang, Niu, Lee, & Ashford, 2012). EI may have different moderating effects on the two types of job insecurity. In addition, we examined perceived job insecurity and thus omitted objective measures of job insecurity (e.g. organization restructuring and market forces). Our data were collected in a Chinese context, and may thus have been affected by the cultural norm discouraging individuals from disclosing negative personal experiences (Xie, 1995) such as job insecurity. Incomplete or unreliable responses to questions on job insecurity may have led to the unexpected findings for the moderation model. The traditional Chinese reluctance to disclose suffering may also have affected the participants' responses to the self-reported psychological strain measure (Caplan et al., 1980). In addition, there might be cross-cultural differences in the psychological strain scale

(Caplan et al., 1980) as it was developed and used in the Western context. We encourage future research to use other measures of job insecurity (e.g. Huang et al., 2012) and psychological strain (e.g. Stanton, Balzer, Smith, Parra, & Ironson, 2001) to examine the relationships between these factors and EI.

This study integrates and contributes to research on EI and job insecurity. Work on EI in employment settings has primarily concerned job performance, as shown by two meta-analytical reviews of the relationship between EI and job performance (Joseph & Newman, 2010; Van Rooy & Viswesvaran, 2004). This study integrates research on EI with that on job insecurity by investigating two models of the influence of EI on psychological strain resulting from job insecurity. As such, it provides a direct test of the buffering effect model of EI on job insecurity (Jordan et al., 2002). Moreover, previous research on coping styles has indicated that problem-focused coping is positively related to employee's well-being, whereas emotion-focused coping is negatively related to well-being (Sonnentag & Frese, 2003). In contrast, the findings of this study show that EI-management is an effective strategy for reducing the experience of job insecurity and consequently psychological strain.

Furthermore, we generated the research questions for this study using a 'gap-filling' approach, which 'involves some form of modest problematization' (Alvesson & Sandberg, 2011, p. 252). We identified the assumption of reactive human agency that underlies the buffering effect model of EI on workplace stress without forcefully challenging the generally accepted position. We problematize the existing EI literature to a certain extent by offering a new point of departure. In line with the active agency argument (Bandura, 2012), we propose that EI helps reduce employees' exposure to stressful experiences, and thus their related psychological strain. To the best of our knowledge, this theoretical perspective of EI's effects on psychological strain has not previously been addressed in the EI literature. EI approach to psychological strain will remain incomplete if the mechanism underlying their relationship is not explored. This study offers an initial challenge to the influential existing theory of the role of EI in coping with psychological strain. We propose an interesting new direction for the development of EI theory on psychological strain.

### ***Implications for practice***

This study has practical relevance in view of the findings on workplace stress. Research has shown that the main job stressors experienced by employees often arise from conditions over which employees lack control (e.g. anticipated organizational change) (Ashford et al., 1989). The focus of our study is job insecurity in the real estate industry, because real estate agents work in a very competitive market and lack control over the general economic environment. Many are subject to quota-based performance systems and are thus likely to experience job insecurity if their performance does not meet expectations. The mediation model proposed in this study was empirically supported, indicating that the ability to manage emotions helps real estate agents reduce their job insecurity and thereby sustain their subjective well-being. Therefore, the findings suggest that such ability is particularly important for individuals who work in highly uncertain and competitive environments.

We also offer fruitful practical recommendations for the development of workplace stress management programs. The results of the moderation model show that boosting the ability to recognize emotions alone may do more harm than good to employees' subjective well-being. The results of the mediation model, in contrast, show that the

ability to manage emotions helps reduce job insecurity, improving subjective well-being. Slaski and Cartwright (2003) provided preliminary evidence of the utility of EI training and development in reducing subjective stress experiences and emotional reactions to stress. The findings of this study offer managers the valuable insight that organizations can help employees protect themselves against workplace stress by providing EI training and development programs that emphasize the management of emotions. Job applicants' ability to manage their emotions may also offer an important selection criterion for organizations seeking to hire new employees. Last but not least, it should be noted that at very high levels of job insecurity, employees with high and low-EI experience similar levels of psychological strain (Figure 2). Therefore, managers should be careful not to exaggerate the potential benefits of EI in the stress coping process (Fineman, 2000).

### ***Limitations and future research directions***

Although a time-lagged design was used for the study, we were unable to fully establish the causal relationships between EI, job insecurity, and psychological strain. We were also unable to examine changes in job insecurity and psychological strain over time. We thus encourage a replication of this study with a longitudinal research design that is better suited to an investigation of causality, enabling the use of EI as a predictor of changes in job insecurity and psychological strain. Future research is also suggested to examine the extended causal chain between EI and psychological strain by investigating the relationships between EI and social and informational resources (e.g. social support and feedback). Researchers could expand this line of inquiry by examining the effects of EI on other stressors that may lead to psychological strain, such as work-family conflict. Although our intention was not to disregard other important potential consequences, we regarded emotional/psychological reactions (specifically psychological strain) as more relevant to our independent variable, EI, than other cognitive or behavioral outcomes (e.g. turnover intention). Future research may wish to examine whether EI has similar effects on other employee outcomes induced by job insecurity.

Second, we used the subjective, self-reported WLEIS scale rather than an objective assessment instrument such as the Mayer-Salovey-Caruso Emotional Intelligence Test (MSCEIT; Mayer, Salovey, & Caruso, 2002). We consider the use of the WLEIS to be justified, because subjective measurements of EI capture individuals' awareness of, belief in and motivation to use EI. This awareness, belief and motivation are crucial to the effective management of situations or events to reduce strain. Moreover, the results of the MSCEIT may be skewed by cross-cultural differences (e.g. differences in esthetic sensibilities) when used in non-Western contexts (Law et al., 2008). As the WLEIS was developed for use in Chinese contexts, it more accurately predicts the job performance of our Chinese participants than the MSCEIT (Law et al., 2008). Nevertheless, we encourage future research to use both objective and subjective EI measures and compare their assessments of the effects of EI on job insecurity and the resulting psychological strain.

Finally, Jordan, Dasborough, Daus, and Askanasy (2010) called for research on EI that investigates the significance of context. EI may have a greater effect on employees who interact extensively with others at work (Joseph & Newman, 2010; Wong & Law, 2002). The participants in our study worked in real estate sales, a highly emotional labor environment. Therefore, the findings of the study may not be generalizable to other types of job, such as those involving little emotional labor. In addition, we

collected data from one large company in Taiwan, which allowed us to control for other company-level factors that may have affected employees' psychological strain, but limits the generalizability of the findings to other contexts (e.g. other companies or industries). Future research is encouraged to replicate this study in a range of contexts (e.g. companies, industries, and cultures) and in positive economic environments to test the generalizability of our findings.

## Conclusion

This study enhances our understanding of the influence of EI on psychological strain. Its findings show that EI can lessen psychological strain by reducing job insecurity. The results of the exploratory analysis provide more nuanced insights into the moderation model of EI. They indicate that EI-recognition sensitizes employees to job insecurity. Conversely, EI-management helps employees manage their negative emotional reactions. Overall, this study enriches research on the influence of EI on psychological strain and provides practical recommendations for managing psychological strain in organizations.

## Acknowledgement

Special thanks to Editor-in-Chief David Lepak and the anonymous reviewers for their helpful comments and thoughtful suggestions. We acknowledge the financial support from the Research Grants Council, University Grants Committee of Hong Kong awarded to Dr. Cheung [project number 242012].

## Disclosure statement

No potential conflict of interest was reported by the authors.

## Funding

This work was supported by the Research Grants Council, University Grants Committee of Hong Kong [project number 242012].

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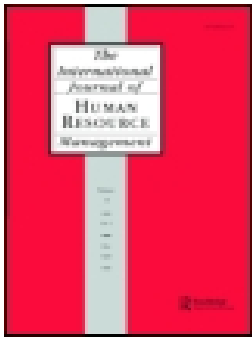
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# The International Journal of Human Resource Management

ISSN: 0958-5192 (Print) 1466-4399 (Online) Journal homepage: <http://www.tandfonline.com/loi/rijh20>

## Job crafting and I-deals: a study testing the nomological network of proactive behaviors

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**To cite this article:** Yasin Rofcanin, Aykut Berber, Stefan Koch & Levent Sevinc (2015): Job crafting and I-deals: a study testing the nomological network of proactive behaviors, The International Journal of Human Resource Management, DOI: [10.1080/09585192.2015.1091370](https://doi.org/10.1080/09585192.2015.1091370)

**To link to this article:** <http://dx.doi.org/10.1080/09585192.2015.1091370>



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## Job crafting and I-deals: a study testing the nomological network of proactive behaviors

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In this research, we investigated the predictive powers of I-deals and job crafting on key employee outcomes (in-role work performance, citizenship behaviors directed at organization and co-workers, affective commitment and intentions to stay). In doing so, we also compared the explanatory degree of job crafting and I-deals on these outcomes. We used two sets of samples, both drawn from across different industries in Istanbul, Turkey. The first study examined the factorial structures of job crafting and I-deals scales. The second study is used to test our hypotheses regarding effects and strengths of I-deals and job crafting on the outcomes. Findings from series of structural equation models underscored that I-deals are more critical in leading to enhanced employee outcomes compared to the effects of job crafting. We discuss the role of these proactive behaviors in today's ever-changing business settings.

**Keywords:** I-deals; job crafting; proactive behaviors; Turkey; work performance

### Introduction

Today's uncertain, dynamic and competitive work settings have transitioned proactive behaviors from novelty to necessity in many organizations (e.g. Parker, Bindl, & Strauss, 2010; Thomas, Whitman, & Viswesvaran, 2010). Most recent research has demonstrated that employees can engage in a broad range of proactive behaviors such as proactive socialization (Wang & Kim, 2013), asking for feedback (e.g. Ashford, Blatt, & VandeWalle, 2003), or voice (Van Dyne & LePine, 1998). All such proactive behaviors encompass self-initiated and mostly future-focused actions aimed at changing the situation and/or self (Grant & Ashford, 2008; Parker, Williams, & Turner, 2006). Almost two decades ago, Hackman and Oldham (1976, 1980) informed us on the physical characteristics of job design which imposed a rather top-down approach (i.e. Job Characteristics Model). Built on their seminal contribution, extant literature offered evidence showing how job design has changed from top-down towards a more proactive, bottom-up perspective (Oldham & Hackman, 2010; Parker et al., 2010). In this context, two key constructs regarding employee proactive behaviors especially deserve attention to further explain and emphasize the rise of such bottom-up approaches. These are I-deals and job crafting.

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Idiosyncratic deals (I-deals) are personalized agreements negotiated between a supervisor and a subordinate (Rosen, Slater, Chang, & Johnson, 2013; Rousseau, 2005). These work deals are usually initiated after the hire (ex-post I-deals) by the focal employee and they are geared towards enhancing individual skills, obtaining developmental opportunities (i.e. developmental I-deals), working with more flexible schedules, and receiving personalized financial compensation arrangements (i.e. flexibility I-deals; Hornung, Rousseau, & Glaser, 2008, 2009). As a relatively new stream of research in organization studies, I-deals have been linked to various positive organizational and employee outcomes (Liao, Wayne, & Rousseau, 2014; Liu, Lee, Hui, Kwan, & Wu, 2013). For instance, successfully negotiated I-deals have been found to be associated with greater affective commitment (Hornung, Rousseau, & Glaser, 2008), enhanced employee motivation (Hornung et al., 2009), positive evaluation of work characteristics (i.e. higher complexity, higher control, and lower stressors), and citizenship behaviors directed towards the co-workers and the organization (Anand, Vidyarthi, Liden, & Rousseau, 2010). Research examining the antecedents and boundary conditions of I-deals is also growing rapidly (e.g. Hornung, Rousseau, Glaser, Angerer, & Weigl, 2010; Ng & Feldman, 2010, 2012; Vidyarthi, Chaudhry, Anand, & Liden, 2014).

In a related line of research, Wrzesniewski and Dutton (2001) coined the term job crafting to refer to the efforts of employees to redesign their own job tasks with their own initiatives. Key element that differentiates job crafting from I-deals is that job crafting does not have to involve the approval of managers or supervisors to whom focal employee reports (e.g. Parker & Collins, 2010; Tims, Bakker, & Derks, 2012, 2013). Via job crafting, employees modify certain aspects of their current work (i.e. crafting the cognitive, relational, and task-related aspects of one's current task). Building on the Job Demands-Resources model (Bakker & Demerouti, 2007), Tims and colleagues (2012) developed a generic job crafting scale consisting of four dimensions, namely increasing social job resources, increasing structural job resources, increasing challenging job demands, and decreasing hindering job demands. Recent research has revealed that job crafting is predictive of key employee and organizational outcomes such as work engagement (Petrou, Demerouti, Peeters, Schaufeli, & Hetland, 2012; Tims, Bakker, Derks, & Van Rhenen, 2013) employability, work performance (e.g. Tims et al., 2012), and organizational commitment (Ghitulescu, 2007).

Drawing from the growing body of research on I-deals and job crafting (e.g. Hornung, Rousseau, Weigl, Muller, & Glaser, 2013; Tims, Bakker, & Derks, 2013), we carried out this study with two key purposes. Our first purpose is to evaluate I-deals and job crafting from a proactivity lens. Research on I-deals is dominated by social exchange theory and particularly the norm of reciprocity. Yet, I-deals can be conceived as examples of proactive behaviors as they are driven by the focal employee and are aimed at modifying one's work conditions (i.e. person-environment fit behaviors; Parker & Collins, 2010). In a similar vein, job crafting represents person-environment fit behavior because via crafting his or her job, the focal employee achieves a greater match between one's own attributes and the work context. Built on this initial goal, our second purpose is to establish the nomological networks of job crafting and I-deals. While linking both these proactive behaviors to certain employee outcomes, we also explore and emphasize their differences in explaining key outcome variables.

Our research adds to the literature on I-deals and job crafting predominantly by our investigation of I-deals and job crafting in same research setting. To date, only Hornung and colleagues (2008) mentioned that job crafting and I-deals, although very similar, need to be differentiated from each other. Via showing that job crafting and



I-deals differ from each other, we will underscore the critical role of obtaining the consent of supervisors in behaving proactively. In other words, we will argue that involvement of supervisors in acting proactively (i.e. I-deals) will drive certain employee outcomes stronger compared to proactive behaviors that do not involve supervisors (i.e. job crafting).

Additionally, we provide a new study context, as research on I-deals and job crafting has predominantly grown in the USA where organizational cultural values are usually marked by a lesser extent of hierarchy, power distance, and higher uncertainty avoidance. Via investigating job crafting and I-deals across industries in Istanbul, we attempt to show how such proactive employee efforts are presented and experienced in a non-Western context. As suggested by Gelfand, Erez, and Aycan (2007), understanding different cultures outside the USA and other Anglo-Saxon countries carries important implications for employee behaviors and this study aims to enhance our knowledge on I-deals and job crafting by providing an emerging-country setting. Turkey portrays an interesting and timely outlet for study purposes because it is one of the fastest growing economies in the world (Gurria, 2010), yet there is scant scholarly attention in human resources literature (Aydinli, 2010; Usdiken & Wasti, 2009) particularly on proactive behaviors. In this vein, we hope to investigate how I-deals and job crafting efforts are practiced by employees across industries in Turkey and see if the scales developed in Western contexts can also capture different dynamics observed in work settings in an emerging economy.

To validate our research purposes, we conducted two separate studies to examine the factorial structures of job crafting and I-deals (i.e. Study 1) and to establish their nomological networks with an additional new sample (i.e. Study 2). To best of our knowledge, there is no empirical study that combines job crafting and I-deals in the same framework. To fulfill this gap, we chose affective commitment as attitude-based outcome variable; as well as intention to stay, citizenship behavior directed towards co-workers (OCBI), citizenship behaviors directed towards the organization (OCBO), and employee performance as behavior based outcome variables. We chose these outcome variables because they are very central to both employees and organizations, and because these outcome variables were not studied previously in relation to either I-deals and/or job crafting. Figure 1 represents our proposed model. In the following sections, we develop our hypotheses.

## **Background on I-deals and job crafting**

### ***I-deals***

Social exchange theory and more specifically the norm of reciprocity form the basis for previous research on I-deals (Anand et al., 2010). An important feature of I-deals theory is that results of such successful bargains lead to mutual benefits (Rousseau, 2005). This proposition echoes reciprocity which implies the tendency to reciprocate once an individual obtains favors from the other party (Gouldner, 1960; Liu et al., 2013). According to this perspective, employees who are granted I-deals feel obliged to their employers (e.g. managers, organizations) and reciprocate via different ways such as enhanced work performance, commitment, and satisfaction (Greenberg, Roberge, Ho, & Rousseau, 2004; Hornung et al., 2008, 2013; Ng & Feldman, 2012). Having obtained these personalized work conditions, the focal employee is likely to show efforts in sustaining the beneficial relations in the long run (Lai, Rousseau, & Chang, 2009).

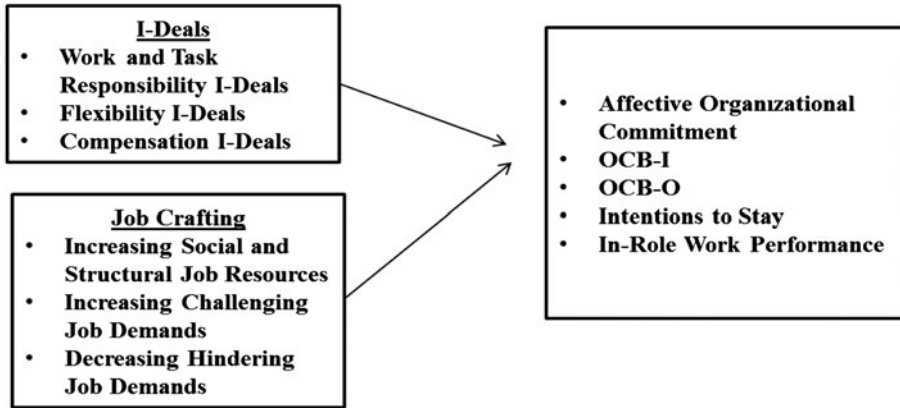


Figure 1. Proposed model.

In addition to social exchange theory, proactivity literature offers a novel lens in understanding the nature of such personalized deals (Parker & Collins, 2010). With the purpose of integrating the vibrantly growing proactivity literature, Parker and Collins (2010) defined three higher order factor structures of proactive behaviors at work. One of these categories is proactive person-environment (P-E) fit behaviors which are directed at achieving greater match between one's own attributes and the organizational context. I-deals, as they are self-driven and change-focused, constitute an example for proactive P-E fit behaviors. In this respect, successfully negotiated I-deals are likely to strengthen the focal employee's perceptions of P-E fit.

### ***Job crafting***

When employees do not have optimum job designs, they take steps to change it. The process of changing various elements of one's current work task is referred to as job crafting (Wrzesniewski & Dutton, 2001). Job crafting encompasses physical, relational, or cognitive changes in one's task or relational boundaries (Berg, Dutton, & Wrzesniewski, 2010). Physical changes emphasize the changes in the form, scope, or number of job tasks whereas cognitive job crafting refers to how one perceives the task in his or her mind (Berg et al., 2010). Relational job crafting refers to efforts aimed at changing one's interactions at work (Wrzesniewski & Dutton, 2001). Employees are likely to craft their jobs in order to create favorable work conditions (Petrou et al., 2012) where they can work more effectively, more motivated (Petrou et al., *in press*) and more engaged (Bakker & Demerouti, 2007; Bakker, Tims, & Derks, 2012).

A defining aspect of job crafting is that employees change their work tasks on their own initiative (Tims et al., 2012). This differentiates I-deals from I-deals, where the focal employee negotiates with his or her supervisor in order to obtain the modified work conditions (Hornung et al., 2010). In other words, job crafting represents spontaneous and unsupervised changes in one's job content (Lyons, 1971; Petrou et al., *in press*).

Building on the Job Demands – Resources model (e.g. Bakker & Demerouti, 2007; Schaufeli, Bakker, & van Rhenen, 2009), Tims and colleagues (2012) developed and

validated a scale on job crafting across three studies conducted in the Netherlands. They conceptualized job crafting as the self-driven changes employees make in their jobs demands and/or resources in order to obtain their work goals. Findings from this research revealed four distinct measures of job crafting namely increasing social job resources, increasing structural job resources, increasing challenging job demands, and decreasing hindering job demands. These findings were similar to resources seeking, challenges seeking and demands reducing dimensions of Petrou and colleagues (2012).

### ***Hypotheses development***

Employee–organization relationships are mostly marked by economic as well as social exchanges (Blau, 1964; Coyle-Shapiro, Shore, Taylor, & Tetrick, 2004). Social exchanges emphasize mutual trust, commitment, loyalty, and similar soft dynamics (e.g. Foa & Foa, 1974, 1980) whereas economic exchanges underline tangible and concrete gains (Coyle-Shapiro et al., 2004). In line with social exchange theory (Blau, 1964; Gouldner, 1960), high-quality employment relations are characterized by mutual trust, commitment, and loyalty between (e.g. leader-member exchange – LMX) parties. In this line of thinking, I-deals portray a context where employees who benefit from close relations with their supervisors might obtain these personalized work conditions easily (Hornung et al., 2010, 2013). Rosen and colleagues (2013) developed and validated a scale on I-deals that encompass modified conditions related to task and developmental opportunities (developmental I-deals is used interchangeably with work and task responsibility I-deals in this research), location flexibilities, work schedules, and compensation arrangements. This scale is in line with previous research on I-deals (Hornung et al., 2008, 2010).

I-deals is a novel phenomenon in organization studies but there is a growing body of research which shows the positive effects of such treatments over employee outcomes (Liao et al., 2014). Motivation to work (Bal, De Jong, Jansen, & Bakker, 2012), citizenship behaviors (Anand et al., 2010), proactive behaviors (Lai et al., 2009), initiative taking, work engagement (Hornung et al., 2010), work performance (Hornung et al., 2013), and voice (Ng & Feldman, 2012) are among the outcomes that I-deals predicted positively in the focal employee. While research has shown that providing employees with such tailored work arrangements revealed desirable outcomes, there is still a gap regarding the differences between I-deals focusing on career growth (i.e. developmental I-deals) and I-deals emphasizing flexibility in work schedules, location choices, and compensation packages (i.e. flexibility I-deals). This gap is critical not only theoretically (e.g. such as understanding the implications of purely economic and social exchanges in the context of I-deals) but also practically (e.g. to develop and implement I-deal interventions that will fit best to the focal employees).

To fill these gaps and expand our understanding on predictive power of both types of I-deals, we integrated four key outcome variables. These variables are affective organizational commitment which refers to the degree to which an employee feels attached to his or her organization (Meyer, Allen, & Smith, 1993); organizational citizenship behaviors directed towards the organization (OCB-O) and directed toward co-workers (OCB-I), intentions to stay in the organization and in-role work performance.

We focused on these outcomes mainly because they represent ways through which employees can make contributions to their organizations. Second, we tried to compare and underline both behavioral and attitudinal outcomes of such proactive efforts. Third, we focused on citizenship behaviors to show that once employees engage in such

proactive behaviors (e.g. job crafting and I-deals) which are risky, they take extra miles to show their contributions towards their organizations (OCB-O) and towards their co-workers (OCB-I). With the inclusion of these behavioral (in-role work performance) and attitudinal (OCB-I, OCB-O, affective organizational commitment and intentions to stay) outcomes, we provide a broader and more integrative picture considering the predictive power of I-deals and job crafting.

Informed by social exchange theory, I-deals are based on the principle of reciprocity (Gouldner, 1960). Accordingly, employees, who obtain work and task developmental opportunities and/or flexibilities that affect the way they do their work, will likely repay their employers (Hornung et al., 2008; Rousseau, Ho, & Greenberg, 2006). Because I-deals generate mutual benefits in long run (Hornung et al., 2013; Ng & Feldman, 2012), the recipients of such personalized work arrangements will be motivated to maintain their exchange relations with their employers (e.g. supervisors who granted these privileges). While the positive association of I-deals with employee outcomes is growing, there is need to understand how such associations unfold with respect to flexibility and developmental I-deals (Rosen et al., 2013).

Developmental I-deals (i.e. task and work responsibility I-deals in the Rosen et al., scale) encompass training and career growth opportunities; work tasks that better fit the focal employee's skills; and re-definition of the way the employee completes his or her given job (Rosen et al., 2013). Overall, these I-deals are geared towards facilitating the achievement of one's personal work goals and the career growth. Flexibility I-deals involve granting compensation, work schedule and location opportunities that are tailored for one's specific needs and work preferences (Hornung et al., 2010; Rosen et al., 2013). Comparing the two, developmental I-deals portray mutual relations that are characterized by higher trust, commitment, and loyalty compared a context where flexibility I-deals are granted (Coyle-Shapiro & Shore, 2007; Cropanzano & Mitchell, 2005; Foa & Foa, 1974, 1980). From this perspective (i.e. social versus economic exchanges in mutual relations), the recipients of developmental I-deals are likely to value their ongoing relations with their supervisors more and engage in desirable behaviors compared to employees who are granted flexibility I-deals. Building on the reciprocity tenet of social exchange theory, we argue that both types of I-deals predict our outcome variables positively; however different from previous research, we postulate that developmental I-deals have greater explanatory power compared to flexibility I-deals. Arguing from the perspective of proactivity, again both types of I-deals can be expected to contribute to person-environment fit (Grant & Ashford, 2008; Parker et al., 2010), and thus to be positively associated with the outcome variables. Similarly, we argue that developmental I-deals have a greater power to increase this fit in the long run, as well as are geared more towards the future than flexibility I-deals. That would hint at them being more proactive as well, and in summary would lead to them having higher explanatory power over the outcome variables, congruent with social exchange theory. We therefore set our first and second hypothesis as below.

Hypothesis 1. There is positive association between I-deals (developmental and flexibility I-deals) and outcome variables (OCB-O, OCB-I, affective organizational commitment, in-role work performance and intentions to stay in the organization).

Hypothesis 2. The predictive power of developmental I-deals over the outcome variables (OCB-O, OCB-I, affective organizational commitment, in-role work performance and intentions to stay in the organization) will be greater and more significant compared to the predictive power of flexibility I-deals.

Job crafting is a mechanism through which employees change the content of their tasks gradually (Wrzesniewski & Dutton, 2001). Accordingly, employees can change the relational, cognitive, and/or physical boundaries of their tasks so that they have different cognitive perceptions of what they do (Berg et al., 2010). In other words, via crafting their jobs, employees redesign what they do (Tims et al., 2012, Tims, Bakker, & Derks, 2013). Job crafting, like I-deals, is an example of proactive behaviors aimed at changing the current state of what one does and bringing future-oriented change (Grant & Ashford, 2008; Parker & Collins, 2010). Unlike I-deals, job crafting is carried out completely by the focal employee. In other words, there is no need for the official consent of one's supervisor for job crafting (Demerouti & Bakker, 2014; Tims et al., 2012; Wrzesniewski & Dutton, 2001). Job crafting, as it involves increasing social and/or structural job resources, increasing challenging job demands, and decreasing the hindering job demands (Tims et al., 2012), becomes a tool for the focal employee to grow at work (Demerouti & Bakker, 2014). Through changing the content and the way of doing the current work task, the focal employee is likely to show enhanced work performance (Tims, Bakker, & Derks, 2013). As the work context is supportive of engaging in such proactive work behaviors, the focal employee is also likely to stay in the organization and maintain his or her mutually beneficial relations with others (Berg et al., 2010) and feel emotionally attached (Wrzesniewski & Dutton, 2001). Moreover, the job crafter is likely to go the extra mile and help his or co-workers regarding their tasks. Helping behaviors directed towards co-workers might be driven by many reasons such as setting role models for them, signal that they deserved their crafted jobs via relating with them intensely, and not to be seen as privileged job crafters. Integrating these arguments, we argue that job crafting predicts our outcomes positively. We formulate our third hypothesis as below.

Hypothesis 3. There is positive association between job crafting and the outcome variables (OCB-O, OCB-I, affective organizational commitment, in-role work performance and intentions to stay in the organization).

Job crafting and I-deals are similar in that they are oriented towards proactively changing one's current task (Parker & Collins, 2010). Also, both job crafting and I-deals impact others besides the focal employee (e.g. co-workers, teams, and supervisors). Yet, these two behaviors are different from each other in one critical way: the approval of one's supervisor for engaging in these behaviors. Employees craft their jobs without necessarily obtaining the consent of their supervisors (Berg et al., 2010). On the contrary, I-deals are provided upon official recognition of the immediate manager (Rousseau, 2005). This distinction, which is unexplored in recent research, is critical in explaining the way employees reciprocate.

Informed by social exchange theory and particularly by reciprocity (Gouldner, 1960), research on I-deals have revealed the positive mechanisms through which recipients of I-deals pay back (Hornung et al., 2010, 2013). Because I-deals stand for personalized privileges that co-workers do not possess (Greenberg et al., 2004), the benefits obtained via these deals are highly valued by the focal employee (Ng & Feldman, 2010). Employees are likely to sustain high performance, be committed and remain in the organization (Ng & Feldman, 2010) and engage in citizenship behaviors (Anand et al., 2010). In other words, once inducements are obtained, it is time to repay to employer via high work performance, intention to stay, affective commitment, and to co-workers via helping behaviors. The motive driving these behaviors comes from

I-deals, which are grants provided beyond the standard human resources practices of an organization (Rousseau et al., 2006).

Job crafting, which is self-initiated, is not necessarily recognized and therefore valued by the supervisors (Berg et al., 2010). The core motive lying behind job crafting is to increase job resources and decrease job demands (Demerouti & Bakker, 2014; Tims et al., 2012). Moreover, the changes one introduces with job crafting are relatively small and are expected to take place gradually compared to the changes realized in job design via I-deals (Hornung et al., 2010; Petrou et al., 2012). From the perspective of proactivity, this means lesser power to increase person-environment fit (Parker & Collins, 2010). As there is no formal inducement offered by the employer to a job crafter, the focal employee is not likely to be triggered to excel at key outcomes as high as in the case of I-deals. Building on these aspects, we argue that the predictive power of I-deals will be greater compared to the predictive power of job crafting over our key outcome variables. We set the fourth hypothesis of this study below.

Hypothesis 4. The degree to which I-deals explain the outcome variables (OCB-O, OCB-I, affective organizational commitment, in-role work performance and intentions to stay in the organization) is greater and more significant compared to the explanatory power of job crafting over these outcome variables.

## Method

### *Scale validation*

Before testing our hypotheses, we replicated I-deals and job crafting scales in the context of Istanbul, Turkey. The main purpose of this procedure was to evaluate the factorial structures of the constructs, in a context different than where they had been developed (i.e. I-deals developed in the USA; job crafting developed in the Netherlands). Full-time working MBA students constituted the sample of this phase ( $N = 263$  out of 352 participants who received an invitation). All the courses are taught in English and therefore the scales were tested in English. Surveys were conducted when students were on campus. Participation was completely voluntary, and they were ensured full confidentiality of the study responses. All items were measured on a five-point Likert scale. Among participants, 35% reported themselves as front-line managers, 30% as middle-level managers and the rest of them were working in non-managerial positions. They were 58% female, with average tenure in the organization of 5.14 years ( $SD = 4.08$ ). They reported an average age of 28.1 years ( $SD = 6/.84$ ). The majority had attended colleges (92%) and the remaining was pursuing post-graduate degrees above MBA level. The time of data collection was between February and April 2011.

## *Measures*

### *Idiosyncratic deals*

To measure I-deals, we used the 16-item scale developed and validated by Rosen and colleagues (2013). Developmental I-deals were related to training opportunities, skill development, on-the-job activities, and career growth opportunities (e.g. 'at my request, my supervisor has assigned me tasks that develop my skills'). Flexibility I-deals focused on work schedules, location, and compensation arrangements tailored to meet one's specific needs (e.g. 'beyond formal policies, my supervisor has raised my pay because of the contributions I make to the organization').



### *Job Crafting*

We used the 21 item scale developed and validated by Tims and colleagues (2012). This scale evaluates the degree to which employees increase their job resources (both social and structural job resources), increase challenging job demands and decrease hindering job demands. An example item for increasing social job resources was 'I ask my supervisor to coach me', for increasing structural job resources 'I try to develop my capabilities', for increasing challenging job demands 'If there are new developments, I am one of the first to learn about them' and for decreasing challenging job demands 'I make sure that my work is mentally less intense'.

### **Exploratory factor analyses**

We conducted exploratory factor analyses using Varimax rotation in SPSS 18. Aim of this procedure was to examine how the factors of I-deals and job crafting unfold in a different context. We kept items that had loading values above .50. Findings first revealed that job crafting and I-deals were clearly separate from each other. For job crafting, three factors were retrieved and they were related to increasing challenging job demands, decreasing hindering job demands, and increasing job resources (unlike the scale of Tims and colleagues who established structural and social resources as separate factors). Together, the three factors had a variance of 55.25%. The first factor (Eigenvalue = 4.25) was composed of decreasing hindering job demands items and explained 27.20% of the variance. The second factor (Eigenvalue = 2.85), explaining 18.60% of the variance, is to increasing structural and social job resources. The third factor (Eigenvalue = 2.20) is related with increasing challenging job demands and explained 9.45% of the variance. All the three factors had satisfactory reliabilities ranging from .82 to .91 (Nunnally & Bernstein, 1995).

For I-deals, three factors were retrieved. These were work and task responsibility I-deals, flexibility I-deals and financial incentive I-deals. The first factor (Eigenvalue = 4.18) was composed of items related to work and task responsibilities. This factor explained 26.72% of the variance. The second factor (Eigenvalue = 3.45) was composed of location and schedule flexibility items. This factor explained 20.15% of the variance. The third factor (Eigenvalue = 2.75) emphasizes financial idiosyncratic arrangements focal employees might negotiate for. This factor contributed 10.50% of explanatory power regarding the overall variance.

After validating the within-construct loadings and reliabilities, we ran another principal factor analyses (maximum likelihood) with oblique rotation in SPSS, where all the items belonging to job crafting and I-deals were entered together. The overall six factors when entered together, explained 58.5% of the variance. Items belonging to previously retrieved factors did not cross-load on other factors belonging to another construct.

The results underscored that it is convenient to use three factors for job crafting and three factors for I-deals. In their study, Tims and colleagues (2012) argued that social and structural resources might be merged into one factor but their findings in confirmatory factor analyses suggested separation of these two job resources. For I-deals, Rosen and colleagues (2013) argued in favor of four factors but results of this study showed that location and schedule flexibility items might be merged into one factor group.

To test our hypotheses during Study 2, we drew on another sample. We first got in contact with the participants of the first study and asked them to forward the survey to their acquaintances. We also used our own social networks (e.g. through Facebook, LinkedIn, e-mail groups and alumni networks) to reach full-time employees working across industries in Istanbul. In our selection criteria of participants, we focused on the fact that participants should be full-time employees. We utilized an online survey website in conducting our study. We sent our survey to a sample of 472 full-time working employees across industries and in the end obtained useable responses from 302 participants. In this sample, the distribution of gender was almost equal (male = 52.8%). The average age was 35.5 years ( $SD = 7.2$ ), and respondents worked in their current organization for average 4.2 years ( $SD = 3.12$ ). Among the participants, 72.3% reported having undergraduate degrees and the remaining 27.7% had graduate degrees. Overall, 30.2% of the participants were working in health care services, 28.2% were working in automotive, 25.3% in financial services, and 17.3% in education industries. Time for the data collection of the second study corresponded to September–December 2012.

### **Measures**

#### *I-deals*

I-deals scale that we replicated and validated in Study 1 is used (16 items; Rosen et al., 2013). The Cronbach Alpha value for developmental I-deals was .85; for flexibility I-deals it was .89 and for financial incentives I-deals it was .91.

#### *Job crafting*

We used the job crafting scale validated in Study 1 (21 items; Tims et al., 2012). The Cronbach Alpha value for increasing social and structural resources was .92; for increasing challenging job demands, it was .88; and for decreasing hindering job demands, it was .84.

#### *Affective organizational commitment*

To evaluate affective organizational commitment of participants, we utilized the scale developed by Meyer and colleagues (1993). The scale included four items and an example was ‘I really feel as if this organization’s problems are my own’. The Cronbach Alpha value was .87.

#### *In-role work performance*

To examine the in-role work performance of employees, we utilized a six-item scale (e.g. also utilized in work of Gilboa, Shirom, Fried, & Cooper, 2008). The scale included six items that compare the performance of the focal employee to his or her co-workers, to expected standards of the organization and to expectations of the supervisor. An example item is ‘In general my performance is better than the work performance of most of my colleagues’. The Cronbach Alpha value was .92.

#### *Intentions to stay in the organization*

We utilized a three-item scale to evaluate the extent to which employees showed intentions to remain within their organization. An example item was ‘I would like to stay within this organization for a long time’. The Cronbach Alpha value was .95.

### *Extra role behaviors*

We utilized the scale developed and tested by Lee and Allen (2002). We differentiated between extra role behaviors directed towards the organization (OCB-O; five items). An example for OCB-O was 'I express loyalty towards the organization'. The Cronbach Alpha value was .83. We evaluated the extra role behaviors directed towards co-workers (OCB-I) with four items. An example statement was 'I assist others with their duties'. The Cronbach Alpha value was .81.

### **Control variables**

#### *Individual demographic control variables*

In our analyses, we controlled for the effects of age, gender, and education of participants. It is likely that those who are older compared to co-workers might be more familiar with the company policies and work setting. Hence, they might feel more at ease to engage in such proactive behaviors. Similarly, men might be more inclined to engage in I-deals and/or job crafting because of their agentic behaviors and social pressures. Similarly, for employees who hold higher education compared to others, it might be easier to negotiate with their supervisors (I-deals) or craft their jobs. Inclusion of these variables did not change our results hence they were excluded from further analyses.

#### *Organizational tenure*

We controlled for organizational tenure because employees who have been longer in organizations might enjoy more power to negotiate their tasks with their immediate supervisors (Rosen et al., 2013). Leana, Appelbaum, and Shevchuk (2009) also showed that employees who have spent relatively longer years in an organization compared to their co-workers might be associated with less job crafting. On the other hand, it is conceivable that longer time in an organization might lead to more freedom and self-confidence in crafting efforts and I-deals, as well as higher familiarity with company policies and culture. Again, new entrants in an organization might have less latitude to make changes.

#### *Organization size*

As argued by Weaven and Herington, smaller firms might rely on less sophisticated human resource systems (such as performance appraisal and reward systems) that could give rise to employees perceiving more freedom to act upon their own jobs and negotiate for their jobs. Therefore, we also controlled for organization size in terms of number of employees.

#### *LMX*

Research has revealed LMX as important predictor of I-deals (Hornung et al., 2010). Because high LMX relations are characterized by mutual trust, loyalty, and commitment (Greenberg et al., 2004), employees who enjoy such high-quality relations with their supervisors are in good position to negotiate for I-deals. It is conceivable to argue that LMX acts as buffer against the risky proactive efforts of employees as they

negotiate for I-deals and craft their jobs. Building on recent research and in line with I-deals/job crafting theories, we controlled for LMX, using the 12-item scale developed by Liden and Maslyn (1998).

## Findings

Means, standard deviations and correlation patterns among our study variables are provided in Table 1.

### Common-method bias checks

Given that we used self-report data in our study, this strategy is likely to raise some common-method bias concerns (Podsakoff, Mackenzie, Lee, & Podsakoff, 2003). We introduced some procedural mechanisms in order to minimize the bias of our respondents. We randomized the items in surveys, and separated the place of predictors and outcomes from each other. We then conducted Harman's single-factor test, which emphasizes a CFA where all variables are allowed to load onto one common factor ( $\chi^2 = 1755.24$ ;  $df = 187$ ,  $IFI = .41$ ;  $CFI = .54$ ;  $TLI = .45$ ;  $RMSEA = .35$ ). This is a good indication of the presence of theoretically distinct and unique constructs in our proposed models. As a third way, we also included a variable that we did not utilize in our proposed models (a method factor) and allowed our items to load onto this variable as well as over their theoretically relevant constructs. The results did not increase the model fit ( $\Delta\chi^2(1) = 3.67$ ,  $p > .05$ ). Additionally, we ran series of confirmatory factor analyses to examine the divergent and convergent validities of our constructs. They are discussed in detail below. Combining these findings, we showed that common-method bias was not a major challenge in drawing conclusions from our study results.

### Confirmatory factor analyses

We conducted series of confirmatory factor analyses to examine the degree to which our data fitted our proposed relations. We utilized AMOS 18 (Arbuckle, 2005). To compare different models, we utilized established measures as follow: chi-square/df ratio ( $\chi^2/df$ ), the Tucker–Lewis Index (TLI), the Comparative Fit Index (CFI; Bentler, 1990), the Incremental Fit Index (IFI), and the Root Mean Square Error of Approximation (RMSEA; Browne & Cudek, 1993). For chi-square/df ratio ( $\chi^2/df$ ), values below 3 show acceptable fit (Byrne, 2001; Kline, 2005). For TLI, CFI, and IFI, values of .90 and over represent good fit. For RMSEA, values below .08 show acceptable fit of the model. To select the best models, we compared changes in  $\chi^2$ .

We first evaluated the factorial structures of job crafting and I-deals scales separately. A four-factor for I-deals (developmental; flexibility in work schedules; flexibility in location and flexibility in compensation) and four-factor for job crafting (increasing social job resources; increasing structural job resources; decreasing hindering job demands; and increasing challenging job demands) was set first based on literature (Base Model 1). We then compared this model to a three-factor I-deals (work and task responsibilities; flexibilities in work schedule and location; flexibilities in compensation) and a three-factor job crafting model (increasing social and structural job resources; increasing challenging job demands and decreasing hindering job demands) as resulted from Study 1 (Model 2). We then compared Model 1 to an alternative model where we constraint all items to load onto one general factor (Model 3). Among

Table 1. Means, standard deviations, reliabilities, and correlations among study variables.

Study Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	LMX	Age	Gender	Education level	Organization size	Organization tenure
1. Work and task responsibility I-deals	4.56	.68	(.85)																
2. Flexibility I-deals	4.37	.49	.42**	(.89)															
3. Financial incentives I-deals	3.91	.33	.33*	.35	(.91)														
4. Increasing social and structural resources	4.22	.28	.62**	.47**	.28	(.92)													
5. Increasing challenging job demands	3.85	.55	.47**	.52**	.31*	.40**	(.88)												
6. Decreasing hindering job demands	3.24	.97	.38*	.39*	.36**	.33*	.21	(.84)											
7. Affective commitment	4.65	1.11	.72**	.62**	.62**	.60**	.57**	.69*	(.87)										
8. OCB-I	4.38	.71	.66**	.59**	.58**	.42**	.38*	.44*	.51**	(.81)									
9. OCB-O	4.75	.35	.75**	.72**	.73**	.70**	.66**	.59**	.48*	.42*	(.83)								
10. Intentions to stay	4.22	.38	.71**	.66**	.69**	.77**	.67**	.68**	.66**	.62**	.55*	(.95)							
11. In-role performance	3.18	.53	.65**	.76**	.73**	.81**	.78**	.70**	.65**	.67**	.61**	.37**	(.92)						
Control variables																			
LMX	3.87													.05	.03	.09	.11	.07	
Organization size	84													.12	.02	.08	.12	.07	
Organization tenure	4.2																		

Notes: N = 302; Reliabilities are along the diagonal in parentheses.

\* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$ .

the alternative models for job crafting and I-deals, the best model was the six factor model (Model 2;  $\chi^2 = 651.63$ ;  $df = 181$ ,  $\chi^2/df = 3.6$ ,  $p < .01$ ; IFI = .91; CFI = .91; TLI = .89; RMSEA = .03).

Following the examination of alternative measurement models for job crafting and I-deals, we then included our outcome variables into the model. With the inclusion of work performance, OCB-I, OCB-O, affective organizational commitment and intention to stay in the organization, the fit of the measurement model decreased due to increase in number of constructs, but this model was still acceptable in terms of fit indices (Model 4;  $\chi^2 = 453.42$ ;  $df = 154$ ,  $\chi^2/df = 2.94$ ,  $p < .01$ ; IFI = .88; CFI = .90; TLI = .88; RMSEA = .06). Given that Model 4 which includes a three-item factor for I-deals, a three-item factor for job crafting, and all our outcome variables provided acceptable and statistically significant fit, we tested our hypotheses building on this measurement model.

Hypothesis 1 predicted positive association between I-deals and our outcomes. To test this hypothesis, we ran structural equation modeling using AMOS 18. Since our purpose was to evaluate the multiple relations among the study constructs, this methodological approach was the most suitable one (Byrne, 2001; Cheung & Rensvold, 2002; Lievens & Anseel, 2004). Results show that I-deal negotiations (developmental, flexibility and financial incentives I-deals) significantly predicted our outcome variables. The effects of developmental I-deals on affective organizational commitment ( $\beta = .25$ ,  $p < .01$ ), over OCB-I ( $\beta = .31$ ,  $p < .01$ ), on OCB-O ( $\beta = .31$ ,  $p < .01$ ), on intentions to stay ( $\beta = .30$ ,  $p < .01$ ), and on in-role work performance ( $\beta = .36$ ,  $p < .01$ ) were positive and statistically significant. The effects of flexibility I-deals (work schedule and location flexibilities) on the outcomes were also statistically significant. Accordingly, flexibility I-deals predicted affective organizational commitment ( $\beta = .21$ ,  $p < .05$ ), OCB-I ( $\beta = .23$ ,  $p < .05$ ), OCB-O ( $\beta = .29$ ,  $p < .01$ ), intentions to stay ( $\beta = .28$ ,  $p < .01$ ), and in-role work performance ( $\beta = .23$ ,  $p < .05$ ) in statistically significant ways. Last, I-deals related with financial incentives also explained the variance in our outcome variables in following ways: affective organizational commitment ( $\beta = .17$ ,  $p < .01$ ), OCB-I ( $\beta = .21$ ,  $p < .01$ ), OCB-O ( $\beta = .25$ ,  $p < .01$ ), intentions to stay ( $\beta = .24$ ,  $p < .01$ ) and in-role work performance ( $\beta = .30$ ,  $p < .01$ ) were all again positive and statistically significant. Building on these findings, we accept our first hypothesis which predicted the predictive power of I-deals over our outcomes. Results for Hypothesis 1 are provided in Table 2 (summary results).

Our second hypothesis intended to compare the predictive power of developmental I-deals to flexibility I-deals and I-deals related to financial incentives on our outcomes. We tested this hypothesis a) by comparing the respective path coefficients to evaluate whether they differed in terms of their directions and strength and b) by constraining them to be equal in size and then re-estimating the structural models. If the model  $\chi^2$  increases significantly after constraining the paths, it means that there is meaningful difference between the effects with respect to overall model fit (Byrne, 2001; Kline, 2005). We compared the baseline model with no equality constraints imposed to alternative models where we imposed equality constraints considering each of our outcome variables. And for each of the outcome variables, we made two sets of comparisons; comparison between developmental I-deals against flexibility I-deals with respect to the concerned outcome variable and comparison between developmental I-deals and financial incentive I-deals with respect to the same outcome variable (Byrne, 2001). Therefore, there were ten different structural models run for each of the five outcome



Table 2. Results of structural equation models predicting the effects of I-deals and job crafting over outcomes.

Predictors	Affective Organizational Commitment		OCB-I		OCB-O		Intention to stay		Work performance		Corresponding Hypotheses
	$\beta$	<i>p</i>	$\beta$	<i>p</i>	$\beta$	<i>p</i>	$\beta$	<i>p</i>	$\beta$	<i>p</i>	
Work and task responsibility I-deals (i.e. Developmental I-deals)	.25	.01	.31	.01	.31	.01	.30	.01	.36	.01	Hypothesis 1
Flexibility I-deals	.21	.05	.23	.05	.29	.01	.28	.01	.23	.05	Hypothesis 1
Financial incentive I-deals	.17	.01	.21	.01	.25	.01	.24	.01	.30	.01	Hypothesis 1
Job Crafting	.27	.01	.16	.01	.25	.01	.18	.01	.25	.01	Hypothesis 2
Increasing social and structural job resources	.22	.01	.12	.01	.28	.01	.30	.01	.34	.01	Hypothesis 2
Increasing challenging job demands	.24	.01	.11	.05	.24	.01	.17	.05	.22	.01	Hypothesis 2

Note: *N* = 302  
 \**p* < .05; \*\**p* < .01.

variables and in each of these different models, the path coefficients among two pairs of I-deals and the concerned outcome was set to be equal. In each of the models, the comparison of the equality imposed model compared to the unconstrained model decreased the model fit. Building on the results of unconstrained structural model which showed higher coefficients for developmental I-deals (as reported for the testing of hypothesis one), and the findings from equality-constraints imposed models, we accepted our second hypothesis. Providing developmental I-deals to focal employees have statistically more significant and positive effects on employee outcomes compared to the effects of flexibility and financial incentives related I-deals. Detailed results are provided in Table 3.

Hypothesis three predicts a positive association between job crafting and the outcome variables. To examine this, we ran series of structural equation models. Results indicated the following positive associations: job crafting related to increasing social and structural job resources predicted affective organizational commitment ( $\beta = .27$ ,  $p < .01$ ), OCB-I ( $\beta = .16$ ,  $p < .01$ ), OCB-O ( $\beta = .25$ ,  $p < .01$ ), intentions to stay ( $\beta = .18$ ,  $p < .01$ ), and in-role work performance ( $\beta = .25$ ,  $p < .01$ ) were statistically significant. Job crafting related to increasing challenging job demands revealed the following positive associations: affective organizational commitment ( $\beta = .22$ ,  $p < .01$ ), OCB-I ( $\beta = .12$ ,  $p < .01$ ), OCB-O ( $\beta = .28$ ,  $p < .01$ ), intentions to stay ( $\beta = .30$ ,  $p < .01$ ), and in-role work performance ( $\beta = .34$ ,  $p < .01$ ) were statistically explained. Decreasing hindering job demands also had the following positive association with our outcome variables: affective organizational commitment ( $\beta = .24$ ,  $p < .01$ ), OCB-I ( $\beta = .11$ ,  $p < .05$ ), OCB-O ( $\beta = .24$ ,  $p < .01$ ), intentions to stay ( $\beta = .17$ ,  $p < .05$ ), and in-role work performance ( $\beta = .22$ ,  $p < .01$ ) were statistically related. Combining these findings, we accept hypothesis three. Results are shown in Table 2.

Hypothesis four compared the predictive power of I-deals over job crafting in terms of predicting our key outcome variables. We tested this hypothesis (a) by comparing the respective path coefficients to evaluate whether they differed in terms of their directions and strength and (b) by constraining them to be equal in size and then re-estimating the structural model (Byrne, 2001; Kline, 2005). The first condition that is the path coefficients of job crafting and I-deals dimensions in explaining the outcome variables showed that I-deals predominantly had greater explanatory power over all outcome variables except for affective organizational commitment. To test the second condition, we imposed equality constraints in each of our structural models and then made the comparisons in model changes. For two types of I-deals, three types of job crafting, and five outcomes, we ran series of structural equation models in each of which we made the pair-wise comparisons (equality constrained versus equality unconstrained). Results confirmed that adding equality constraints decreased the model fit and that I-deals, except for affective organizational commitment, had greater share in the variance of outcomes. Hypothesis four was therefore partially accepted. All the details regarding the comparison of effects are provided in Tables 4–6.

To further validate our findings, we investigated two additional structural models. In the first one, affective organizational commitment was tested as a mediating variable between the predictors (I-deals and job crafting) and the remaining outcomes (Model 5 = predictors = affective organizational commitment = outcomes). We based this model on the argument that attitudes lead to behaviors. In an alternative model (Model 6 = predictors = OCB-I, OCB-O = outcomes), OCB-I and OCB-O were used as mediating variables predicting the remaining outcome variables. We substantiated this by arguing that helping co-workers and engaging in citizenship behaviors to help the

Table 3. Results of structural models with equality constraints imposed comparing I-deals dimensions.

	$\chi^2$	df	$\chi^2/df$	IFI	TLI	CFI	RMSEA (CI)	$\Delta df$	$\Delta\chi^2$	p
Unconstrained model (baseline for comparisons)	466.74**	162	2.88	.87	.90	.91	.05 (044; .074]	Baseline	Baseline	
Effects over Affective Organizational Commitment										
Work and task responsibility I-deals → affective organizational commitment =	472.42**	163	2.89	.87	.90	.91	.05 (046; .072]	1	5.68	.02
Flexibility I-deals → affective organizational commitment										
Work and task responsibility I-deals → affective organizational commitment =	474.45**	163	2.89	.87	.90	.91	.05 (039; .075]	1	7.71	.008
Financial incentive I-deals → affective organizational commitment										
Effects over OCB-O										
Work and task responsibility I-deals → OCB-O =	478.44**	163	2.89	.87	.90	.91	.05 (045; .073]	1	11.7	.0002
Flexibility I-deals → OCB-O										
Work and task responsibility I-deals → OCB-O =	474.22**	163	2.89	.87	.90	.91	.05 (045; .073]	1	7.48	.0002
Financial incentive I-deals → OCB-O										
Effects over OCB-I										
Work and task responsibility I-deals → OCB-I =	480.20**	163	2.89	.87	.90	.91	.05 (042; .076]	1	13.49	.0001
Flexibility I-deals → OCB-I										
Work and task responsibility I-deals → OCB-I =	482.21**	163	2.89	.87	.90	.91	.05 (050; .075]	1	15.42	.0001
Financial incentive I-deals → OCB-I										
Effects over Intentions to Stay										
Work and task responsibility I-deals → Intentions to stay =	479.87**	163	2.89	.87	.90	.91	.05 (060; .079]	1	13.13	.0001
Flexibility I-deals → Intentions to stay										

(Continued)

Table 3. (Continued).

	$\chi^2$	df	$\chi^2/df$	IFI	TLI	CFI	RMSEA	(CI)	$\Delta df$	$\Delta\chi^2$	<i>p</i>
Work and task responsibility I-deals → Intentions to stay = Financial incentive I-deals → Intentions to stay	479.42**	163	2.89	.87	.9	.91	.05	(.052; .081]	1	12.68	.0001
Effects over In-Role Work Performance											
Work and task responsibility I-deals → In-role work performance = Flexibility I-deals → In-role work performance	471.85**	163	2.89	.87	.90	.91	.05	(.033; .075]	1	5.11	.02
Work and task responsibility I-deals → In-role work performance = Financial incentive I-deals → In-role work performance	473.65**	163	2.89	.87	.90	.91	.05	(.052; .088]	1	9.65	.001

Notes:  $N = 302$ ;  $\chi^2$  = model chi-square discrepancy; *df* = degrees of freedom;  $\chi^2/df$  = relative chi-square; IFI = Incremental Fit Index; TLI = Tucker Lewis Index; CFI = Comparative Fit Index; RMSEA = Root Mean Square Error of Approximation; CI = 90% Confidence Interval;  $\Delta df$  = change in degrees of freedom through imposing one equality constraint;  $\Delta\chi^2$  = change in chi-square compared to unconstrained model.

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

Table 4. Results of structural models with equality constraints imposed comparing work and task I-deals to job crafting.

	$\chi^2$	df	$\chi^2/df$	IFI	TLI	CFI	RMSEA (CI)	$\Delta df$	$\Delta\chi^2$	p
Unconstrained model (baseline for comparisons)	466.74**	162	2.88	.87	.90	.91	.05 (.044; .074]	Baseline		
Effects over Affective Organizational Commitment										
Work and task responsibility I-deals → Affective Organizational Commitment =	473.55**	163	2.90	.87	.90	.91	.06 (.048; .074]	1	6.81	.009
Increasing Social and Structural Job Resources → Affective Organizational Commitment										
Work and task responsibility I-deals → Affective Organizational Commitment =	475.38**	163	2.91	.87	.90	.91	.06 (.024; .065]	1	8.64	.003
Increasing Challenging Job Demands → Affective Organizational Commitment										
Work and task responsibility I-deals → Affective Organizational Commitment =	477.43**	163	2.91	.87	.90	.91	.06 (.048; .055]	1	10.69	.001
Decreasing Hindering Job Demands → Affective Organizational Commitment										
Effects over OCB-O										
Work and task responsibility I-deals → OCB-O =	469.56*	163	2.91	.87	.90	.91	.05 (.054; .063]	1	2.82	.09
Increasing Social and Structural Job Resources → OCB-O										
Work and task responsibility I-deals → OCB-O =	474.25**	163	2.91	.87	.90	.91	.06 (.067; .085]	1	7.51	.006
Increasing Challenging Job Demands → OCB-O										
Work and task responsibility I-deals → OCB-O =	477.85**	163	2.92	.87	.90	.91	.07 (.057; .076]	1	11.11	.0008
Decreasing Hindering Job Demands → OCB-O										
Effects over OCB-I										
Work and task responsibility I-deals → OCB-I =	479.45**	163	2.92	.87	.90	.91	.06 (.058; .086]	1	12.71	.0003
Increasing Social and Structural Job Resources → OCB-I										

(Continued)

Table 4. (Continued).

	$\chi^2$	df	$\chi^2/df$	IFI	TLI	CFI	RMSEA (CI)	$\Delta df$	$\Delta\chi^2$	$p$
Work and task responsibility I-deals $\rightarrow$ OCB-I = Increasing Challenging Job Demands $\rightarrow$ OCB-I	483.11**	163	2.92	.87	.9	.91	.05 (052; .066]	1	16.37	.000
Work and task responsibility I-deals $\rightarrow$ OCB-I = Decreasing Hindering Job Demands $\rightarrow$ OCB-I	472.22**	163	2.92	.87	.9	.91	.06 (055; .078]	1	5.48	.01
Effects over Intentions to Stay										
Work and task responsibility I-deals $\rightarrow$ Intentions to stay = Increasing Social and Structural Job Resources $\rightarrow$ Intentions to stay	477.92**	163	2.92	.87	.9	.91	.06 (048; .081]	1	11.25	.0007
Work and task responsibility I-deals $\rightarrow$ Intentions to stay = Increasing Challenging Job Demands $\rightarrow$ Intentions to stay	476.32**	163	2.92	.87	.9	.91	.06 (019; .054]	1	9.58	.001
Work and task responsibility I-deals $\rightarrow$ Intentions to stay = Decreasing Hindering Job Demands $\rightarrow$ Intentions to stay	479.12**	163	2.89	.88	.9	.92	.06 (028; .045]	1	12.41	.0004
Effects over In-Role Work Performance										
Work and task responsibility I-deals $\rightarrow$ In-role work performance = Increasing Social and Structural Job Resources $\rightarrow$ In-role work performance	473.41**	163	2.90	.87	.9	.91	.06 (045; .078]	1	6.67	.009
Work and task responsibility I-deals $\rightarrow$ In-role work performance = Increasing Challenging Job Demands $\rightarrow$ In-role work performance	477.45**	163	2.92	.87	.9	.91	.06 (034; .065]	1	7.71	.005
Work and task responsibility I-deals $\rightarrow$ In-role work performance = Decreasing Hindering Job Demands $\rightarrow$ In-role work performance	478.22**	163	2.92	.87	.9	.91	.05 (019; .025]	1	11.48	.007

Notes:  $N = 302$ ;  $\chi^2$  = model chi-square discrepancy; df = degrees of freedom;  $\chi^2/df$  = relative chi-square; IFI = Incremental Fit Index; TLI = Tucker Lewis Index; CFI = Comparative Fit Index; RMSEA = Root Mean Square Error of Approximation; CI = 90% Confidence Interval;  $\Delta df$  = change in degrees of freedom through imposing one equality constraint;  $\Delta\chi^2$  = change in chi-square compared to unconstrained model.

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



organization will increase performance, commitment, and trigger intentions to stay in the organization. To evaluate whether there was mediation among our proposed relationships, we utilized a bootstrapping approach (Shrout & Bolger, 2002). Significant mediation is present when the confidence intervals do not contain zero. Our results indicated that affective organizational commitment indeed mediated the relationship between predictors and outcomes (CI [.22/.33,  $p < .01$ ]). Alternative model which proposed the mediation of OCB-I and OCB-O was not supported (CI [-.12/.43]).

### **Discussions and theoretical implications**

In this research, we investigated the effects of I-deals and job crafting on key employee outcomes. Given the unprecedented increase in scholarly attention regarding I-deals (Hornung et al., 2013) and job crafting (Tims, Bakker, & Derks, 2013), this study took a step further and integrated the two constructs within the same research framework and differentiated the two.

Our findings regarding show that employees engage in proactive efforts to change some aspects of their tasks and also to negotiate for specific deals regarding their contributions to work environments. This study is the first one to integrate and examine job crafting and I-deals. Our results revealed that the power of I-deals overwhelmed the power of crafting jobs that does not necessarily involve the official consent of the supervisors.

Our research makes number of contributions. First, our two studies replicated the job crafting and I-deals scales, showing that both are indeed separate constructs. The findings of this study are also interesting considering its context of Turkey. Job crafting and I-deals were theoretically developed in the USA context and were so far validated using Western samples, predominantly drawn from the USA (I-deals) and samples from the Netherlands (development and validation of the job crafting scale). In our study, job crafting and I-deals scales portray slightly different structures in Turkey, which is a late industrialized and rapidly growing economy. More specifically, our results revealed that I-deals could be undertaken with respect to work and task responsibilities; flexibilities in work schedules and locations; and compensation related I-deals. Considering job crafting, our results showed that increasing social and structural job resources were combined into one factor; with increasing challenging demands and decreasing hindering job demands staying same. Unique cultural aspects of Turkey like high collectivism and power distance, as well as low future orientation (Kabasakal & Bodur, 2007; Kabasakal, Dastmalchian, & Imer, 2011) can potentially explain some of the differences. Especially a limited differentiation between social and structural job resources can be seen as flowing from a high in-group collectivist culture that makes borders between social and formal work aspects less clearly defined than in other settings.

Our second aim with this study was to relate these two proactive employee efforts to significant employee attitudinal and behavioral outcomes. Accordingly, our second hypothesis was that work and task responsibility I-deals would be more positively and significantly associated with key performance outcomes, including affective commitment. Results were in line with our predictions. Even though predictive power of I-deals dimensions over all outcome variables were significantly positive, associations between work and task responsibilities and affective commitment was the strongest relationship we observed. This finding was in line with arguments of Coyle-Shapiro and colleagues (2004) who argued that employee-organization relationships are shaped by social and economic exchanges. Mutual trust and reciprocity between employees



Effects over OCB-I									
Flexibility I-deals → OCB-I =	482.24**	163 2.94	.87	.9	.91	.06 (034; .077]	1	15.00	.0001
Increasing Social and Structural Job Resources → OCB-I									
Flexibility I-deals → OCB-I =	477.65**	163 2.93	.87	.9	.91	.06 (052; .072]	1	10.91	.000
Increasing Challenging Job Demands → OCB-I									
Flexibility I-deals → OCB-I =	483.44**	163 2.94	.87	.9	.91	.05 (066; .087]	1	16.71	.000
Decreasing Hindering Job Demands → OCB-I									
Effects over Intentions to Stay									
Flexibility I-deals → Intentions to stay =	477.55**	163 2.92	.87	.9	.91	.05 (062; .082]	1	10.81	.001
Increasing Social and Structural Job Resources → Intentions to stay									
Flexibility I-deals → Intentions to stay=	478.63**	163 2.93	.87	.9	.91	.06 (067; .083]	1	11.89	.0001
Increasing Challenging Job Demands → Intentions to stay									
Flexibility I-deals → Intentions to stay=	479.42**	163 2.93	.87	.9	.91	.05 (045; .077]	1	12.68	.0003
Decreasing Hindering Job Demands → Intentions to stay									
Effects over In-Role Work Performance									
Flexibility I-deals → In-role work performance =	472.22**	163 2.93	.87	.9	.91	.06 (023; .054]	1	5.48	.01
Increasing Social and Structural Job Resources → In-role work performance									
Flexibility I-deals → In-role work performance=	473.43**	163 2.89	.87	.9	.91	.05 (051; .086]	1	6.69	.009

(Continued)

Table 5. (Continued).

	$\chi^2$	df	$\chi^2/df$	IFI	TLI	CFI	RMSEA (CI)	$\Delta df$	$\Delta\chi^2$	<i>p</i>
Increasing Challenging Job Demands → In-role work performance										
Flexibility I-deals → In-role work performance=	471.24**	163	2.88	.87	.9	.91	.06 (045; .089]	1	4.50	.03
Decreasing Hindering Job Demands → In-role work performance										

Notes:  $N = 302$ ;  $\chi^2$  = model chi-square discrepancy; df = degrees of freedom;  $\chi^2/df$  = relative chi-square; IFI = Incremental Fit Index; TLI = Tucker Lewis Index; CFI = Comparative Fit Index; RMSEA = Root Mean Square Error of Approximation; CI = 90% Confidence Interval;  $\Delta df$  = change in degrees of freedom through imposing one equality constraint;  $\Delta\chi^2$  = change in chi-square compared to unconstrained model.

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

Table 6. Results of structural models with equality constraints imposed comparing financial incentive I-deals to job crafting.

	$\chi^2$	df	$\chi^2/df$	IFI	TLI	CFI	RMSEA (CI)	$\Delta df$	$\Delta\chi^2$	p
Unconstrained model (baseline for comparisons)	466.74**	162	2.88	.87	.9	.91	.05 (044; .074]	Baseline	Baseline	
Effects over Affective Organizational Commitment										
Financial Incentive I-deals → Affective Organizational Commitment =	472.15**	163	2.87	.87	.9	.91	.04 (043; .065]	1	5.41	.02
Increasing Social and Structural Job Resources → Affective Organizational Commitment										
Financial Incentive I-deals → Affective Organizational Commitment =	474.78**	163	2.91	.87	.9	.91	.06 (065; .078]	1	8.04	.004
Increasing Challenging Job Demands → Affective Organizational Commitment										
Financial Incentive I-deals → Affective Organizational Commitment =	476.74**	163	2.92	.87	.9	.91	.05 (044; .089]	1	10	.001
Decreasing Hindering Job Demands → Affective Organizational Commitment										
Effects over OCB-O										
Financial Incentive I-deals → OCB-O =	479.17**	163	2.94	.87	.9	.91	.05 (036; .065]	1	12.43	.0002
Financial Incentive I-deals → OCB-O										
Financial Incentive I-deals → OCB-O =	481.39**	163	2.94	.86	.89	.91	.06 (034; .091]	1	14.95	.000
Increasing Challenging Job Demands → OCB-O										
Financial Incentive I-deals → OCB-O =	480.12**	163	2.94	.87	.9	.91	.06 (044; .067]	1	13.38	.0002
Decreasing Hindering Job Demands → OCB-O										
Effects over OCB-I										
Financial Incentive I-deals → OCB-I =	482.34**	163	2.94	.87	.9	.91	.06 (055; .078]	1	15.60	.000
Increasing Social and Structural Job Resources → OCB-I										

(Continued)

Table 6. (Continued).

	$\chi^2$	df	$\chi^2/df$	IFI	TLI	CFI	RMSEA (CI)	$\Delta df$	$\Delta\chi^2$	<i>p</i>
Financial Incentive I-deals → OCB-I = Increasing Challenging Job Demands → OCB-I	477.76**	163	2.92	.87	.9	.91	.04 (.052; .083]	1	11.02	.0009
Financial Incentive I-deals → OCB-I = Decreasing Hindering Job Demands → OCB-I	473.12**	163	2.90	.87	.9	.91	.0 (.053; .092]	1	6.38	.01
Effects over Intentions to Stay										
Financial Incentive I-deals → Intentions to stay = Increasing Social and Structural Job Resources → Intentions to stay	475.17**	163	2.92	.87	.9	.91	.06 (.062; .082]	1	8.43	.003
Financial Incentive I-deals → Intentions to stay = Increasing Challenging Job Demands → Intentions to stay	476.66**	163	2.92	.87	.9	.91	.06 (.053; .078]	1	9.92	.001
Financial Incentive I-deals → Intentions to stay = Decreasing Hindering Job Demands → Intentions to stay	474.14**	163	2.92	.87	.9	.91	.06 (.043; .083]	1	7.40	.006
Effects over In-Role Work Performance										
Financial Incentive I-deals → In-role work performance = Increasing Social and Structural Job Resources → In-role work performance	471.24**	163	2.89	.87	.9	.91	.05 (.029; .074]	1	4.50	.03
Financial Incentive I-deals → In-role work performance = Increasing Challenging Job Demands → In-role work performance	471.98**	163	2.89	.87	.89	.91	.06 (.044; .063]	1	5.24	.02
Financial Incentive I-deals → In-role work performance = Decreasing Hindering Job Demands → In-role work performance	470.22*	163	2.88	.87	.89	.91	.06 (.034; .073]	1	3.48	.06

Notes:  $N = 302$ ;  $\chi^2$  = model chi-square discrepancy;  $df$  = degrees of freedom;  $\chi^2/df$  = relative chi-square; IFI = Incremental Fit Index; TLI = Tucker Lewis Index; CFI = Comparative Fit Index; RMSEA = Root Mean Square Error of Approximation; CI = 90% Confidence Interval;  $\Delta df$  = change in degrees of freedom through imposing one equality constraint;  $\Delta\chi^2$  = change in chi-square compared to unconstrained model.  
\* $p < .05$ ; \*\* $p < .01$ .



and employers form social exchanges (Rhoades & Eisenberger, 2002; Rousseau, Hornung, & Kim, 2009) while economic interests such as financial incentives and monetary gains constitute economic exchanges (Cropanzano & Mitchell, 2005; Rousseau et al., 2009). One interesting finding regarding effects of I-deals is that after having negotiated what they asked for, employees show citizenship behaviors not only towards their organizations but also towards their co-workers. Rousseau and colleagues (2006), when argued that I-deals have positive effects over individual and organizational level outcomes, also implied that perceived feelings of justice by team and organizational members might be hampered. Hornung and colleagues (2009) also argued that granting I-deals to a focal employee might signify breach of psychological contract for other employees (e.g. Coyle-Shapiro & Shore, 2007). Helping behaviors of employees directed towards their co-workers might be explained under the context of justice. In an effort to mediate the work environment and show fairness during the process of I-deals negotiations, focal employees show helping and other types of helping behaviors for their colleagues in the work setting.

We also hypothesized that job crafting will be positively associated with both attitudinal and behavioral outcomes. All dimensions of job crafting positively predicted our study outcome variables but associations among job crafting and OCB-I were relatively weak and almost insignificant. These patterns of findings signify that employees who engage in job crafting do not necessarily go extra miles for their organizations and their co-workers. However, other employee outcomes were all positively associated with job crafting.

Lastly, we hypothesized that predictive power of I-deals will be greater than the predictive power of job crafting over both attitudinal and behavioral outcomes. Findings supported our hypothesis. In work settings and contractual relations where employees are granted their I-deals, they develop different forms of citizenship and commitment foci (e.g. affective commitment, helping citizenship behaviors out of reciprocity and feelings of obligations). Decades ago, Blau (1964) informed us on reciprocity-based social exchange relations. Built on this core insight, scholars developed exciting streams of research around proactivity (Grant & Ashford, 2008; Grant & Parker, 2009), job crafting (Wrzesniewski and Dutton, 2001) and psychological contracts (Shore et al., 2004). In their study, Hornung and colleagues (2010) scattered the surface of differences between Ideals and job crafting of employees. I-deals are carried out with official involvement and consent of supervisors and therefore I-deals promise more mutual gains compared to outcomes of job crafting. Driven with this theoretical insight, we empirically showed that I-deals have more significant predictive power of attitudinal and behavioral outcomes compared predictive power of job crafting. This is conceivable because employees who are granted I-deals will feel more obliged to reciprocate to the employer in terms of performance and commitment. In addition, from a lens of proactivity, we find I-deals being more long-term oriented, thus having a higher probability of increasing person-environment fit, leading to higher performance as well as attitudinal outcomes.

### **Practical implications**

Findings from this study also have important practical implications for business settings. HR managers and unit supervisors/managers might design job crafting/I-deals intervention programs to foster employee proactive behaviors, as both show impact on key performance outcomes. For instance, successful examples of I-deals and job

crafting might be utilized to establish a climate supportive of these types of behaviors. As such, HR units and supervisors might work in collaboration to establish motivation-driving I-deal and job crafting mechanisms designed for everyone. Overall, employers might utilize I-deals and job crafting as strategies not only to attract talented employees but also to keep them committed and flourishing (Ng & Feldman, 2012). However, due to the individualized nature of these behaviors, co-workers might develop resistance which might hamper effective team work (Chiaburu & Harrison, 2008). Given that I-deals are carried out directly between subordinates and supervisors, the process of setting I-deals signals certain implications for other employees. In an effort to keep competent and valuable employees in organizations, managers shall keep close eyes on real motives, fairness and emotional dynamics before, during and following I-deals formation. Managers shall also come to understanding that I-deals differ from other forms of proactive employee efforts (e.g. job crafting, voicing, action planning or legitimate decision-making) in certain ways and grasping this understanding is especially critical for constructing perceptions of fairness, justice and emotional responses of other employees in work settings. To avoid potential perceptions of unfairness, supervisors as well as HR units might reinforce a resourceful environment via establishing clear and fair procedures for I-deals (Greenberg et al., 2004), as well as guidance for job crafting (Tims, Bakker, & Derks, 2013). Openly communicating the process and delivering the results to team mates will signal that co-workers might also craft their jobs and/or obtain similar I-deals.

As further steps, managers might align I-deals and job crafting with team goals so that potential conflicts are minimized. As such, managers in collaboration with HR units might set work goals and design tasks in a way to drive and reward these behaviors (e.g. Parker et al., 2010). For instance, increasing one's job control and modifying job demands are ways of breeding an active learning work environment (Berg et al., 2010). Moreover, as one result of the study is that I-deals show a higher impact on positive outcomes, supervisors could also more carefully be on the lookout for job crafting efforts, and try to translate them into I-deals to even increase positive effects.

### ***Limitations and further suggestions***

In the present research, we faced certain limitations. The first limitation was that we could not test causality among our study variables. Reverse causality is possible given that respondents come from across-industries, and that we did not conduct our study in a longitudinal time setting. Further research will be useful in investigating the same effects via building on a longitudinal design.

A further limitation of our study is its national context. While our results allowed some insight into proactive behavior in a different culture setting, we did not measure the effects of culture-specific variables such as collectivism. Future research might benefit from explicitly evaluating the degree to which companies with different cultural characteristics create work settings supportive of such proactive behaviors.

Third, we explored these proactive behaviors from the perspectives of the focal employee. While this is theoretically relevant (since the focal employee is the most salient one to evaluate his behaviors and that supervisors might not be objective in observing the proactive behaviors of their subordinates), further research is suggested to integrate others' perceptions of a focal employee's proactive behaviors, including both supervisors as well as co-workers.

Fourth, I-deals and job crafting represent unique and valuable work related opportunities that co-workers do not possess. In this respect, it is possible that co-workers of the focal employee might feel unfair treatments regarding the behaviors of their supervisors. This opens further research avenues for exploring the degree to which co-workers are important in the job crafting and/or I-deals process.

Fifth, we relied on social exchange (i.e. reciprocity) and proactivity (i.e. person-environment fit perceptions) in explaining our proposed hypotheses. However, we did not test these mechanisms. Future research is advised to test these mechanisms in explaining the effects of I-deals and job crafting.

This study focused on the positive side of job crafting and I-deals. However, co-workers whose work conditions are now differentiated due to focal employees' I-deals might react negatively (Liao et al., 2014). Similarly, managers might not accept job crafting because it might disrupt group dynamics and hamper work cohesion (Petrou et al., 2012). Future research is needed to reveal the dark side of these behaviors. An interesting avenue of research will be to reveal the consequences of breached I-deals and unsuccessful job crafting efforts. Moreover, it might be interesting to explore the buffering role of individual resources (e.g. affective and social resources) in combatting the undesirable consequences of unsuccessful job crafting/I-deals.

Moreover, future research might establish the discriminant validity of these two proactive behaviors from other relevant constructs (e.g. initiative taking). Examination of job crafting and I-deals across different industries, for specific jobs and at team level are also exciting areas for this research stream. We hope that our findings with this study widened the understanding on I-deals/job crafting and ignite more research.

### Disclosure statement

The data of this study had been collected before the first author started his Ph.D. at Warwick Business School. The first author used the translated scale of I-deals in his Ph.D. studies. The authors would like to thank the MBA students and all participants for their participation.

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# The International Journal of Human Resource Management

ISSN: 0958-5192 (Print) 1466-4399 (Online) Journal homepage: <http://www.tandfonline.com/loi/rijh20>

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**To cite this article:** Martin McCracken, Denise Currie & Jeanette Harrison (2015): Understanding graduate recruitment, development and retention for the enhancement of talent management: sharpening 'the edge' of graduate talent, The International Journal of Human Resource Management

**To link to this article:** <http://dx.doi.org/10.1080/09585192.2015.1102159>



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## Understanding graduate recruitment, development and retention for the enhancement of talent management: sharpening ‘the edge’ of graduate talent

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Graduates are deemed to be a key source of talent within many organisations and thus recruiting, developing and retaining them is viewed as a logical talent management (TM) strategy. However, there has been little attention paid to university graduates as part of an organisation’s TM strategy. Such a specific focus addresses the need for further research into the segmentation of talent pools and the specific challenges different talent pools are likely to create. This research, which utilised a qualitative data collection strategy, examined the experiences and practices of six large UK organisations in relation to graduate TM. Drawing from Gallardo-Gallardo, Dries and González-Cruz’s (2013. What is the meaning of ‘talent’ in the world of work? *Human Resource Management Review*, 23, 290–300.) framework for the conceptualisation of talent, the findings from this research indicate and explain why graduate employers are frequently compelled to use the object approach (talent as characteristics of people) due to the unique characteristics that recent graduates possess, even though other studies have found that a subject approach (talent as people and what they do) is preferred by most employers. Ultimately, employers conceptualise graduate talent by what they describe as ‘the edge’ which needs to be ‘sharpened’ to fully realise the potential that graduates offer.

**Keywords:** Generation Y; graduate development; talent management; graduate recruitment; graduate retention

### Introduction

Talent management (TM) has become a critical consideration for organisations in the increasingly uncertain and competitive business environment (Oppong, 2013). It is an activity that is receiving growing attention from practitioners and academics alike and is viewed as an integral aspect of improving organisational performance (Collings & Mellahi, 2009). Nevertheless, it is acknowledged that defining TM and understanding the complexities of how it is implemented in practice have been problematic (see e.g. Lewis & Heckman, 2006; Mellahi & Collings, 2010; Oppong, 2013; Vaiman, Scullion, & Collings, 2012).

In the quest to clarify TM, scholars have paid increasing attention to a range of issues, such as the conceptualisation of talent (Dries, 2013; Thunnissen, Boselie, & Fruytier, 2013), the degree of inclusivity when managing talent (Gallardo-Gallardo et al., 2013), the forecasting of talent demand and supply (Cappelli, 2008), the alignment between TM and business strategy (Kim & Scullion, 2011; Mellahi & Collings,

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2010) and the differences between TM and HRM (Minbaeva & Collings, 2013). TM is acknowledged as an extremely complex issue. It has been defined more generally by Davies and Davies (2010, p. 149) as the ‘systematic attraction, identification, development, engagement/retention and deployment of those individuals with high potential who are of particular value to an organisation’, whilst Collings and Mellahi (2009, p. 304) define it as being:

the activities and processes that involve the systematic identification of key positions which differentially contribute to the organisation’s sustainable competitive advantage, the development of a talent pool of high potential and high performing incumbents to fill these roles, and the development of a differentiated human resource architecture to facilitate filling these positions with competent incumbents and to ensure their continued commitment to the organisation.

The complexity surrounding TM is compounded by the agreement amongst many researchers that a ‘best fit’ or contingency model should be adopted where different strategies are implemented in response to different contexts and workforce characteristics (Boudreau & Ramstad, 2005; Cappelli, 2000; Collings & Mellahi, 2009; Pfeffer, 2001). For example, drawing from the work of Lepak and Snell (1999, 2002), the contingency approach can be implemented through a defined pattern of resource allocation and HR configuration associated with different groups of workers. Stahl et al. (2012) found that workers identified within ‘talent pools’ can be differentiated in terms of senior executives, technical experts and early career high potentials, and that TM practices are designed and implemented to address the different career paths and development strategies of these talent pools in alignment with the overall business strategy. Talent pools are identified which are specifically related to organisational needs; thus, this approach is very much associated with managerialist and unitarist views where firm performance and the achievement of organisational goals prevail over the interest, motivation and expectations of other stakeholders (Thunnissen et al., 2013).

The contingency approach can be further complicated when, on the other hand, a more pluralist perspective of the workforce is adopted. For example, conceptual and empirical studies are emerging on how TM should be differentiated for talent pools segmented by generations, particularly as those labelled ‘Millennials’ or ‘Generation Y’ (born after 1982) surface in greater numbers. Given the decreasing population of young people in many industrialised countries, competition for attracting and recruiting young talent is fierce amongst employers. Therefore, there is growing recognition that to attract Generation Y, TM practices and activities must account for the particular circumstances, interests, values, motivations and aspirations of this group of workers and that organisations should adopt a differentiated TM strategy to address more effectively their psychological contract and expectations (Festing & Schafer, 2014; Shaw & Fairhurst, 2008; Terjesen, Vinnicombe, & Freeman, 2007).

Thus, adopting the contingency approach to TM necessitates the recognition that a number of ‘talent pools’ can exist in an organisation and that the TM practices designed to target these different talent pools must consider the wide-ranging goals, expectations and motivations of the organisation, the individual and other stakeholders.

Graduates are one of the most common talent pools and many top-performing organisations view them as a key source of high potential employees (Garavan & Morley, 1997). The importance of recruiting, developing and retaining graduates is therefore regarded as a logical TM strategy that fosters organisational evolution and growth (McDermott, Mangan, & O’Connor, 2006). However, graduates are often seen

as an enigma because their potential is offset by specific challenges such as poor work readiness and unrealistic expectations about the world of work. Recent graduates also often fall into the Generation Y category which has different characteristics from other workforce generations (Traditionalists, Baby Boomers and Generation X). This means that those tasked with designing and implementing the right TM strategy for graduates need to understand the specific nature of the graduate talent pool.

With this in mind, we identified the need for more in-depth research designed to offer practical advice to employers to allow them to fully realise the potential of graduate employees, as well as extend our understanding of differentiated TM strategies. The objectives of this research are:

- To identify how ‘graduate talent’ is conceptualised by employers.
- To understand the priorities organisations have in relation to recruiting, developing and retaining graduate talent to achieve organisational objectives.
- To explore the challenges associated with recruiting, developing and retaining graduates (being cognisant of the attributes of Generation Y).
- To uncover innovative or novel practices that employers use to overcome the challenges of managing the graduate talent pool and their associated Generation Y characteristics.

To allow us to fully explore these issues, a number of overarching themes have been identified in the literature which are discussed below. In the section that follows, we discuss briefly how talent is conceptualised and the varying approaches to TM strategy and consider issues relating to the recruitment, development and retention of graduates and the challenges associated with addressing graduate TM. After discussing the methods used to collect and analyse the data, the next section discusses the findings of our study in relation to the objectives outlined above. Finally, in the conclusions, we suggest how the TM literature could be enriched by taking account of the unique characteristics and associated challenges and opportunities of graduates.

### **Talent and TM**

TM can be adopted using various approaches which largely depend on how talent is conceptualised by employers. For example, Gallardo-Gallardo et al. (2013) contend that two dimensions are of importance when considering TM. Table 1 sets out the approaches to TM, given these dimensions.

The first distinction is made between an inclusive (all employees) or an exclusive (select employees) approach. The inclusive approach includes everyone in the organisation and recognises that every employee has his or her own strengths which can add value to the organisation (Buckingham & Vosburgh, 2001). The exclusive approach, on the other hand, is based on the notion that those deemed as talent are an ‘elite subset of the organisation’ identified on the basis of some criteria, usually in relation to their unique characteristics or high performance (Gallardo-Gallardo et al., 2013, p. 295). The criteria used to identify talent will depend upon whether an object (talent as characteristics of people) or subject (talent as people) approach is adopted.

Gallardo-Gallardo et al. (2013, p. 293) describe the object approach as talent conceptualised as being people with ‘exceptional characteristics’ and can be further distinguished in terms of natural ability, mastery, commitment or fit with the organisational context. On the other hand, the subject approach conceptualises talent as people who

Table 1. Approaches to TM (Gallardo-Gallardo et al., 2013).

<i>Inclusive and subject approach</i> A broad range of TM practices applied to a broad range of people	TM is all-encompassing that is no different from HRM
<i>Inclusive and object approach</i> Appreciates the potential of a broad range of people and focuses on development activities in order to maximise potential	TM resembles human resource development
<i>Exclusive and subject approach</i> Focuses solely on a select few who have been identified to fill pivotal positions because of high performance or high potential	TM resembles management development or succession planning
<i>Exclusive and object approach</i> Focuses on giving opportunities to a select few who have been identified as being differentially different in terms of ability, motivation and commitment	TM is about tailoring opportunities for specific individuals deemed to have 'innate talent'

can make a difference to organisational performance whether through their immediate contribution or in the longer term by demonstrating the highest levels of potential (Tansley, Harris, Stewart, & Turner, 2007, p. 8). To identify such people as talent, it is argued that employers must have a clear idea about the past performance of employees (or potential employees).

In a study that examined the TM strategies and practices of 33 multinational corporations, Stahl et al. (2012) found that many organisations prefer to differentiate TM by taking an exclusive subject approach in which high-performing workers or those with high potential (alternatively classed as 'A' players) are subject to a range of more favourable rewards, incentives and developmental opportunities. However, although this research study and others (e.g. Iles, Preece, & Chuai, 2010) suggest that an exclusive subject approach may be favoured, other studies have found that talent is more commonly conceptualised drawing from the object approach. For example, Fleming and Asplund (2007) discuss talent as being aspects of personality or behaviour and interesting frameworks have also been found in the literature on giftedness (Gagné, 2004) and strengths (Biswas-Diener, Kashdan, & Minhas, 2011), whilst Valverde, Scullion and Ryan (2013) described talent in Spanish small to medium enterprises (SMEs) as attitude, performance, identification with and loyalty to the company.

Graduates are often described as a cohort of employees with 'high potential', but it is unclear what potential means to graduate employers. Gallardo-Gallardo et al. (2013) suggest that in practice, the label of 'high potential' is often based upon past performance data; however, graduates often lack the work experience to demonstrate their performance levels and the experience they do have may be insufficient for employers to judge appropriately. One way to identify the performance potential of graduates at the recruitment stage is through using more sophisticated selection methods such as assessment centres and aptitude tests. By focusing on these types of selection methods, employers may be signalling that they prefer to adopt the object approach to graduate talent; yet, this has not been deduced empirically. It is the intention of this research to determine how employers decipher graduate talent, i.e. whether employers conceptualise talent using the object approach (something graduates are) or whether the 'potential' of graduates is captured by the subject approach (something graduates have).

Another important contribution has been made by Cappelli (2008) who suggests that talent should be treated almost as a commodity (something that is bought, sold,

transformed and used as inventory) and that strategies akin to supply chain management should be adopted in the form of a ‘talent-on-demand’ approach. This approach outlines four principles that aim to address the risks of estimating demand for certain types of ‘talent’, whilst also addressing the uncertainty of being able to access the appropriate supply of ‘talent’ required to meet the challenges of creating organisational growth and sustainability. These four principles are (1) to make and buy talent to manage risk, (2) to adapt to uncertainty in talent demand, (3) to improve the return on investment in developing employees and (4) to preserve the investment by balancing employer–employee interests. To address these principles, Capelli outlines a number of recruitment, development and retention strategies that can be applied to the identified talent pools, but given the challenges of the graduate cohort (discussed further below), the priority placed upon addressing these principles and the challenges associated with achieving them may differ considerably to other talent pools. For example, employers focus more on the ‘potential’ of graduates to develop into high performers, and as a result, more emphasis will naturally be placed upon the development or ‘making’ of graduate talent. But given the increasingly uncertain nature of the business environment and therefore the uncertainty associated with the type of skills and knowledge required for the organisation to grow, questions arise about how developing graduate talent fits into the overall priorities for meeting organisational objectives. Thus, this research aims to understand the priorities organisations have in relation to recruiting, developing and retaining graduate talent to achieve organisational objectives.

### **Graduate recruitment, development and retention**

TM involves a variety of practices and activities, ranging from employer branding, recruitment and selection, succession planning, training and development and retention management, but the manner in which these practices are prioritised by organisations will depend upon the TM approach adopted and to whom they are directed. For example, when taking an exclusive subject approach, appropriate development strategies must be in place to ensure that the correct skills and competencies are developed within the ‘talent pipeline’ so that positions of pivotal importance can be filled by the most capable of employees. On the other hand, when taking an exclusive and object approach, attracting, recruiting and retaining innately talented individuals may be deemed important for gaining competitive advantage and therefore activities such as employer branding may be viewed as an important aspect of drawing talent into the organisation and away from competitors.

When deciding upon the most appropriate TM practices for graduates, a number of specific challenges can arise. For example, given graduates’ relative inexperience, there are often challenges in developing this cohort of employees to the standards expected by the organisation. Literature on graduate recruitment, development and retention has been dominated with concerns related to the employability of graduates. Employability can be described in various ways ranging from the skills essential for obtaining a job, such as interview preparation, to the skills needed to carry out a job effectively, such as generic abilities, personal attributes and specific/subject abilities (Heyler & Lee, 2014). It can also encompass an individual’s propensity to gain and maintain employment, and be effective in the workplace to the benefit of themselves, their employer and the wider economy (Harvey, 2001; Wilton, 2011). Various authors have commented that for too long there has been a discrepancy between the skills and competencies

employers expect from graduates and those that graduates actually possess (Crebert, Bates, Bell, Patrick, & Cragolini, 2004; Eisner, 2010; Rae, 2007; Raybould & Sheedy, 2005).

Several authors (De la Harpe, Radloff, & Wyber, 2000; Medhat, 2003) have also argued that employers increasingly perceive that higher education institutions are not producing 'work ready' graduates (Harvey & Contributors, 2003, p. 1) and that, although graduates may have degree-specific knowledge, they do not have the soft skills needed for the work environment. More recent research identifies soft skills such as team working, communication, adaptability and problem-solving to be key (European Commission, 2010; Eisner, 2010; Huq & Gilbert, 2013). It is these skills and qualities which are deemed to differentiate high potential graduates from others within their peer group. As a result, employers have become much more interested in transferable skills, which are typically softer in nature (communication, problem-solving and team working), and personality as opposed to job-oriented skills and knowledge.

Activities for recruiting and developing graduates are also becoming more important for organisations that wish to attract and retain the best graduate talent. There is growing acceptance amongst HR scholars and practitioners that the characteristics of recent graduates, many of whom belong to 'Generation Y' (i.e. millennials who were born between the early 1980s and early 2000s), need to be understood to ensure that recruitment and development activities are effective. Compared to other generations, research completed by Luscombe, Lewis and Biggs (2013) and Terjesen et al. (2007) reveals that Generation Y has unique attitudes, expectations and motivations. For example, it was found that they have expectations of extensive training and development opportunities as well as the desire for long-term career progression, variety in work, opportunities to collaborate and to work in a dynamic, forward-looking business that embraces advanced technologies. Furthermore, it was found that although Generation Y employees have a deep interest in charitable and socially responsible actions, they are also concerned with more personal issues (Senior & Cubbidge, 2010). For example, whilst Generation Y reported their desire to undertake challenging assignments, they were less inclined to enter into such roles unless the organisation could offer them the opportunity for a fair and honest assessment of how participation might affect future career aspirations. Similar findings were reported by ILM (2011) who found that Generation Y employees desired managers with a coaching style that could provide useful, honest and informal feedback regarding performance and prospects in the organisation.

Gaining a sense of fulfilment and enjoyment at work was also noted as a key motivator for these employees and that working time flexibility was instrumental in achieving this. The related issue of work-life balance has been noted by Asthana (2008) who argue that unlike their Baby Boomer or Generation X peers, Generation Y employees place less emphasis upon salaries and much more emphasis on flexible working, time to travel and a better work-life balance. Furthermore, ILM (2011) showed that although money was still a motivator for Generation Y, the aspiration to progress into another role or to another organisation after two or three years was often more important.

Drawing from the career development literature, King (2003) contends that graduates often regard their first employment as a stepping stone to better roles and thus look for employers to offer development opportunities that will enhance their external employability. This is problematic for employers wishing to retain the best graduate talent. For example, developing programmes that aim to enhance the graduate's internal employability for promotion into key strategic positions is also likely to prepare them for an external route to career progression. Poor retention levels of graduates can be a

concern for many employers, given that, on average, they do not recoup the investment made in graduate-level employees until the graduate spends a year in a senior strategic role, which is often not until their fifth year of employment (Beddingfield, 2005). Authors such as King (2003) have noted that one of the main reasons why highly talented graduates choose to move to another company is related to the lack of opportunities they receive for training, development and career progression.

Furthermore, Scholarios, Lockyer and Johnson (2003) contend that turnover and retention issues arise when initial expectations are not fulfilled in reality. Issues arise as employers find it increasingly difficult to meet such expectations. Ultimately, Beddingfield (2005) argues that it is this mismatch of expectations and a lack of preparation for the reality of working life that can cause a high churn rate amongst graduate employees.

In summary, employers are faced with a number of challenges in relation to graduate TM. They need to become much more aware of the types of skills (general, transferable and more specific) they require from graduates to capitalise on opportunities for organisational stability and growth, but they also need to understand how to attract the right graduates from the general labour market and how to retain them to maintain an internal graduate talent pool. In order to retain and maximise the potential of these graduates, employers need to develop strategies which will allow both the graduate and organisation to grow together, addressing the graduates' expectations for development and opportunity. If employers are able to understand this labour market reality, they should be in a more favourable position to recruit and retain the right talent to fulfil their strategic objectives. Thus, given the unique characteristics of recent Generation Y graduates, this research aims to identify the specific challenges associated with recruiting, developing and retaining graduates and uncover the innovative or novel practices that employers use to overcome the challenges of managing the graduate talent pool.

### **Methodology and research design**

A multiple case study approach was chosen to undertake the research for this study. Many authors have noted how a case study approach allows for an increase in the quality and quantity of data obtained and for the researcher to analyse relationships and social processes that is not possible via a quantitative approach (Gummesson, 1991; Yin, 2009). The organisations chosen for this study were selected through a purposeful sampling strategy after an initial meeting was held with the Careers Development Department of the University in which the researchers were employed. The purpose of this initial contact with the Careers Department was to help identify a range of multinational corporations and regionally based SMEs that had employed graduates recently. The Careers advisors were able to provide a list of organisations who met our initial sampling frame, which were organisations with more than one hundred employees, as it was felt they were more likely to have a dedicated HR function (Brewster, Wood, Croucher, & Brookes, 2006) and may have considered TM strategies. Six organisations from various industries, including IT, Hospitality, Manufacturing (Aerospace), Charitable, Construction and Public Sector Health care, were identified as potential case study participants and invitation letters were sent to the HR Director/Manager. All of the organisations responded favourably to our request for access and preliminary interviews were set up with key personnel who could outline contextual issues within their organisations and advise us regarding further data collection.



Rather than simply rely on the managerialist perspective, our goal was to gain access to personnel who were involved in, and who were the recipients of graduate TM strategies. This included interviews with line and departmental managers, HR managers/advisors and graduate trainees/recruits. By including graduates in our data collection, more consideration was given to how TM strategies are experienced and responded to by the 'talent' to whom they are directed (Huang & Tansley, 2012). Thunnissen et al. (2013) argue that the current literature is relatively unitarist in perspective and thus, by gaining the graduate viewpoint, we were able to understand a wider and more pluralist perspective from the key stakeholders involved in the TM area. Table 2 below provides details of the case organisations, including a brief description about their context:

The data collected were analysed using Eisenhardt and Graebner's (2007) guidelines on case study analysis. The aim of the data collection was to obtain insights into the priorities of these organisations in relation to their graduate TM strategies. The primary source for data collection was face-to-face interviews, although in some organisations, archival data in the form of annual reports, strategy documents, trade and internal company magazine articles were also collated in order to provide information on graduate recruitment and development issues. Across the six case organisations, 16 semi-structured and in-depth qualitative interviews were held with HR Managers, line managers, who directly supervised graduates, and at least one graduate in each organisation who was working in a graduate position. The interviews typically lasted 60 min (with variations between 25 min and 80 min). Prior to data collection, an interview protocol was developed and an interview guide was designed based on the literature. This interview guide comprised questions on a number of issues including: graduate recruitment and development priorities in relation to the company's TM strategy; skills and competencies issues; changing graduate expectations; and issues of retention. During the interviews, respondents were encouraged to describe and share information about their experiences of organisational strategies and practices relating to those issues mentioned above.

In relation to data analysis, after the interviews were fully transcribed, the research team analysed the data to determine common factors and themes. The three authors coded the responses according to their relevance to the main research areas as discussed above. Consistent with the definition given by Silverman (2000, p. 123), we were able to 'establish a set of categories and then count the number of instances that [fell] into each category'. In essence, this technique was designed to code the qualitative information and allowed us to '... make some analytic "sense" of raw data. Conventional methods of achieving this involve the coding of open-ended replies in order to permit comparison' (May, 1993, p. 105). 'Open coding' was used, which meant that each response was analysed and the data were placed in emergent categories. Additionally, use was made of what Turner (1981) has called 'axial' coding that allowed us to review and resort the data into sub-categories and establish linkages and relationships. As can be seen from the sub-headings in the findings section below, distinct themes emerged from the coding process. For example, retention emerged as a theme and from this general category, several sub-categories 'fell-out' of the data relating to, for example, the problem of meeting expectations and the design of training programmes.

After the raw data were analysed, a series of individual case study reports were developed and presented to the organisations involved in the study. Further, as part of this analysis, follow-up meetings were undertaken with three out of the six HR managers, with whom we had originally agreed research access, to discuss common themes

Table 2. Interviews conducted.

Organisation	Interviewees	Graduate programme
<i>Construction (National)</i> This organisation had previously focused their activities on the housing market but then decided to concentrate their efforts on attracting new clients such as large supermarkets in order to weather the downturn in the economic climate. These new clients were deemed to be being much more demanding to work for but were viewed as an integral aspect of the organisation's growth strategy	<ul style="list-style-type: none"> <li>• HR manager</li> <li>• Construction site manager</li> <li>• Construction graduate (Retail team)</li> </ul>	Yes
<i>Aerospace (Multinational)</i> This is a subsidiary of a large multinational. Although this organisation had previously embarked on a programme of redundancies, they were currently experiencing a period of rapid growth and expansion. The strategy for growth focuses on emerging technologies within the industry	<ul style="list-style-type: none"> <li>• Graduate HR manager</li> <li>• IT line manager</li> <li>• IT graduate</li> </ul>	Yes
<i>IT Software Development (Multinational)</i> A software development company that has grown rapidly in recent years. They are focused maximising the opportunities for business growth through the development of more complex technologies	<ul style="list-style-type: none"> <li>• HR manager</li> <li>• Line manager</li> <li>• Graduate trainee</li> </ul>	Yes
<i>Public Sector Health care (National)</i> This organisation has run a graduate development scheme for over 50 years. At the time of the research, constraints to the public purse meant that have had to deal with budgetary pressures	<ul style="list-style-type: none"> <li>• Graduate scheme manager</li> <li>• Line manager</li> <li>• Graduate trainee</li> </ul>	Yes
<i>Charitable (Local Operation of Worldwide Charity)</i> This charity was experiencing significant budgetary pressures. It was aiming to develop a number of new charitable programmes with the intention of attracting more funding	<ul style="list-style-type: none"> <li>• HR and finance manager (also responsible for line management)</li> <li>• Graduate volunteer</li> </ul>	No
<i>Hospitality (Regional)</i> This was one of the largest hospitality companies in the region. At the time of the research, it was experiencing a number of business challenges, given that the hospitality industry was majorly affected during the economic downturn. The company has now been acquired by another organisation, but a key feature of their business strategy remains within the area of customer service	<ul style="list-style-type: none"> <li>• HR manager</li> <li>• line hospitality manager</li> <li>• Graduate hospitality manager</li> </ul>	No



in the findings. In effect, these meetings added another layer of data analysis and allowed us to ensure that the information we collected was externally valid. A key strength of this approach was that it allowed the triangulation of data from multiple informants in order to determine the key lessons that could be learned about graduate TM in this context. This analysis then formed the basis of the research findings, which are presented below.

## Findings and discussion

This findings section is organised according to the research objectives presented above. For a full summary of findings from each of the six case studies in relation to these four research objectives (RO), see Table 3 below.

### *What is graduate talent?*

The first objective of this research was to ascertain what employers understood graduate talent to be. Detailed analysis of how each case organisation conceptualised graduate talent can be found in Table 3 within the RO1 column. One clear finding was that employers felt that graduates who are able to showcase their talent will have ‘the edge’ in comparison to others in the graduate labour market. For example, when probed further upon this concept of having ‘the edge’, the HR Manager from the Public Sector Organisation noted that there was now a clear expectation that graduates would have many of the softer, interpersonal skills, but that they would also be more strategically orientated and have the ‘drive to face new challenges, ... be people with fresh eyes’.

Similarly, in the Aerospace Organisation, the HR manager reiterated that it was critical for graduates to display the ability to give a ‘fresh’ perspective on issues. In terms of what the other organisations desired regarding skills and competencies, responses were summed up by a line manager from the Hospitality Organisation who expected graduates to offer something ‘extra’ in comparison to non-graduate staff. In this organisation, they did not have a specific graduate development programme, but the interviewee felt that graduates often displayed other abilities that could help the organisations address the specific challenges of that sector. For example, commenting on behavioural and technical competency requirements, the HR manager noted that

It’s not enough any more to be bubbly, you need to pour a pint and upsell, pour a pint and [sell] a packet of nuts or a pint and [sell] a dinner, you need to maximise sales .... graduates should be able to do that.

A similar picture emerged in the construction organisation where, because of the organisation’s strategy of contracting for more demanding clients in the retail sector, graduates were required to have a more comprehensive set of knowledge, skills and competencies at the recruitment stage. When we asked the line manager about the demands being placed upon their current graduates, he sensed that a lot was now asked of them in an increasingly stressful and ‘fast paced’ environment, which meant that the quality that was most valued was the ability to ‘deal with uncertainty and ambiguity’. A similar perspective was found in the Charitable Organisation where the HR manager noted that the ‘ability to cope with uncertainty had become increasingly important over the last few years’.

It is important to note that we found the term ‘talent’ to be a subjective one, something which has been reiterated in the literature (see e.g. Tansley, 2011 and

Table 3. Findings.

Organisation	RO1 How is 'graduate talent' conceptualised?	RO2 Understand the priorities in relation to recruiting, developing and retaining graduate talent to achieve organisational objectives	RO3 Challenges associated with recruiting, developing and retaining graduates	RO4 The novel practices used to overcome the challenges of the graduate talent pool
<i>Construction (National)</i> This organisation had previously focused their activities on the housing market but now concentrate their efforts on attracting new clients such as supermarkets who were deemed to be being much more demanding to work for but were viewed as integral to the organisation's growth strategy	<ul style="list-style-type: none"> <li>Comprehensive KSA to 'hit the ground running' as development activities curtailed due to business pressures</li> <li>Flexibility and being able to deal with ambiguity considered as essential qualities given that many core clients were geographically remote from the organisation's base</li> </ul>	<ul style="list-style-type: none"> <li>Due to business priorities and operational pressures, reduced time for development activities for graduates which resulted in emphasis on experiential learning for graduates</li> </ul>	<ul style="list-style-type: none"> <li>Tough and highly competitive culture (internally and externally) for graduates to adapt to</li> <li>Need for resilience and ability to work with challenging targets which are often imposed by clients who have very tight deadlines</li> </ul>	<ul style="list-style-type: none"> <li>Key strategy to reemploy recent graduates who had completed placements with organisation</li> <li>Placement viewed as vitally important as it allowed vital skills to be assessed before graduate offered permanent contract</li> <li>Graduates obtained insight into organisational culture which meant socialisation process was enhanced</li> </ul>
<i>Aerospace (Multinational)</i> This is a subsidiary of a large multinational. Although this organisation had previously	<ul style="list-style-type: none"> <li>Graduate talent expected to bring</li> </ul>	<ul style="list-style-type: none"> <li>Graduate intake for formal graduate</li> </ul>	<ul style="list-style-type: none"> <li>Frustrations linked to graduates' attitudes</li> </ul>	<ul style="list-style-type: none"> <li>Development changed from</li> </ul>

(Continued)

Table 3. (Continued).

Organisation	RO1	RO2	RO3	RO4
	How is 'graduate talent' conceptualised?	Understand the priorities in relation to recruiting, developing and retaining graduate talent to achieve organisational objectives	Challenges associated with recruiting, developing and retaining graduates	The novel practices used to overcome the challenges of the graduate talent pool
embarked on a programme of redundancies, they were currently experiencing a period of rapid growth and expansion. The strategy for growth focuses on emerging technologies within the industry.	<p>innovation and creativity to organisation</p> <ul style="list-style-type: none"> <li>Graduates need to bring something fresh</li> </ul>	<p>programme reviewed regularly and linked to overall strategy and designed to ensure there was flexibility in terms of KSA workforce</p> <ul style="list-style-type: none"> <li>Priorities placed on recruiting for more advanced and senior level positions</li> </ul>	<p>towards the professional work environment and lack of business oriented skills</p> <ul style="list-style-type: none"> <li>Mismatch in perceptions regarding graduate abilities to progress between employers and graduates.</li> <li>Difficult to recruit graduates with right knowledge and skills</li> <li>Graduates want broad experience</li> </ul>	<p>functional to generalist development programme to ensure that graduates receive greater exposure to varied parts of the business</p> <ul style="list-style-type: none"> <li>Stronger links fostered with local and national universities to help shape development of university programmes to ensure that graduates are equipped with more specific skill sets</li> <li>Mentoring scheme for placement students and recent graduates</li> </ul>

*IT Software Development (Multinational)*

A software development company that has grown rapidly in recent years. They are focused on maximising the opportunities for business growth through the development of more complex technologies

- Graduate talent was linked to the specific skills in software development as well as communication and team working skills
- Talented graduate can demonstrate an edge
- Graduates seen as an essential part of IM strategy but issues noted regarding the actual skills that available graduates possessed.
- Need for very specific skills that allowed the IT Company to compete for new business meant that recruiting more recent graduates was in some cases secondary to obtaining employees who could contribute very quickly
- Skills shortages meant the market for the most skilled and talented graduates was extremely competitive
- Very skilled graduates in a strong bargaining position, especially in the local labour market
- Lack of loyalty perceived to be a problem as recent graduates often prepared to move for new opportunities
- IT organisation sought to accentuate the possibility of longer-term career development in this organisation if they possessed appropriate skills
- Coaching also formalised and graduates given opportunities to move around in organisation taking on overseas assignments etc
- Online induction tools used to up-skill graduates before they begin work

*Public Sector Health care (National)*

This organization has run a graduate development scheme for over 50 years. At the time of the research constraints to the public purse meant that have had to deal with budgetary pressures.

- Graduates who could contribute something special key to this organisation.
- Fresh creative and innovative approach to role and organisational activities seen as key.
- Graduates who could illustrate their drive, motivation to learn and who are flexible in terms of taking opportunities particularly valued.
- Given specialist nature of the organisation (developing support
- Difficulties in public sector environment led to pressures, but the long established graduate programme meant that the organisation would continue to seek very highly motivated recent graduates.
- Keeping the formalised structure of the graduate programme was important.
- Generalised nature of programme was valued by graduates who realised that a secure and well paid position could accrue

(Continued)

Table 3. (Continued).

Organisation	RO1	RO2	RO3	RO4
	How is 'graduate talent' conceptualised?	Understand the priorities in relation to recruiting, developing and retaining graduate talent to achieve organisational objectives	Challenges associated with recruiting, developing and retaining graduates	The novel practices used to overcome the challenges of the graduate talent pool
		and management development programmes for Healthcare sector) the organisation acknowledged that further development was essential for graduates.		at the end of the process.
<i>Charitable (Local Operation of Worldwide Charity)</i>	<ul style="list-style-type: none"> <li>• Experience and ability to make an impact within the organisation.</li> <li>• Attitude and motivation</li> </ul>	<ul style="list-style-type: none"> <li>• Priority placed upon experienced employees as opposed to graduates</li> <li>• Lack of resources for developing graduates</li> <li>• Third level education not considered essential – linked to risk of excluding potential talent</li> </ul>	<ul style="list-style-type: none"> <li>• Graduate applicants lacking in necessary skills and competencies to deal with organisational challenges.</li> <li>• Retention noted as a problem – acknowledgement that organisation could not offer extensive development opportunities expected by recent graduates.</li> </ul>	<ul style="list-style-type: none"> <li>• Graduates encouraged to join organisation as volunteers which helped to fill human resource gaps</li> <li>• Graduates volunteers have opportunity to up-skill, whilst organisation can 'road test' graduates for potential job opportunities.</li> </ul>

*Hospitality (Regional Northern Ireland)*

This was one of the largest hospitality companies in the region. At the time of the research it was experiencing a number of business challenges given the fallout from the economic downturn. The company has now been acquired by another organisation but a key feature of their business strategy remains focused on customer service.

- Graduates should offer something different and extra.
- Perception that graduates should be able to adopt quickly to behavioural and technical competency requirements in a changing hospitality sector.

- Many graduates recruited but not in traditional graduate positions
- Graduate skill sets often inappropriate to contribute to organisation priorities.
- Need of development through experiential and other training to allow a contribution to be made

- Strong employer brand but concerns that graduates expectations when employed are not met.
- Frustrations about graduates work readiness.
- Challenges in terms of retaining graduates for the long term as the organisation is perceived to be good early career employer but struggles to sustain opportunities for further career progression.
- Some graduates not prepared to perform what are perceived to be junior roles, but these are vital for gaining experience in this sector.

- Employer brand seen as an important element of attracting graduates to the organisation.
- Key focus for TM strategy is to open opportunities for accelerated progression to 'under employed' graduates when they demonstrate desired skills and attitude.



Huang & Tansley, 2012). When discussing graduate talent, employers referred to the technical and specific skills that were important for their business: having the ability to think strategically; having the ability to deal with uncertainty; being career focused; being committed to further development; having some quality work experience (through placement or otherwise); and having common sense and practical knowledge; having self-awareness and confidence and initiative. However, the employers' conceptualisation of graduate talent was more nuanced and often based on intangible qualities or experiences that they could only sum up by 'the edge'.

The graduates interviewed were acutely aware of the need to promote those skills and competencies most sought by employers. For example, one of the graduates working in the Hospitality Organisation understood that he had to demonstrate both practical and more intangible qualities in his role, by exhibiting '... a good business mind, ... and a good solid head on my shoulders, common sense ... I don't think I was employed because of my degree but more my experience, practical sense and capability to do the job'. Meanwhile, another graduate from the Aerospace Organisation stated how it was essential that you 'stand out through life experiences' in order to differentiate yourself from other graduates. He summed up the scenario by noting that 'most grads have the same level of knowledge therefore selection is often based on other aspects'.

The issue of 'standing out from the crowd' was also noted when we explored the importance of work placements and internships. A key aspect for a number of the employers was an apparent change in attitude towards placements. In the past, they would have been viewed as an 'extra', but simply having a year's placement appeared to no longer be enough to impress prospective employers. For example, the HR manager from the Public Sector Organisation explained how they now took a much more analytical approach towards the placement experience: 'Graduates think that just because they have their degree and a year's placement experience, that's enough. People who have actively sought work in their area will stand out. The good ones are very focused in terms of their career'.

We found that employers dissected in more detail the graduate's placement and other work experience and their performance levels in order to inform recruitment decisions. The line manager from the Construction Organisation summed up the use of their placement opportunities as being 'a one year-long interview'. Building on this perspective, the line manager from the Aerospace Organisation made a point of noting that their senior managers were openly critical of the fact that some university courses did not offer placement opportunities. This had led to frustration because he felt it was obvious to all stakeholders that engineering placements were '... important in developing graduates for the world of work'. Indeed, he went on to describe how the organisation had begun to liaise more closely with local Higher Education Institutes (HEIs) in order 'to develop the courses that we could benefit from ... we need more specific skills sets from graduates and specific knowledge. This has been difficult to acquire and thus we are striving to work with universities'.

In summary, research objective one was designed to identify how the various interviewees conceptualised graduate talent. When considering Gallardo-Gallardo et al.'s (2013) typology of talent approaches using a subject or object lens, we suggest that employers take a blended approach to graduate TM that is contingent on the information employers have about the performance potential of graduate candidates. We found that judging the graduates' past performance levels in the workplace is becoming an increasing priority for employers as they are now looking for more tangible evidence

of the candidate's placement and work experience. This demonstrates that employers would prefer to adopt a subject approach when identifying talent (i.e. based on performance or potential to perform), but they recognise that this is not always feasible, given the lack of experience of many graduate applicants.

On the other hand, our interviews with employers also indicated that without the tangible information about the performance potential of graduate candidates, the employers look for something more nuanced within the graduate to inform their recruitment decision. Ultimately, employers were looking for something 'extra', something 'fresh', the ability to 'stand out from the crowd' and someone with an 'edge'. This equates to an object approach as described by Gallardo-Gallardo et al. (2013), in which talent is conceptualised as the innate characteristics of people and not just what they do or how they behave. The Hospitality and Charitable organisations however conceptualised talent using the subject approach more so than the object approach. They did not necessarily target graduates, but instead they invested in the development of individuals who already worked within the organisation and who were identified as performing to a high standard and displaying an 'edge', some of whom were graduates in non-graduate positions and some who were volunteers.

We suggest that the degree to which graduate talent is conceptualised using an object or subject approach is contingent on the availability of tangible information about the graduate's past performance or potential to perform, but given the lack of experience that graduates display, employers who target graduates may be more compelled to adopt the object approach, which inherently carries more risk in terms of graduates meeting performance expectations.

### ***Organisational priorities for graduate TM***

The second research objective was designed to understand the priorities organisations had in relation to recruiting, developing and retaining graduate talent to achieve organisational objectives. Detailed analysis of these priorities can be found in Table 3 in the column dealing with RO2. Our findings suggest that the challenges of sustaining competitiveness and creating business growth, and the skills and experience required to facilitate this, were the most influential factors for graduate TM. All six organisations studied mentioned the constantly changing business needs, the impact of such turbulence on the opportunities available for graduates and the need to acquire graduates with certain skills and experience to fill, or have the potential to fill, pivotal positions. The interviewees from the Construction, IT, Public Sector and Aerospace Organisations admitted that although many of these pivotal positions were out of the reach of recent graduates due to their lack of skills and experience, the opportunities they offered from within formal graduate programmes were still a vitally important component of their TM strategy. These organisations reiterated the importance of having a presence in the graduate labour market to ensure that fresh and up-to-date skills and talents could be maintained. As the HR manager from the Public Sector Healthcare Organisation commented:

We are now running new OD/HR and engineering schemes. Procurement just started this year and IT is starting next year. The management schemes continue to run because it's all about TM, getting folk into the organisation with drive to face new challenges.

However, an interesting trend from our discussions was the apparent redirection of resources from traditional graduate trainee programmes towards the recruitment of more



experienced professionals whose expertise could help deal with more immediate business needs. Therefore, the overall approach to TM in these organisations focused on attracting and recruiting individuals with more advanced, knowledge-based and technical skills.

Thus, although the importance of graduate talent was recognised, it was also acknowledged that recent graduates were often unable to deliver the skills and expertise that were needed. The IT HR Manager commented that the reduction in graduate recruitment was not influenced by issues of affordability, but rather by the need for specific skills and experience which graduates were unable to offer, 'we need more experienced people, so figures for graduate recruitment are not driven by the economy, they are driven by business need ... we don't have the luxury of bringing in so many graduates now'.

The key aspect to this finding was that at least three of the case organisations acknowledged that they needed to 'buy in' the necessary talent and experience to fill positions of pivotal importance, at the expense of developing and promoting from within. The priority of the Construction, Aerospace and IT organisations in particular was to maximise the opportunities for growth and attract individuals who could make an immediate impact to the organisation. It was felt by the interviewees that graduates frequently needed more support and time commitment to allow them to fully contribute. For example, a line manager from the Aerospace Organisation commented how the 'recruitment of recent grads is restricted due to necessary mentoring and development required ... in order to fulfil business needs ... the business relies heavily on experienced subcontractors now'. Therefore, although employers recognised the importance of continuing to recruit graduate-level employees, current business demands frustrated opportunities for developing them fully, with time and resource commitments needed to mould graduates to the required standard at a premium. However, although graduate places were more limited, we also noted how those organisations, which continued to offer graduate opportunities, employed a more selective approach for recruitment to ensure that they could deliver what the HR Manager from the Public Sector Organisation described as better 'value for money'.

Therefore, in line with Cappelli's (2008) assertion, three of the employers interviewed chose to both 'buy' and 'make' talent to manage the risk of shortfalls in expertise and experience. Due to the aforementioned time and resource constraints, priority was given to 'buying-in' relevant skills and experience over developing graduates and this impacted on the numbers recruited. This was a predominant feature of the growth organisations and for those sectors with skills shortages. By focusing on graduate TM, an exclusive approach is inherent; however, given the challenges associated with graduates and their development needs, these organisations have increased the exclusivity of their graduate talent programmes to reduce the risk of managing talent inefficiently. In terms of their graduate talent programmes, they have had to become more exclusive and therefore the criteria to join such programmes have been further refined. Again, this led some of the interviewees to reiterate that having the 'edge' was now essential for graduates if they were to be considered for one of the prized places.

Skill shortages were less of a feature in the Charitable and Hospitality organisations and thus a more improvised approach to TM could be adopted. These organisations did not specifically address graduate TM but still adopted an exclusive approach to TM by acknowledging the contribution from specific individuals who displayed 'an edge', regardless of their qualification. However, this approach was not part of an over-arching TM strategy, but was delivered in a more ad hoc or improvised manner. For example,

in the Charitable Organisation, the emphasis on the recruitment of graduates had changed. Issues connected to a lack of experience and skill requirements as well as the challenge of training, coaching and mentoring graduates were given as reasons as to why this organisation no longer focused specifically on the graduate labour market, but yet they were still open to the idea of encouraging graduate volunteers to contribute to the organisation. The HR manager from the Hospitality organisation also adopted a more informal view of how graduates could be used to develop their talent pool. A key focus of this organisation was to open opportunities to a range of employees, many of whom were graduates employed in non-graduate positions, if they could demonstrate they had the appropriate skills and attitudes to progress their career in the hospitality business.

We have a manager who left in the final year of her law degree having decided that it wasn't for her and that the hospitality industry was the way forward for her. Our induction process is very like, you might not be here for long, or you might be here for a considerable length of time- whatever, there is a clear progression for you. If you show potential and skills you will be promoted. It's very much a level playing field for graduates and non-graduates

These findings suggest organisations will reconsider their graduate TM approach when faced with specific business challenges or opportunities. Given that this research was conducted during a period of economic instability, it may have been assumed that organisations could simply not afford to recruit graduates. However, our findings suggest that cost was not the predominant factor and that the rationale for reducing graduate numbers was more strongly related to a perceived lack of skills and experience. With this in mind, our third objective was designed to explore in more detail the challenges, and the associated solutions, which employers face in terms of graduate TM.

### ***Challenges of addressing graduate TM***

Detailed analysis of the challenges associated with addressing graduate TM can be found in Table 3 within the column RO3. One of the key findings was the concerns employers raised about graduate employability. For example, the line manager from the Aerospace Organisation summed up that graduates were not always 'work ready'. He noted that in particular they needed 'better presentation skills, interpersonal skills. ... better understand the working professional environment. They are sometimes quite undisciplined. Some don't have the confidence to ask questions or share ideas. They are too quiet'.

At least half of the organisations still had graduate-level positions that remained hard to fill. For example, the HR manager from the IT Organisation bemoaned the fact that, in her experience, 'IT companies in general are all saying the same thing about the lack of IT graduates. Even in years to come when we are looking for experienced people there will still be problems'. With a key strategy of growth and expansion, this organisation had changed its approach to graduate recruitment and selection. Where it had historically tended to rely heavily on recruiting from local universities, recently it had begun to look towards other national and international sources.

A number of other challenges and concerns were noted by the case study organisations. For example, participants from the Construction Organisation commented that retaining graduate talent in a tough, uncompromising and highly stressful environment was a major challenge, whilst for the Aerospace, IT and Hospitality organisations,

managing expectations regarding the provision of development opportunities, or simply being able to find enough graduates with the specific skills set needed, were pressing concerns.

Ultimately, many of these challenges are associated with managing Generation Y. For example, this cohort may not have the loyalty to the organisation that other generations in the past may have displayed. The line manager from the IT Organisation noted how newer graduates were more inclined to move to competitors for new opportunities, despite having been the recipients of a great deal of developmental resource. Similarly, in the Hospitality and Aerospace organisations, it was found that some Generation Y graduates were reluctant to perform roles which they perceived did not fully utilise their skills and talent. Interestingly, when we probed for more details regarding these issues, the managers we interviewed noted that in some cases, graduate recruits were ill equipped to perform well in higher level roles and had to be more patient and prepared to up-skill significantly.

In this research, it was noted that there were clear challenges associated with the employability, attitude and values of Generation Y graduates. Thus, the employers' expectations in relation to the graduates' performance were often not met and unsurprisingly, several had adopted a more cautious approach to graduate recruitment and development by pursuing a more exclusive approach. Given the challenges of the Generation Y graduates, this reinforced the importance for employers to look for graduates who were perceived to possess the 'edge'.

### *Novel practices designed to address graduate TM issues*

The IT Organisation employed innovative recruitment and selection methods. The HR manager described how they utilised online videos to further inform and up-skill graduate recruits in advance of officially starting with the company. It was also noted that this initiative was now so successful in the preparation of new graduate recruits that there were plans to fully implement it across all talent groups of the organisation. As well as looking at the early stages of employment, there appeared to be an excellent development structure in place which was designed to give graduates access to extensive coaching, career development planning, shadowing, independently directed learning and visits to customer organisations and international office locations. This strategy was designed to respond to the motivation, expectations and values of Generation Y who were described by the HR manager as typically having a 'two-year, itchy feet thing'. The HR Manager observed how these novel practices to graduate recruitment and development had allowed them to achieve the positive outcome of retaining graduates for five years on average.

In relation to the Public Sector Organisation, it was observed that efforts had been made to restructure the graduate development scheme to allow graduates to obtain experience in all relevant functional areas. The benefit of creating more structured graduate schemes was also recognised within the Aerospace organisation which had recently introduced many changes to its scheme in the hope that the 50% annual churn of engineering graduates would be reduced. The HR Manager noted how they had traditionally developed their graduate intake within specific chosen functional areas. However, the organisation now recognised the importance of offering a more holistic programme that could offer the best graduates more exposure to other business areas. This change was in response to two factors. Firstly, the organisation realised that when progressing from the existing graduate development programme, the opportunities for

career progression were limited. Secondly, the graduates themselves communicated their dissatisfaction with the design of the programme. They had joined the organisation with the expectation that they would receive a varied exposure to the business and when these expectations were not met, some graduates left.

Such scenarios are commented upon by Cappelli (2008) who contends that for organisations to address talent retention issues, they must ensure that their development programmes 'balance employee/employer interests'. Cappelli proceeds to suggest that engaging employees in decisions about their progression or giving them choice about how they wish to develop will have a positive effect on retention. The Aerospace organisation was clearly aware of this important principle and developed its graduates more broadly and in line with more holistic organisational behaviours and competencies, as opposed to more narrowly defined functional requirements. Thus, graduates were better equipped, had more choice and freedom to apply for a greater variety of internal positions and thus could direct their own career progression more effectively. Such a development strategy is particularly important for 'Generation Y' graduates who are much more au fait with issues surrounding career progression than perhaps their Generation X colleagues (Luscombe et al., 2013). Indeed, after making changes to the development programme, the Aerospace organisation realised a significant improvement in the retention of graduates. Furthermore, current graduates on the revised programme seemed to be very satisfied with the more varied development journey stating: 'it is a very structured programme – the big thing about this organisation is about knowing the wider business before knowing exactly where you want to go. You need to know this before knowing how to develop further'.

The practices in use within the Construction Organisation were also designed to improve retention rates, where the setting of challenging 'stretch targets' for the most capable graduates appeared to have enhanced their motivation and resulted in the very best staying with the organisation, regardless of other opportunities within the market. For example, a graduate from this organisation who had responsibility for new site development for large retail organisations noted how his role was extremely challenging and how he had to 'deal with uncertainty because there was real pressure in working with organisations like [large UK supermarket chain] who set demanding targets and 'don't accept any excuses ... you need to be able to explain why exactly there are any delays in construction of new sites'. The pressures which this graduate experienced are in line with the third principle which Cappelli (2008) outlines. In order to improve the return on investment on developing employees, Cappelli suggests that employees must share in the costs of development. In the Construction Organisation, graduates who are under pressure to meet 'stretch targets' have to push themselves to meet the expectations of their employers and having then impressed their employers, the graduates seemed reluctant to leave, having invested the effort in proving themselves.

### **Conclusions, contribution and implications for practice**

This study has examined the distinguishing features of graduate TM in a number of UK case organisations. Overall, there are three main conclusions. Firstly, our primary objective was to establish how the employers within our case studies conceptualised graduate talent. Employers described a number of skills and attributes that they look for in graduates, but defining graduate talent was more nuanced and could only be summed up as having an 'edge'. This aligns with the 'object' approach outlined by Gallardo-Gallardo et al. (2013), i.e. something that the graduates have as opposed to

something which they demonstrate they are. However, we suggest that graduate employers adopt an object approach when the subject approach is inadequate for making judgements about the performance potential of graduates, especially at the recruitment stage. There are a number of drawbacks to the object approach. The employers we spoke with described talent as something intangible, 'an edge', but it is unclear how this translates to performance levels in the organisation. There was great dissatisfaction about the 'work-readiness' of graduates and thus we suggest that identifying graduate talent using the object approach may be sub-optimal in comparison to the subject approach.

There are a number of implications for this finding. Given that employers may prefer to approach the identification of talent using the subject approach, they need to have more information about the candidate's ability to perform in the workplace (a reality that aptitude tests and assessment centres may not address fully). The employers we spoke to have taken a greater analytical view of the placement and work experience of graduates and some have also invested greater effort in working with universities to design university degree programmes that will address the knowledge and skills required by employers. However, employers need to find ways to identify and evaluate the performance potential of graduates and thus an important recommendation for employers is to develop stronger links, not only with university personnel, but also with university students as they progress through their course. Providing placement opportunities is a vital aspect of learning about graduates' performance potential, but a range of other initiatives could be considered that strengthen relationships between employers and university students, such as internships, summer placements and involvement in university assessments.

Our second conclusion relates to the recruitment, development and retention of graduate talent to achieve organisational objectives. By focusing on the graduate talent pool, employers naturally adopt an exclusive approach to TM and we found that for those organisations that had graduate development programmes in place, the approach to graduate TM was characterised by greater exclusivity, where the number of graduates recruited and developed was reduced in favour of 'buying in' or recruiting experienced personnel who could make an immediate impact. Although the importance of graduate talent was still recognised and the organisations we spoke with made systemic changes to their development programmes to improve the quality of graduate talent, the immediate need for particular skills and knowledge to meet organisational objectives was seen to be a greater priority. The decision to reduce graduate numbers was further compounded by the many challenges that graduates presented when entering the world of work in terms of the investment and effort required on the part of employers to develop graduates to a standard where performance expectations are met. These challenges were often linked to the characteristics associated with Generation Y employees.

Thus, although 'making' talent from the graduate talent pool was still deemed an important TM activity, choosing to 'buy in' talent to manage the risk of talent supply and demand was of greater priority, particularly when operating in a business environment that demanded more advanced skills. However, when it comes to graduate TM in sectors that demand less advanced skills (such as the hospitality and charitable organisation), choosing to adopt a more improvised approach for managing graduate talent pools seemed to be preferred. Irrespective of the sector or structure of TM activities, we found that employers adopted an exclusive approach for selecting graduates for talent pools which was based on the criteria of 'the edge'.

There are two key implications of this second conclusion. Firstly, although graduates may be selected for talent pools because they have ‘the edge’, there is still a clear need for employers to invest in the development of graduates so that their potential can be improved or their ‘edge’ can be ‘sharpened’. And secondly, if employers across the board continue to de-invest in graduate recruitment and development, grave concerns may arise about the supply of talent to fill pivotal positions within organisations in the long term, particularly in sectors that require more advanced skills (Cappelli, 2008). It would be wise for organisations that have reduced the scale of their structured graduate development programmes to be cognisant of the graduate talent across the entire organisation and adopt, in addition to the structured graduate development programmes, a more improvised and flexible approach to develop the graduate talent pool.

Our final conclusion relates to the novel practices that employers have adopted to address graduate TM. The study identified a number of initiatives which were developed by employers to address the idiosyncratic characteristics of Generation Y graduates. For example, online induction videos were used to up-skill graduates prior to commencing employment, more opportunities to broaden the experience of graduates were offered, more choice of career path was offered and structured mentoring and coaching programmes were initiated. Many of these practices were introduced in response to poor graduate retention rates. Thus, although employers are taking a more selective approach to graduate recruitment, they must still continue to invest in opportunities offered to graduates to address retention and ensure an appropriate return of investment. This is becoming much more challenging, given the different characteristics of Generation Y graduates compared to other generations in the workforce. An implication of this last conclusion is that employers must evaluate their graduate talent pool and reflect on the suitability of the TM practices for the recent graduate labour market, particularly as this market is made up largely of Generation Y.

This study contributes to the knowledge base of TM as it reveals the distinguishing features of TM for graduates. Given that graduates have unique characteristics, this study reaffirms the need for organisations to adopt a differentiated TM approach, but it also raises questions about why talent is conceptualised in the manner it is. Gallardo-Gallardo et al. (2013) discuss talent in terms of an object or subject approach, but when considering graduates, this study proposes that it is preferable for employers to judge graduate talent based on performance potential (subject approach). However, the characteristics of graduates and lack of performance information compel employers to judge talent based on more nuanced and intangible qualities that they call ‘the edge’.

#### ***Avenues for future research and limitations of the study***

This research addresses the matter of differentiating talent pools by specifically examining graduates and taking account of the unique characteristics and associated challenges and opportunities that this talent pool exhibits. However, we acknowledge there are a number of limitations to this research. Firstly, our data collection was limited to a few key personnel within a limited number of cases. Broadening the data collection to involve more graduates from a range of backgrounds, as well as more line managers would have strengthened the reliability and validity of our findings. Secondly, we have not compared the TM practices used for graduates with another category of employees. An avenue for further research would be to perform a comparison of our data surrounding graduate talent with information on how talent is conceptualised when considering

different employee talent pools. We recommend that similar research is conducted on other categories of employees such as cohorts of apprentices, middle or senior managers or sub-groups of employees across different areas of the business. By exploring TM and considering different cohorts of employees and their characteristics, the literature can be enriched with further ideas about how and why talent is conceptualised in the manner it is. By considering a range of employee characteristics and their associated challenges and opportunities for TM, researchers and practitioners will be better informed about how strategies can be differentiated to produce improved outcomes.

### Disclosure statement

No potential conflict of interest was reported by the authors.

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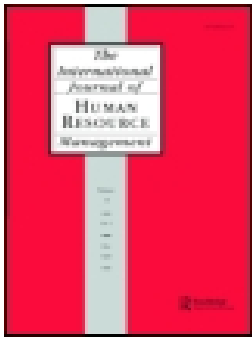
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# The International Journal of Human Resource Management

ISSN: 0958-5192 (Print) 1466-4399 (Online) Journal homepage: <http://www.tandfonline.com/loi/rijh20>

## Predictors of flexible working arrangement provision in small and medium enterprises (SMEs)

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**To cite this article:** Bernice Kotey & Bishnu Sharma (2015): Predictors of flexible working arrangement provision in small and medium enterprises (SMEs), *The International Journal of Human Resource Management*, DOI: [10.1080/09585192.2015.1102160](https://doi.org/10.1080/09585192.2015.1102160)

**To link to this article:** <http://dx.doi.org/10.1080/09585192.2015.1102160>



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## Predictors of flexible working arrangement provision in small and medium enterprises (SMEs)

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SMEs comprise 99.7% of all private sector businesses in Australia and employ 70% of the private sector workforce. They are therefore important to policies on flexible work arrangements (FWAs). The provision of FWAs has been found to usually contribute positively to employee well-being and business performance. However, the majority of studies focus on large firms and it is unclear whether these associations apply equally to SMEs. Using data from the Australian Bureau of Statistics Business Longitudinal database for 2007–2011 ( $n = 2788$ ), this study investigates the extent to which factors such as firm size, industry sector, terms of employment, employees' skills and use of the internet at work affect the provision of FWAs in SMEs. The findings show that smaller businesses are constrained by resources to provide FWAs, but do so in pursuit of industry norms and/or as a result of the profile of their employees. It is also easier to provide FWAs in certain industries than in others and use of the internet facilitates the provision of FWAs.

**Keywords:** flexible working arrangements; human resource management; productivity; SME; skills; telecommuting; work–life balance

### Introduction

Employees are acknowledged as an important resource for carving competitive advantage because their tacit knowledge and skills are difficult to imitate (Andersén, 2010; Wright, Dunford, & Snell, 2001). Employee management is therefore an integral part of a firm's strategy that defines its position in the market (Panayotopoulou, Bourantas, & Papalexandris, 2003). In addition, employees constitute a major component of a firm's costs. It is therefore critical that SME managers understand how to manage their workers to enhance their creativity and productivity.

A number of approaches to employee management are discussed in the literature however, high-performance work practices including FWAs have sometimes been found to increase operational and financial performance (Messersmith, Patel, Lepak, & Gould-Williams, 2011; Stavrou & Kilaniotis, 2010) by motivating employees, enhancing their retention and improving their productivity (Posthuma, Campion, Masimova, & Campion, 2013). This study investigates employee and business characteristics that predict the provision of FWAs in SMEs.

In an era where employees are said to work harder, have limited work–life balance and where various health problems are attributed to stress at work (Costa et al., 2004), the findings should guide FWA decisions in SMEs. Attention to FWA has increased in

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the last few decades following its endorsement by the International Labour Organisation (Messenger, 2006), the European Union (EU) and the Organisation of Economic Co-operation and Development (Goetschy, 2006; Zeytinoglu, Cooke, & Mann, 2009). Despite this the literature is sparse on its application in SMEs.

A review of the literature and development of hypotheses in the next section leads to the methodology. This is followed by the results and then the discussion and conclusions section where implications are drawn.

## Literature review

### *The relevance of FWAs to employers and employees*

There are two perspectives to FWA (Chung & Tijdens, 2013; Costa et al., 2004; Lewis, Gambles, & Rapoport, 2007): the employer's (Reeve, Broom, Strazdins, & Shipley, 2012; Wattis, Standing, & Yerkes, 2013; Zeytinoglu et al., 2009) and the employee's (Kelliher & Anderson, 2010). Employers' use of FWA can be categorised into internal and external purposes (Kleinknecht, Oostendorp, Pradhan, & Naastepad, 2006). Internal FWAs deal with flexible 'functional' work practices that promote work-life balance, reduce staff turnover and enhance job satisfaction (Hyman & Summers, 2004; Russell, O'Connell, & McGinnity, 2009). They include job rotation to meet the changing needs of the business as well as to provide job enlargement and job enrichment for employees. Internal FWAs also involve changing work schedules to meet employees' needs (Kleinknecht et al., 2006). Employers may use internal FWA as incentives to compete for professional and highly skilled workers (MacDermid, 2005; McCrate, 2005) and to motivate employees with the ultimate aim of increasing their retention and productivity (Combs, Liu, Hall, & Ketchen, 2006; Russell et al., 2009).

External FWAs relate to flexibility in hiring practices aimed at managing variations in production in response to fluctuating demand (Houseman, 2001; Reeve et al., 2012). Employers use casual, temporal and contract staff to manage peak and low periods of demand by maintaining a limited number of full-time staff and increasing employee numbers, temporarily during peak periods (Scarborough, 2012). External FWAs are also used when regular employees are on leave, or to engage workers on specific projects or during periods of skill shortages where qualified full-time workers are unavailable (Anagnostopoulos & Siebert, 2015). In addition, external FWAs cover individuals who work in the business but are paid by an employment agency and are not on the organisation's payroll, as well as employees hired for a limited and specific period of time such as Christmas holidays (Houseman, 2001). Employers utilise external FWAs to save on wage, training and benefit costs; provide needed assistance during business restructuring or mergers; or to fill positions requiring temporary workers or until a regular employee is hired (Brooks & Swailes, 2002; Houseman, 2001). From the above, it is clear that efficiency and competitiveness are two major factors that influence management's decision to use external FWAs (Kleinknecht et al., 2006).

When given the opportunity, employees are able to use FWAs to achieve a work-life balance (WLB) (Bardoel, De Cieri, & Santos, 2008). In this respect, FWAs can enable employees to manage paid work along with family responsibilities, with the aim of reducing stress, burn-out and negative impacts on families from workplace changes (Lewis & Cooper, 1999). FWAs provide employees with choices as to when, where and how much work to undertake to achieve a satisfactory WLB (Kelliher & Anderson, 2010; Russell et al., 2009). This study focuses on FWAs requested by employees to

enhance their WLB and provided by employers for internal purposes i.e. to create job satisfaction and enhance employee commitment and retention. Relevant FWAs include flexible working hours (flexible start and finish times while maintaining the same number of work hours per week); paid parental leave; flexible leave arrangements; choice of rosters and shifts; variable year employment (e.g. working more hours during busy periods and taking time off in quiet times); and job-sharing (e.g. splitting work between two people, 2.5 days each or 2:3 days split) (Workplace Flexibility [WF], 2013). Employees may also request to work from home (e.g. telecommuting) or remotely (from a different location such as from client's place of work). According to Mamaghani (2012), telecommuting allows employees to minimise stress and cost of travel to work and its use has increased in the last two decades. Telecommunicating also benefits employers by reducing infrastructure cost (Andersen, 2011). These internal FWAs meet employees' need for flexibility. In addition, the study examines the extent to which these FWAs are available to employees engaged on casual, part-time or temporary contracts set by the employer – i.e. employer external FWAs.

A number of studies report positive associations between FWAs and business performance (Martínez-Sánchez, Pérez-Pérez, Luis-Carnicer, & Vela-Jimenez, 2008; Sands & Harper, 2007). Kelliher and Anderson (2008) find positive correlations between FWAs and employees' perceptions of job quality dimensions such as control, autonomy, WLB and job satisfaction. Brooks and Swailes (2002) report a positive link between allocation of preferred shifts to nurses and their commitment to work. FWAs have also been noted to empower employees and to reduce employee turnover and absenteeism, ultimately improving organisational learning, competitiveness and environmental adaptability (Grzywacz, Carlson, & Shulkin, 2008; Johnson, 2004; Posthuma et al., 2013; Wang, Yi, Lawler, & Zhang, 2011).

Despite the importance of FWA to employee welfare and business performance, the majority of studies on the subject focus on large firms (Maxwell, Rankine, Bell, & MacVicar, 2007). Researchers have called for examination of the application of FWAs in SMEs (Cegarra-Leiva, Sánchez-Vidal, & Cegarra-Navarro, 2012). The case for FWAs in SMEs is examined next.

### ***SMEs and flexible working arrangements***

SMEs comprise 99.7% of all private sector businesses in Australia and employ 70% of the workforce (Department of Industry, Innovation, Science, Research & Tertiary Education (DIISR&TE, 2012). An understanding of the factors that affect their use of FWAs to enhance employee performance is, therefore, important to both SMEs and the economy.

Under the Fair Work Act (2014), the industrial relations regulation in Australia, employees may request FWAs where they are: disabled, 55 years or older, have caring responsibilities, are experiencing violence from their family or providing care for family members experiencing violence. Employers can refuse the request on reasonable grounds such as excessive costs, significant loss in efficiency and productivity, negative impact on customer service and lack of capacity to accommodate the request.

Although it is not known whether the rate of refusal of employee FWA requests is higher in SMEs than in large firms, the literature indicates that in SMEs, FWA decisions are linked more to the employers' than employees' needs (Dex & Scheibl, 2001; Maxwell et al., 2007; McDonald, Guthrie, Bradley, & Shakespeare-Finch, 2005). This is traced to the informal, ad hoc approach to employee management in SMEs and to

their limited resources. SMEs also tend to lack access to relevant knowledge capital and innovative capabilities to effectively manage the provision of FWAs (Singh, Garg, & Deshmukh, 2008; Terziovski, 2010).

Dex and Scheibl (2001) report that although both large and SME employers provide FWAs at employees' request, in SMEs these arrangements are contingent on the employee–employer relationship. Dex and Scheibl (2001) also find that FWA policies are more likely to be written, structured and standardised in large firms than in small businesses. Large firms are able to build a culture of flexibility by encouraging staff to cover for colleagues who are away; a strategy potentially unavailable to small firms with few employees (Dex & Scheibl, 2002). Maxwell et al. (2007) note that part-time work and shift swapping are the main forms of FWAs used by Scottish small businesses. They explain that employees' request for FWA are managed informally, with the final decisions based on business needs and the costs and benefits to both the business and the employee. Maxwell et al. (2007) report that the major problems associated with provision of FWAs in small firms revolve around administration and management of the arrangements.

Given the importance of FWAs to business performance, an understanding of the factors that explain their application in SMEs will improve their use and outcomes. Researchers also note that studies on FWAs are generally based on theoretical arguments or on a small number of empirical case studies (Chung & Tjidsens, 2013). This study, therefore, addresses these gaps by using a sample of SMEs from a national dataset to investigate the extent to which SMEs provide their employees with FWAs and the factors that explain the use of FWAs. It focuses on FWAs associated with WLB such as flexible work hours; working from home; purchasing extra or cashing out leave, or taking leave without pay (LWOP); flexible use of leave; paid parental leave; job sharing; and choice of rosters or shifts.

Limited resources, high cost of FWAs and low institutional pressures would suggest a lower propensity among SMEs to provide FWAs compared with large firms but the literature is inconclusive on this. Some researchers report a gap in FWA provision in small firms (Maxwell et al., 2007), others argue that smaller firms are more likely than large firms to provide flexible work schedules (Houseman, 2001) while a third group find that size has no effect on provision of FWA (Stavrou, 2005). Like Maxwell et al. (2007), we argue that provision of FWA will increase with size of the firm, as capacity to meet employee FWA requests improves with access to more resources. Moreover, as the firm grows, it becomes necessary to use FWAs to attract skilled employees and enhance competitive positions (Kotey & Slade, 2005). The following hypothesis is, therefore, tested:

H1: Size of the business, measured by number of employees and locations and total wage costs, is positively related to the provision of FWAs in SMEs.

The industry of operation determines the types of FWAs that can be provided (Costa et al., 2004). Zeytinoglu et al. (2009) demonstrate that employees in the construction, education, health and other service sectors have greater access to flexible work schedules than those in the manufacturing and primary sectors. Their findings are consistent with those of Usalcaas (2008) and Levesque (2007) who also report a higher tendency among service firms compared with manufacturing firms to provide flexible work schedules. FWAs such as working from home should be less prominent in industries and job positions where employees have to be present at the workplace. In contrast, it will be easier to allow work flexibility where customers do not participate in all stages

of the service process such as with computer services or where the service is not performed on customers. Following this position, the hypothesis below is developed for testing:

H2: The industry of operation is associated with the provision of FWAs such that FWAs are more prevalent in SMEs in the service than manufacturing and primary industry sectors.

The extant literature indicates that employees with management and professional skills are more able to successfully negotiate FWAs than less skilled employees (Cooke, 2007; McCrate, 2005). Zeytinoglu et al. (2009) attribute this to the autonomy and control that skilled workers have over their work. Unless operating in sectors that require skilled workers, small firms are likely to contract the services of people with specialist skills rather than employ them. Nonetheless, SMEs that require specialist skills must offer incentives including FWAs to compete for them on the labour market. Furthermore, such FWAs are enabled where SMEs use the internet, allowing employees to telecommute and reduce the cost and stress of travelling to work (Andersen, 2011; Mamaghani, 2012). Based on the above review, we propose the following hypotheses for testing:

H3: Possession of professional or managerial skills is positively related to provision of FWAs in SMEs.

H4: Use of the internet at and for work is positively associated with provision of FWAs in SMEs.

Terms of employment or employment status also determine the provision of FWAs. According to Zeytinoglu et al. (2009), regular part-time employees have greater access to FWAs than those in full-time employment while those in temporary full-time positions are less likely to have standard work schedules. FWAs are most flexible for employees in temporary part-time positions. In general, employees who do not work full-time enjoy greater flexibility in work schedules, and are unlikely to request FWAs that further reduce their work hours.

It is well known that owner-managers work long hours and rarely take holidays, especially where they are sole owners (Scarborough, 2012). However, job sharing becomes possible where there is more than one owner or where managers are employed to run the business, enabling proprietors to access other FWAs and improve their WLB. From the above, the following two hypotheses are developed for testing.

H5: There is a positive relationship between employment terms or status and FWA such that employees on full-time contracts are more likely than those on temporary contracts to be provided with FWAs.

H6: The number of working proprietors or salaried directors in SMEs is positively related to the provision of FWAs.

## **Methodology**

Data were sourced from the Australian Bureau of Statistics' Business Longitudinal Database Confidentialised Unit Record File 2006–2011. The database contained responses by SME owners to questions on various aspects of their businesses measured on binary and interval scales with continuous data on financial variables such as income and total wages. Questions on FWAs were available for 2007–2011 so that data



for this period were analysed. SMEs were defined as those employing 5 to 199 workers (DIISR&TE, 2012). Microfirms, i.e. those with 1–4 employees were excluded, as they were less likely to be able to respond to employee requests for FWAs compared with the other SMEs. Of the 7538 cases extracted for the study, 4750 had missing values and 2788 cases were examined. Variables measured on interval and continuous scales were converted into logarithms. The definitions and descriptive statistics for the independent variables are shown in Appendix 1.

Since the dependent variables, the various FWAs, were measured on a binary scale binary logistic regression models were used to predict the probability that each FWA would be used by SMEs with the characteristics discussed in the literature review, i.e. the independent variables: total employee, total wage costs, number of locations, industry sector, working proprietors or salaried directors, employment terms (full-time, temporary and casuals), employees with specialist skills and internet use. A separate analysis was carried out for each dependent variable. The independent variables: total employees; total wage costs; number of locations, full-time, temporary and casual workers; number of working proprietors and salaried directors; and use of the internet were entered in block in the regression analysis while the various industry sectors and specialist skills were included as stepwise entries with forward selection (likelihood ratio). The exponentials of the B coefficients (Exp (B)) were interpreted (Schwab, 2013). Where the beta coefficient was negative, the inverse of Exp (B) was used to explain the relationship (Wuensch, 2011).

The number of SMEs employing the various specialist skills was: engineering (209), marketing (332), project management (142), information technology (IT) (243), business (326), and scientific & research (106) professionals; IT support technicians (284); employees with trade skills (351); and transport, plant and machine operators (354). The number of SMEs in each industry sector was: agriculture (627); manufacturing (396); mining & construction (231); retail trade (145); wholesale trade (256); information technology (IT), business and scientific services (279); rentals, hiring and transport (271); accommodation, restaurant, cafes, cultural and personal services (449); and administrative services (134).

## Results

Tests of the full models against the constant only models were statistically significant for each FWA (see Tables 1 and 2), indicating that the predictors reliably differentiated between SMEs that provided FWAs and those that did not. The flexibility to use leave entitlements was provided in 39.7% of the cases, 34.5% cases provided employees with flexible working hours and employees were allowed to take leave without pay or cash out their leave in 33.2% of the cases. Employees chose their rosters or shifts in 25% of the cases and were allowed to work from home in 20% of the cases. Job sharing occurred in 15.6% of the cases but only 6% of the cases allowed employees to take paid parental leave. There were no FWAs in 23% of the cases, so that at least one FWA was provided in the majority of cases.

The highest Nagelkerke  $R^2$  of .27 was associated with working from home, followed by .23 and .22 for ability to buy extra or cash out leave or take LWOP and flexible use of leave entitlements, respectively. The lowest Nagelkerke  $R^2$  values of .07 and .03 were associated with flexible working hours and job sharing, respectively. These results indicate that despite the statistical significance of the models and high overall percentage predictions (69 and 84.4%, respectively), the additional explanatory power



Table 1. Expected (B), significance and standard errors for predictors of FWAs in SMEs.

Variables	Flexible hours				Work from home				Paid parental leave				Flexible use of leave			
	B	SE	Sig	Exp B	B	SE	Sig	Exp B	B	SE	Sig	Exp B	B	SE	Sig	Exp B
Total employees	-.04	.30	.88	.96	-.30	.41	.47	.74	2.04	.68	.00	<b>7.66</b>	1.03	.32	.00	<b>2.96</b>
Total wages	.22	.12	.06	<b>1.24</b>	.63	.18	.00	<b>1.89</b>	.82	.29	.01	<b>2.26</b>	.84	.14	.00	<b>2.37</b>
No. of locations	.19	.22	.40	1.21	.73	.25	.00	<b>2.07</b>	-.27	.37	.53	.77	.27	.22	.22	1.31
Agriculture				.36	-1.01	.23	.00	<b>.36</b>								
Manufacturing				<b>.45</b>	-.79	.17	.00	<b>.45</b>	-.81	.40	.04	<b>.44</b>	-.31	.14	.03	<b>.73</b>
Construction																
Wholesale				<b>.62</b>	-.47	.18	.01	<b>.62</b>								
Retail				<b>.32</b>	-1.13	.26	.00	<b>.32</b>								
Personal services				<b>.54</b>	-.61	.18	.00	<b>.54</b>								
Transport & rentals				<b>2.57</b>	.94	.18	.00	<b>2.57</b>								
IT & professional	.60	.17	.00	<b>1.83</b>									-.29	.12	.01	<b>.75</b>
Administrative service	.50	.24	.04	<b>1.65</b>									.27	.15	.07	<b>1.31</b>
Full-time employees	-.34	.18	.06	<b>.71</b>	-.37	.24	.13	.69	-.85	.32	.01	<b>.43</b>	-.21	.19	.27	.81
Casual employees	.17	.15	.25	1.18	-.10	.18	.57	.90	-.63	.24	.01	<b>.53</b>	-.60	.15	.00	<b>.55</b>
Temporary staff	.18	.10	.08	<b>1.19</b>	.68	.13	.00	<b>1.98</b>	.33	.19	.10	<b>1.39</b>	-.01	.10	.93	.99
Working proprietors	.06	.11	.58	1.06	-.67	.16	.00	<b>.51</b>	-.41	.25	.10	<b>.66</b>	-.15	.13	.26	.86
Salaried directors	.09	.09	.26	1.10	.13	.11	.22	.87	-.44	.16	.01	<b>.65</b>	-.15	.10	.13	.87
Use internet	.38	.08	.00	<b>1.46</b>	.86	.13	.00	<b>2.37</b>	.64	.22	.00	<b>1.89</b>	.10	.09	.25	1.11
Engineering																
Scientific & research	.53	.16	.00	<b>1.71</b>	.51	.20	.01	<b>1.67</b>	.58	.26	.02	<b>1.79</b>				
IT professionals					.55	.13	.00	<b>1.73</b>	.43	.18	.02	<b>1.54</b>	.28	.11	.01	<b>1.33</b>
IT support technicians																
Trades persons													.36	.11	.00	<b>1.44</b>
Transport & plant operators					-.47	.14	.00	<b>.62</b>								
Marketing professionals																
Project Management					.50	.17	.00	<b>1.66</b>								
Business management													.25	.10	.02	<b>1.28</b>
No skilled workers	-.58	.10	.00	<b>.56</b>									-.38	.11	.00	<b>.67</b>

(Continued)

Table 1. (Continued).

Variables	Flexible hours			Work from home			Paid parental leave			Flexible use of leave		
	B	SE	Sig	Exp B	B	SE	Sig	Exp B	B	SE	Sig	Exp B
Constant	-.59	.50	.24	.56	-4.65	.78	.00	.10	-9.00	1.23	.00	.000
Omnibus tests	$\chi^2 = 139.8$ , $df = 13$ , Sig = .000			$\chi^2 = 521.35$ $df = 19$ , Sig = .000			$\chi^2 = 169.11$ , $df = 12$ , Sig = .000			$\chi^2 = 494.89$ , $df = 16$ , Sig = .000		
No/Yes ; Nagelkerke $R^2$	No = 1826; Yes = 962; $R^2 = .07$			No = 2235; Yes = 553; $R^2 = .27$			No = 2616; Yes = 172; $R^2 = .16$			No = 1682; Yes = 1106; $R^2 = .22$		
Hosmer & Lemeshow % explained	$\chi^2 = 4.45$ , $df = 8$ , Sig = .81 66%			$\chi^2 = 6.04$ , $df = 8$ , Sig = .64 82.3%			$\chi^2 = 1.86$ , $df = 8$ , Sig = .985 93.8%			$\chi^2 = 13.46$ , $df = 8$ , Sig = .18 69%		
Definition of variables	Working shorter hours for an agreed period or choosing start & finish times based on employee request			Working from home or alternative workplace			Taking leave from work before and/or after the birth of a new child to care for the child			Choosing when to take leave		

Table 2. Expected (B), significance and standard errors for predictors of FWAs in SMEs.

Variables	Buy/cash-out leave or take															
	LWOP				Choose Rosters & Shifts				Job Sharing				No FWAs			
	B	SE	Sig	Exp B	B	SE	Sig	Exp B	B	SE	Sig	ExpB	B	SE	Sig	ExpB
Total employees	.99	.35	.00	<b>2.69</b>	-.01	.33	.98	.99	1.06	.38	.01	<b>2.88</b>	-.85	.35	.02	<b>.43</b>
Total wages	.67	.15	.00	<b>1.96</b>	-.01	.13	.94	.99	-.15	.15	.31	.86	-.49	.13	.00	<b>.62</b>
Locations	.56	.22	.01	<b>1.74</b>	.49	.23	.04	<b>1.64</b>	.19	.26	.47	1.21	-.68	.29	.02	<b>.51</b>
Agriculture					-.41	.16	.01	<b>.66</b>								
Manufacturing					-.43	.14	.00	<b>.65</b>								
Construction									-.5	.25	.05	<b>.61</b>				
Wholesale					-.54	.17	.00	<b>.58</b>								
Retail																
Personal services					.59	.12	.00	<b>1.81</b>								
Transport & rentals									.37	.16	.02	<b>1.45</b>	-.73	.23	.00	<b>.48</b>
IT & Professional	.40	.15	.01	<b>1.50</b>	.38	.16	.02	<b>1.46</b>								
Administrative service																
Full-time employees	.37	.20	.06	<b>1.45</b>	-.11	.19	.00	<b>.33</b>	-.31	.22	.16	.73	.78	.22	.00	<b>2.19</b>
Casual employees	-.31	.15	.03	<b>.73</b>	1.01	.17	.00	<b>2.74</b>	-.13	.18	.47	.88	.33	.18	.07	<b>1.40</b>
Temporary staff	-.13	.11	.24	.88	.34	.11	.00	<b>1.41</b>	.08	.13	.55	1.08	-.20	.12	.09	<b>.82</b>
Working Proprietors	.21	.12	.10	<b>1.23</b>	-.03	.12	.80	.97	-.28	.12	.02	<b>.76</b>	.23	.13	.08	<b>1.26</b>
Salaried Directors	.13	.09	.14	1.14	.07	.09	.46	1.07	-.17	.10	.07	<b>.84</b>	.14	.11	.23	1.14
Use internet	.24	.009	.01	<b>1.27</b>	.26	.09	.01	<b>1.29</b>	.01	.11	.99	1.56	-.42	.09	.00	<b>.66</b>
Engineering																
Scientific and Research					.27	.11	.04	<b>1.31</b>								
IT professionals													-.38	.16	.02	<b>.69</b>
IT support technicians																
Technical trade																
Transport & plant operators	.24	.10	.02	<b>1.27</b>									-.34	.14	.02	<b>.71</b>
Marketing professionals																
Project management																
Business management													-.31	.14	.03	<b>.74</b>

(Continued)

Table 2. (Continued).

Variables	Buy/cash-out leave or take LWOP			Choose Rosters & Shifts			Job Sharing			No FWAs		
	B	SE	Sig	Exp B	B	SE	Sig	Exp B	B	SE	Sig	ExpB
No skilled workers	-.48	.12	.00	.62	-.62	.11	.04	.79	.55	.11	.00	1.73
Constant	-.60	5.95	.00	.003	.003	.54	.09	.40	1.80	.56	.00	6.05
Omnibus tests	$\chi^2 = 512$ , $df = 12$ , $Sig = .000$			$\chi^2 = 177$ , $df = 16$ , $Sig = .000$			$\chi^2 = 43.07$ , $df = 11$ , $Sig = .000$			$\chi^2 = 292.22$ , $df = 14$ , $Sig = .000$		
No/Yes ; Nagelkerke $R^2$	No = 1864; Yes = 925; $R^2 = .23$			No = 2092; Yes = 696; $R^2 = .10$			No = 2353; Yes = 435; $R^2 = .03$			No = 2147; Yes = 641; $R^2 = .15$		
Hosmer & Lemeshow % explained Definition	$\chi^2 = 5.35$ , $df = 8$ , $Sig = .72$ 72% Purchasing extra leave, or taking cash instead of leave			$\chi^2 = 11.33$ , $df = 8$ , $Sig = .18$ 76% Choosing shifts that are most suitable			$\chi^2 = 4.02$ , $df = 8$ , $Sig = .86$ 84.4% Splitting work between two people			$\chi^2 = 14.91$ , $df = 8$ , $Sig = .6$ 78% Not providing any flexible work arrangement		

from the predictors, in comparison with the constant only models, were low for flexible working hours and job sharing. In spite of this, some of the predictor variables were significant for these FWAs. Therefore, the coefficients of the significant predictors were used to explain the extent to which the independent variables predict the provision of each of the FWAs in SMEs.

From Tables 1 and 2, the probability that an SME would provide the following FWAs increased with each additional employee (converted to log10): paid parental leave (7.66 units<sup>1</sup>), flexible use of leave entitlements (2.96 units), flexibility to cash out leave or take LWOP (2.69 units) and job sharing (2.88 units). The odds that an SME would not provide any FWA decreased by  $-2.33$  units as employee numbers increased. The Exp (B) values also revealed that each dollar of wages paid (expressed as log10) increased the propensity to provide these FWAs in SMEs: flexible work hours (1.24 units), work from home (1.89 units), paid parental leave (2.26 units), flexible use of leave entitlements (2.37 units) and flexibility to cash out leave or take LWOP (1.96 units). The likelihood that no FWA would be provided decreased by  $-1.61$  units for each dollar increase in wages paid. Again, number of locations (measured as log10) was positively associated with the following FWAs: work from home (2.07 units), cash out leave or take LWOP (1.74 units), and choice of rosters and shifts (1.64 units). It was unlikely that an SME would not provide FWAs as the number of locations increased ( $-1.96$  units). These findings demonstrate that firm size is a major determinant of FWA provision in SME, providing support for H1 – size of the business, measured by number of employees, number of locations and total wage costs, is positively related to provision of FWAs in SMEs.

The findings provided support for H2 – FWAs are more prevalent in service than manufacturing and primary industries. SMEs in the agricultural sector were unlikely to provide employees the flexibility to work from home ( $-2.78$  units) or to choose rosters and shifts ( $-1.52$  units). The odds that the following FWAs would be provided fell if the SME was in the manufacturing sector: work from home ( $-2.22$  units), paid parental leave ( $-2.72$  units), flexible use of leave entitlements ( $-1.37$  units) and choice of rosters and shifts ( $-1.54$  units). Job sharing was less likely to be allowed if the SME operated in the construction sector ( $-1.64$  units). SMEs in the trade sector were also less likely to offer FWAs. For example, the odds that an SME would allow employees to work from home fell by  $-1.61$  units and  $-3.13$  units if it was in the wholesale or retail trade sectors, respectively. Choice of rosters and shifts was also unlikely for SMEs in wholesale trade ( $-1.72$  units).

Compared with SMEs in these sectors those in the service sectors enjoyed more flexible work schedules. For example, the odds that employees will be provided the following FWAs increased if they were in SMEs operating in the IT, business and scientific services sector: flexible working hours (1.83 units), working from home (2.57 units), cash out leave or take LWOP (1.50 units) and choice of rosters and shifts (1.46 units). It was unlikely that employees in this sector would not be provided with any FWAs ( $-2.08$  units). Employees in the administrative services sector had flexible working hours (1.65 units) and flexible use of leave entitlements (1.31 units). Those in the personal services sector could choose rosters and shifts (1.81 units), although they were unlikely to be able to work from home ( $-1.85$  units). Similarly, those in the transport and rental industry were likely to be allowed job sharing (1.45 units) but not flexible use of leave entitlements ( $-1.33$  units).

The findings confirmed H3 – skilled workers are more likely than unskilled workers to attract FWAs. From Tables 1 and 2 scientific & research professionals were likely to

be provided with flexible work schedules (1.71 units), work from home (1.67 units), paid parental leave (1.79 units) and choice of shifts and rosters (1.31 units). IT professionals also were provided with a variety of FWAs: work from home (1.73 units), paid parental leave (1.54 units) and flexible use of leave entitlements (1.33 units). The likelihood that FWAs will not be provided fell for each additional IT professional employed (-1.45 units). Employees with trade and technical skills were provided with flexible use of leave entitlements (1.44 units) and could cash out leave or take LWOP (1.27 units). In addition, project managers could work from home (1.66 units) while business managers could make flexible use of leave entitlements (1.28 units). The likelihood that employees would not be provided with any FWAs fell if they were marketing (-1.41 units) or business (-1.35 units) managers. On the contrary, it was unlikely that transport and plant operators would be allowed to work from home (-1.61 units). Moreover, SMEs with no skilled workers were less likely to provide flexible work hours (-1.79 units), flexible use of leave entitlements (-1.49 units), choice of shifts or rosters (-1.61 units) and the flexibility to cash out leave or take LWOP (-1.27 units). Generally, unskilled employees were 1.73 units less likely be provided with any FWAs.

From the analysis, the probability that FWAs would be provided increased where SMEs use the internet for work purposes. Use of the internet by SMEs was positively correlated with flexible working hours (1.46 units), work from home (2.37 units), paid parental leave (1.89 units), ability to cash-out leave or take LWOP (1.27 units) and choose own rosters or shifts (1.29 units). It was unlikely that an SME would not provide any FWAs if the internet was used at work (-1.52 units). These findings provide support for H4 – use of the internet at work is positively associated with provision of FWAs in SMEs.

The findings revealed that employees on full-time contracts were less likely than those on casual and temporary contracts to be provided FWAs, refuting H5. The propensity to provide the following FWAs decreased with each full-time employee engaged: flexible working hours (-1.41 units), paid parental leave (-2.33 units) and choice of rosters and shifts (-3.03 units). However, the odds of allowing flexibility to cash out leave or take LWOP increased by 1.45 units for each additional full-time employee although it was 2.19 units likely that full-time employees would not have any FWAs. Employees on casual contracts were also less likely to successfully negotiate paid parental leave (-1.89 units), make flexible use of leave entitlements (-1.82 units) or cash out leave or take LWOP (-1.37 units). However, they could choose their rosters and shifts (2.74 units), although it was 1.4 units likely that they would have no FWAs. In contrast, employees on temporary contracts were provided with flexible working hours (1.19 units), and could work from home (1.98 units), take paid parental leave (1.39 units) and choose their rosters or shifts (1.41 units). The likelihood that no FWAs would be provided decreased by 1.22 units for each employee engaged on temporary basis.

The findings did not support H6 – the number of working proprietors or salaried directors in SMEs is positively related to provision of FWAs. Working proprietors and salaried directors were less likely to be provided paid parental leave (-1.52 and -1.54 units) or job sharing (-1.32 and -1.19 units, respectively) and working proprietors rarely worked from home (-1.96 units). Although working proprietors could cash out leave or take LWOP (1.23 units), they were generally unlikely to have any FWAs (1.26 units). These findings are discussed next.

**Discussion and conclusion**

The study investigated the propensity of SMEs to provide FWAs and the factors that predict which FWAs would be provided. The findings point to low levels of FWAs in SMEs. The FWAs most likely to be provided are flexible use of leave entitlements and flexible working hours but SMEs rarely allow paid parental leave or opportunities for job sharing. The cost of providing paid parental leave would far exceed the benefits for SMEs due to their limited resources. Opportunities for job sharing are also limited because SMEs have few positions and employees work across several areas of operations (Kotey & Folker, 2007). On the other hand, SMEs allow flexible use of leave entitlements and flexible working hours as these are common practices in a number of industries and not providing these FWAs would limit their ability to access the required skills. Costs and competitiveness are therefore important considerations in the decision to provide FWAs in SMEs.

The findings that total number of employees, total wages paid and number of locations as indicators of size correlate positively with the provision of FWAs are consistent with the literature (Dex & Scheibl, 2001; Maxwell et al., 2007) and indicate that growth enables access to resources to support FWAs. Also, the need to employ rather than contract the services of specialist staff as the firm grows requires bigger SMEs to provide FWAs in order to attract the relevant skills and maintain their competitive positions (Kotey & Slade, 2005).

The findings reveal that FWAs are more prevalent in service than manufacturing and primary industries. This is especially the case where employees do not have to be present at the workplace to provide the services. Furthermore, the cost of providing FWAs is lower if tailored to job requirements. For example, employers in the agriculture sector are likely to engage workers on casual contracts to work intensively on farms, especially during harvest and sowing seasons. Employers in the industry are, therefore, unlikely to build additional flexibility into work arrangements for their casual workers. Moreover, it would be impossible for employees to work from home and the flexibility to choose shifts would disrupt production. Similarly, employees in the manufacturing and wholesale trade sectors would be required to work for intensive periods to meet production targets, with limited scope for flexible engagements. Employees in these industries cannot work from home or choose their rosters or shifts. Manufacturing SMEs are also unlikely to allow flexible use of leave as doing so would disrupt work schedules. They are unlikely to provide paid parental leave due to the associated costs. SMEs in the wholesale and retail trade and personal services sectors are unlikely to allow employees to work from home since employees are in direct contact with customers. While employers in the wholesale trade sector would not allow employees to choose their shifts due to tight scheduling of work, this FWA is available to personal service workers, enabling them to organise work around family and other important commitments. Tight scheduling in the transport & rental industry also limits opportunities for flexible use of leave entitlements. In contrast to the above, employees in the IT, business and scientific services industry are provided with a variety of FWAs. They do not have to be physically present at all times to provide services and can complete work assignments away from work, especially where they can access their workplace or clients via the internet. These findings are consistent with existing research (Zeytinoglu et al., 2009) which demonstrates a higher propensity among service than manufacturing firms to provide FWAs.

The findings also indicate that use of the internet at work is positively associated with provision of FWAs in SMEs. Telecommuting allows employees to work from any

location and therefore to enjoy a variety of FWAs. While theoretically employees must not work while on leave, access to the internet allows them to attend to urgent matters outside of work hours or whilst on leave.

Skilled workers require less supervision, they have autonomy and control over their work and are in a position to negotiate employment conditions that suit their circumstances (Cooke, 2007; Zeytinoglu et al., 2009). The findings reveal that scientific, research and IT professionals are provided with a variety of FWAs. Project managers can work from home while employees with trade skills and business managers are allowed flexible use of leave. In contrast, unskilled employees rarely have FWAs.

Employees on full-time contracts are less likely than those on temporary contracts to attract FWAs. This is because it is more costly for SMEs to temporarily replace full-time employees absent from work on FWAs than to accommodate temporary workers' request for FWAs. These findings are consistent with those of Zeytinoglu et al. (2009).

The findings indicate that working proprietors rarely take FWAs even where they are more than one. Similarly, SMEs rarely provide their managers with FWAs as managers are few and have to be present at all times to oversee business operations. The findings support the long working hours and limited opportunities for holidays for SME owners and managers (Scarborough, 2012). Nonetheless, they should use FWAs for effective WLB. Periods away from work can also enhance strategic thinking.

In summary, the research shows that provision of FWAs in SMEs improves with firm size as bigger firms have workers or the resources to employ temporary staff to fill in for employees off work on FWAs. In addition, SMEs may adopt FWAs that are industry norms or where work schedules enable FWAs to be provided at low cost. Skilled employees enjoy more FWAs than less skilled workers because the former requires less supervision and can complete work assignments independently and away from the workplace. This is further facilitated by the internet.

The findings imply that WLB and FWA regulations must have thresholds based on employee numbers that take account of capacity to comply. Considerations must also be given to industry sector limitations. Certain FWAs would, or could, adversely affect performance in some industries. For example, it is impossible for farm hands to work from home. Since skilled employees normally negotiate individual contracts they can build FWA into their contracts. Finally, the internet should make it easier for SMEs to offer FWAs such as working from home and flexible work hours. It is not surprising that few SMEs provide paid parental leave since the cost is substantial. Governments must play a proactive role by providing relevant FWAs for employees of SMEs that are unable to provide them. The Australian Government's paid parental leave programme for employers unable to provide this FWA is therefore, appropriate. Despite these findings, SMEs that do not provide FWAs may miss out on attracting the calibre of employees who could deliver higher than average outcomes, thereby weakening their competitive positions.

The limitations of the research are associated with the use of a secondary data-set, in particular the definition and respondents' interpretations of the variables. For example, casual and temporary employees may include hours set by employers as well as flexible working hours requested by employees. These should be considered when interpreting the results.

Future research could consider other factors that may affect provision of FWAs in SMEs such as strategic orientation and growth objectives. Businesses with high growth objectives and those that compete on quality and innovation are likely to offer FWAs to attract the calibre of employees needed to deliver on these objectives.



### Disclosure statement

No potential conflict of interest was reported by the authors.

### Note

1. Unit refers to the extent to which each independent variable measured on a binary scale or log10 predicts the propensity to provide a FWA also measured on a binary scale. Note that the unit is very small when considered in relation to the maximum values of the dependent and independent variables in Appendix 1.

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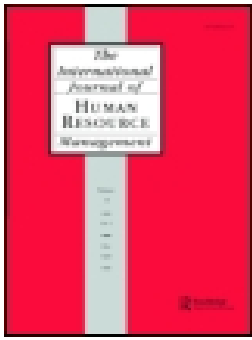
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**Appendix 1. Descriptive statistics for the independent variables.**

Variables	Mean	Std dev	Min	Max	Operationalisation of the variables
Total employees	.68	.49	.00	1.48	Total No. of persons working on the last pay period, measured on 1–30 scale; converted to log 10
Total wages	5.26	.80	1.84	7.29	Total wages and salaries paid for the year to 30 June in dollars; converted to log 10
Locations	.07	.17	.00	.70	No. of locations of operation during the year – measured as 1, 2, 3, 4, & 5 or more locations; converted to log 10
Agriculture	.22	.42	0	1	0 = No, 1 = Yes
Manufacturing	.14	.35	0	1	0 = No, 1 = Yes
Construction	.08	.28	0	1	0 = No, 1 = Yes
Wholesale	.09	.29	0	1	0 = No, 1 = Yes
Retail	.05	.22	0	1	0 = No, 1 = Yes
Personal services	.16	.37	0	1	0 = No, 1 = Yes
Transport & rentals	.10	.30	0	1	0 = No, 1 = Yes
IT & professional	.10	.30	0	1	0 = No, 1 = Yes
Administrative service	.05	.21	0	1	0 = No, 1 = Yes
Full-time employees	.57	.46	0	1.32	No. of full-time persons working $\geq$ 35 h a week on the last pay period, measured on a 1–21 scale and converted to log 10
Casual employees	.55	.42	0	1.23	No. of casual staff on the last pay period, measured on 1–17 scale; converted to log 10
Temporary staff	.17	.61	0	1	Had temporary staff during the year. 0 = No, 1 = Yes
Working proprietors	.28	.78	0	1	Had working proprietors & partners if unincorporated; 0 = No, 1 = Yes
Salaried directors	.29	.77	0	1	Had salaried directors if incorporated; 0 = No, 1 = Yes
Use internet	.09	.81	0	1	Had a web presence; 0 = No, 1 = Yes
Engineering	.08	.63	0	1	Employed engineers; 0 = No, 1 = Yes
Scientific and research	.04	.57	0	1	Employed scientific & research professionals; 0 = No, 1 = Yes
IT professionals	.09	.64	0	1	Employed IT professionals; 0 = No, 1 = Yes
IT support technicians	.10	.66	0	1	Employed IT support technicians; 0 = No, 1 = Yes
Technical trade	.13	.70	0	1	Employed technical and trade experts; 0 = No, 1 = Yes
Transport operators	.13	.70	0	1	Employed transport operators and trade skills; 0 = No, 1 = Yes
Marketing professionals	.12	.69	0	1	Employed marketing professionals; 0 = No, 1 = Yes
Project Management	.05	.59	0	1	Employed project managers; 0 = No, 1 = Yes
Business Management	.12	.68	0	1	Employed business managers; 0 = No, 1 = Yes
No skilled workers	.18	.76	0	1	Had no skilled employees; 0 = No, 1 = Yes



# The International Journal of Human Resource Management

ISSN: 0958-5192 (Print) 1466-4399 (Online) Journal homepage: <http://www.tandfonline.com/loi/rijh20>

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**To cite this article:** Satu Koivisto & Ronald E. Rice (2016): Leader prototypicality moderates the relation between access to flexible work options and employee feelings of respect and leader endorsement, *The International Journal of Human Resource Management*, DOI: [10.1080/09585192.2015.1126337](https://doi.org/10.1080/09585192.2015.1126337)

**To link to this article:** <http://dx.doi.org/10.1080/09585192.2015.1126337>



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## Leader prototypicality moderates the relation between access to flexible work options and employee feelings of respect and leader endorsement

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### ABSTRACT

Organizations are increasingly offering flexible work arrangements (FWA), which are associated with a variety of individual and organizational outcomes. Supervisors may support, discourage or prohibit employees' access to and use of such programs. These actions and decisions can affect employees' feelings of being respected, and their endorsement of their supervisor – that is, matters that affect employees' motivation to work in pursuit of group and organizational goals. In the present paper, we take a fresh look at these relationships by proposing, in line with the social identity approach, that they are moderated by leader in-group prototypicality (i.e. the supervisor's representativeness of group identity). Results from two large sample surveys a year apart at one organization show that employees with supervisors who allow more FWA feel more respected as well as express stronger endorsement of their leaders. Importantly, both of those relationships are moderated by the degree of the supervisor's in-group prototypicality, but in opposite ways. The association of FWA allowance with respect increases slightly under conditions of higher prototypicality. However, the association of FWA allowance with endorsement of leaders increases more strongly under conditions of lower prototypicality. The discussion considers theoretical, practical and research implications of these findings.

### KEYWORDS

Flexible work arrangements (FWA); leader endorsement; leader in-group prototypicality; respect; social identity model of organizational leadership (SIMOL); social identity theory

Considerable human resources management (HRM) literature explores the role of supervisors in general on shaping HRM activities, as well in mediating between organizational policies and employees (Batt & Valcour, 2003; Thatcher & Bagger, 2011). The fundamental argument is that supervisors shape employees' ability, motivation, opportunities and reactions to HR policies (Purcell & Hutchinson,

2007). The supervisor's mediating role constitutes the "black box" linking HRM and performance' (Knies & Leisink, 2014, p. 58). Supervisors act as agents in implementing HRM practices and thus influence how employees interpret and respond to organizational HRM policies and programs. In this general research approach, supervisors not only implement (positively or negatively) HR policies, but also communicate organizational support (or lack of it) for employees through the implementation of those policies.

This study can be seen as part of that broad research issue: We consider how a supervisor's allowance of organizational flexible work arrangements (FWA) to subordinates relates to employees' feelings of respect and leader endorsement. Both respect and leader endorsement are crucially important for groups' effective functioning (e.g. Haslam, Reicher, & Platow, 2013; Tyler & Blader, 2000) – without them, groups face severe problems as pivotal phenomena such as exceeding role requirements, helping co-workers and improving and developing the way of working depend on these (e.g. Koivisto & Lipponen, 2015).

Stavrou (2005) argues that HRM programs need to match industry, market and societal changes by fostering more organizational flexibility, especially FWA. De Menezes and Kelliher (2011) note that FWA can be considered as part of HRM practices in the general stream of research on HRM and performance.

However, our main contribution is viewing the relationship between leader's FWA decisions and the two selected outcomes from the social identity approach (Tajfel & Turner, 1979; Turner, Hogg, Oakes, Reicher, & Wetherell, 1987) and examining whether they are moderated by leader in-group prototypicality (Hogg, 2001). As far as we know, this is the first time this prominent approach has been applied to research on FWA and possibly in the HRM literature. We begin by reviewing research on FWAs and particularly supervisors' role in them, then introduce the social identity approach and then turn to the study.

## **Flexible work arrangements and supervisory influence**

### ***Flexible work arrangements***

Recent years have witnessed a substantial increase in the use of FWA, which 'permit employees some level of control over when and where they work outside of the standard workday' (Lambert, Marler, & Gueutal, 2008, p. 107). These arrangements include part-time work, flextime, compressed work week, telework and telecommuting, among others (Kossek & Michel, 2010).

FWA can provide many positive as well as negative implications for health, work–family balance, worker engagement, job satisfaction, performance, commitment, turnover intentions and absenteeism (Baltes, Briggs, Huff, Wright, & Neuman, 1999; Gajendran & Harrison, 2007). Stavrou's (2005) analysis of responses from the top HRM manager in over 2000 companies from 14 EU member states looked at how 4 'bundles' of FWA were associated with 3 organizational



performance measures. The 'non-standard work patterns' bundle was related to decreased turnover in the private sector; the 'work away from the office' cluster was related to improved performance and reduced absenteeism; the 'non-standard work hours' group was related to increased staff turnover; and the 'work outsourced' category was associated with increased staff turnover (but only in the public sector). However, none of the four regressions explained more than 6% of the variance. De Menezes and Kelliher (2011) systematically reviewed (based on 900 academic database search combinations and additional Google searches) 148 publications from 1970 to 2009 assessing the 'business case' for FWAs. The most frequent support was for improvements in absenteeism (61% of the relevant studies supportive), job satisfaction (57%), turnover or retention (46%), financial indicators or productivity (44%), organizational commitment (41%), health or well-being (32%) and individual performance or productivity (31%). Almost all the remaining studies found no support, with only three total finding negative associations. The review discussed results within each FWA category, and identified contingent relationships, such as worker or organization characteristics. However, it did not report any contingencies related to supervisory allowance of FWA.

More employees are using more FWA. For example, a 2008 survey of US organizations with at least 50 employees found a range of FWAs, from flexible schedules (79%) to job shares (29%) (Galinsky, Bond, & Sakai, 2008). In a US representative sample, nearly half of working American adults engaged in at least some supplemental (i.e. not substituting for office work and not contracted telework) work at home using ICT tools (Madden & Jones, 2008). Generally, employees view access to FWA as something desirable (e.g. Solnet, Kralj, & Kandampully, 2012). For example, one study revealed that gratitude to employers for accommodating flexible working arrangements was a dominant discourse among people using FWA (Kelliher & Anderson, 2010). According to the Flexible Work Arrangements factsheet (Flexible work arrangements: The fact sheet, 2010), 80% of US workers indicated preferences for more flexible work options, particularly if they weren't associated with negative implications at work.

However, these figures also reveal that many employees do not have access to, or do not use, FWA due to policy, organizational and (our primary concern) supervisory factors. A 2014 web survey of 400,000 US Federal employees (46.8% response) (United States Office of Personnel Management, 2014) revealed that 29% of the sample participated in telework, while 57% did not because of barriers. A third of the sample used alternative work schedules, with 22% reporting that the option was not available to them. Golden (2001) noted the large inequality in access to FWA, as 73% of US workforce did not have access, due to demographic, work and job characteristics (see also Swanberg, Pitt-Catsouphes, & Drescher-Burke, 2005). FWA policy use is often determined by business needs and supervisor choice, criteria such as organizational tenure or full-time work, organizational stratification and norms, and legal and economic 'opportunity structures', leading



to considerable variation in adoption within even one organization (Kossek, Lewis, & Hammer, 2010; Lambort & Haley-Lock, 2004; Swanberg et al., 2005). As a specific example, scheduling control may be available through formal flexwork policies, employee–supervisor negotiation and informal supervisor practices (Henly, Shaefer, & Waxman, 2006). Inconsistencies in results about outcomes of FWA may thus be partially explained by variations in implementation, which can reduce, reinforce or create barriers (Ryan & Kossek, 2008). In particular, we consider supervisors’ influence on FWA use.

### ***Supervisors’ influence on FWA use***

The effectiveness and efficiency of FWA-policies depends largely on whether or not the immediate supervisor is supportive of these arrangements (Batt & Valcour, 2003; Eaton, 2003; Leslie, Park, & Mehng, 2012). For example, numerous studies show that supervisors who support FWA promote employees’ work–life balance (e.g. Batt & Valcour, 2003; Bowen, 1998). Supervisors, in particular, have considerable influence on work–family policies by having final approval, deciding how to allocate training and other employees to balance workload, publicizing policies, shaping norms about them, affecting ease of policy use, clarifying roles, monitoring workload and preventing co-worker jealousy (Golden, 2001; Ryan & Kossek, 2008). Implementation of FWA is often made on a case-by-case, idiosyncratic and informal basis (Hornung, Rousseau, & Glaser, 2008). These discretionary decisions may be based on the supervisor’s prior experiences with and personal beliefs about work–family balance, such as negatively assessing requests for work flexibility as a sign of low organizational commitment (Rodgers, 1992).

Even when available, FWA may be underused, partially due to supervisor-related factors, such as lack of supervisory support (Batt & Valcour, 2003). Supervisors may discourage employees from using formal FWA by implementing penalties on their use (e.g. hampering flexible workers’ career success or cutting out pay raises; Batt & Valcour, 2003; Leslie et al., 2012). Supervisors may be reluctant to allow their subordinates to work remotely or during non-formal work hours (e.g. Thatcher & Bagger, 2011), for example because they fear losing control (Clear & Dickson, 2005), or have doubts about subordinates’ abilities to work away from the office.

Supervisory ‘discretion’ may consist more of implicit biases and discrimination than an informal but still objective evaluation of the employee or task needs. Supervisors make different kinds of attributions for the reasons why employees want to utilize FWA (Leslie et al., 2012). Whether they think that an employee wishes to work flexibly to increase productivity (e.g. having international calls during non-standard work hours), or for personal reasons (e.g. structuring work around childcare) influences supervisors’ willingness to allow an individual to use FWA. For example, in a scenario-based experiment, managers’ dispositions toward an employee’s request for a FWA, or the granting of the request, were very

substantially influenced by indicators of disruption to the work and thus increased effort for the supervisor (Powell & Mainiero, 1999). Another scenario analysis found that participants perceived female users of flexible scheduling, compared to those working regular hours, as less dedicated to their job/career and less motivated by advancement, even though there was no difference in perceived capability. However, supervisors may also mitigate unsupportive organizational norms by making it clear that the use of FWA will not cause negative consequences for employees (Batt & Valcour, 2003), or by providing access to FWA beyond formal organizational policies. Overall, these incongruencies between official FWA policies, supervisory behavior and employee use represent another instance of the more general gaps between intended, implemented and used HR practices (Khilji & Wang, 2006). In sum, many workers are denied, or gain, access to FWA through their immediate supervisors.

### ***Contributions of this study***

The present research concentrates on immediate supervisors' allowance of access to FWA, and subsequent direct and moderated influences of that allowance on employee and supervisor social identity implications. Prior empirical research in the area of FWA has mostly concentrated on increasing our understanding of the effects of flexwork use (as briefly noted above). Here, we suggest that a supervisor's decisions on employees' access to FWA may have implications for both employee- and leader-related identity issues – a sense of being respected, and leader endorsement. Further, we suggest that beyond direct effects of supervisor allowance of FWA, there may be subtle moderating effects of supervisory prototypicality. Theoretically, this study extends and tests the social identity model of leadership (see below) in the new context of FWA. Practically, the study provides some insight into the social contexts of supervisory decisions about FWA.

### **Theoretical foundations: subordinate and supervisor social identity and leader in-group prototypicality**

#### ***Social identity model of organizational leadership***

We ground our work in the social identity approach (Tajfel & Turner, 1979; Turner et al., 1987), particularly the Social identity model of organizational leadership (SIMOL; Haslam et al., 2013; Hogg, 2001; van Knippenberg & Hogg, 2003). This theoretical approach focuses on factors that give supervisors authority in the eyes of their followers, particularly as it concerns subordinate- and leader-related identity issues.

The social identity approach integrates social identity theory (Tajfel & Turner, 1979) and self-categorization theory (Turner et al., 1987). Its core presumption is that salient group membership shapes attitudes, feelings and behavior. When

belonging to a salient group, people develop a social identity. They start to define themselves not only in terms of personal identity and relationships, but also in terms of social identity, based upon group salience, one's membership and an in-group prototype.

An in-group prototype is a constructed and subjective representation of characteristics (e.g. attitudes, values, norms, beliefs, manners, goals and behavior) that describe and prescribe what the group is and what it is not (Haslam et al., 2013). Members actively monitor the group in its context and notice even subtle signs in how prototypical their supervisor is. As a result, some supervisors are perceived as more prototypical than others (Hogg, 2001).

### ***Supervisor's decisions on employees' FWA use and group members' feelings of respect: moderating role of leader in-group prototypicality***

A central prediction from the social identity approach is that people strive for favorable self-definitions and want to feel that they are valued members of their groups (Tyler & Blader, 2000). They use interactions and dealings with other group members as sources of identity-related information such as their self-worth and standing (respect) within the group (Lind & Tyler, 1988). Group members assess treatment and outcomes received from their supervisor to make inferences about their own standing (e.g. Blader & Tyler, 2009; Tyler & Lind, 1992). When a supervisor rewards an employee with desired outcomes, he/she likely attributes the treatment received to one's own behavior and infers oneself to be a respected member of the group. When the treatment by a group authority does not seem fair and/or favorable to an individual, he/she is likely to conclude that he/she is not a particularly respected member of the group (Tyler & Blader, 2000; Tyler & Lind, 1992). From this perspective, a supervisor's FWA allowance carries an important symbolic message. It signals that the group member is worthy of being allowed to use the desired benefit of FWA, and that his/her standing within the group is secured.

Thus, *H1a*: A supervisor's allowance of a subordinates' access to FWA is positively related to subordinates' feelings of being respected.

SIMOL proposes that the extent to which the supervisor's decisions and behavior influence group members' identity-related inferences is to some extent contingent upon the supervisor's in-group prototypicality. Supervisors who are able to represent what is common to the group are likely to have more influence than non-prototypical leaders over group members' identity-related attitudes, emotions and behaviors (e.g. van Knippenberg, 2011; van Knippenberg & Hogg, 2003).

This is because, in salient groups, prototypicality is the basis of perception and evaluation of self and other group members (Hogg, 2001). An in-group prototypical supervisor's behavior informs an individual not only about supervisor's, but also about other group members', opinions and attitudes towards him/her (Tyler & Lind, 1992). Thus, if this kind of leader allows a certain member access to FWA, this member can consider himself/herself to be valued by the whole group. On the

other hand, if the in-group prototypical leader denies access to FWA, the member can see himself/herself as devalued by the entire group (Lind & Tyler, 1988; Tyler & Lind, 1992). A non-prototypical leader's FWA-decision is not expected to have such a prominent effect, since a non-prototypical leader does not represent the views of a group that is important for one's social identity.

Thus, *H1b*: The relationship between supervisory allowance of FWA and one's sense of being respected is stronger when the supervisor is perceived to be more prototypical.

### ***Supervisor's decisions on employees' FWA use and leader endorsement: moderating role of leader in-group prototypicality***

A supervisor's allowance of subordinates' FWA use is also likely to affect subordinates' attitudes towards the leader. Generally, and not surprisingly, leaders who perform well are evaluated more positively by subordinates on a variety of attributes that may not be related to the performance (Giessner, van Knippenberg, & Sleebos, 2009). These associated evaluations reflect what Meindl and Ehrlich (1987) referred to as the 'romance of leadership'. Further, according to leader-member exchange (LMX) theory, social, attitudinal and material resources are exchanged in leader-employee relationships to maintain equity (Graen & Uhl-Bien, 1995). In exchange, employees may express their satisfaction or dissatisfaction with the leader's decision by increasing or decreasing their endorsement (Wit & Wilke, 1988). For example, in high-quality LMX relations, the leader provides more resources – above formal or contractual levels – to favored subordinates, increasing their sense of autonomy, responsibility, well-being, organizational commitment, job satisfaction, organizational citizenship and work performance (Graen & Uhl-Bien, 1995; van Knippenberg & Hogg, 2003; Schriesheim, Castro, & Cogliser, 1999).

Thus, *H2a*: A supervisor's allowance of subordinates' access to FWA is positively related to subordinates' leader endorsement.

Van Knippenberg & Hogg (2003) note that LMX theory emphasizes the leader-subordinate dyadic relationship, ignoring broader social influence factors such as leader prototypicality or group identification. Instead, SIMOL predicts that the extent to which the supervisor is in-group prototypical is likely to moderate members' interpretations of and reactions to the supervisor's decisions (Haslam et al., 2013).

Importantly, for our study, SIMOL proposes that prototypical leaders are less stringently evaluated than non-prototypical leaders, and thus, they get more leeway in making also unfavorable decisions. This fundamental presumption of SIMOL builds on two classical notions. The first is Hollander's (1964) idiosyncrasy credit theory, which proposes that highly normative leaders who have earned credit within the group are allowed to behave non-normatively without negative consequences (up to a point). Unlike Hollander's conceptualization of credits as being earned through social exchange relationships, SIMOL presumes such

credits result from being representative (i.e. prototypical) of the group (Giessner et al., 2009). The second is Sherif and Sherif's (1964) demonstration that leaders who are respected, legitimate and group-oriented receive more leeway within their groups. In-group prototypical leaders are viewed as such (Hogg, 2001). They thus have more leverage in influencing group members' inferences, attitudes and behavior (Haslam et al., 2013; van Quaquebeke & Eckloff, 2013). One mechanism for this relationship is that more prototypical leaders foster greater trust. They are trusted to make decisions that in the end benefit the group and its individual members, even if their decisions and behavior would seem unfavorable (Platow & van Knippenberg, 2001), or ineffective (Giessner et al., 2009).

As a consequence, prototypical leaders are at least somewhat endorsed by in-group members simply on the basis of that in-group prototypicality (Hogg, 2001). In practice, this implies that compared to less prototypical supervisors, in-group prototypical supervisors' effectiveness and endorsement is *less* contingent upon their actual decisions or behavior (Giessner et al., 2009). This allows leaders to make decisions and engage in behaviors that may be counter-normative or against subordinate preferences (up to a point) without losing subordinates' endorsement. In comparison, non-prototypical leaders have to earn their endorsement by engaging in group-oriented and member-serving decisions and behavior.

Thus, *H2b*: The relationship between supervisory allowance of FWA and leader endorsement is weaker when the group leader is perceived to be more prototypical.

## Method

### *Sampling and procedures*

We conducted a survey in the spring of 2013 and again in the spring of 2014 in a Finnish telecommunication company. We chose this setting because of the known flexible work programs offered by the company and its long history of utilizing FWA. The entire organizational membership working at the company headquarters ( $N = 1538$  at T1,  $N = 1447$  at T2) was emailed an invitation with a short introduction of the online survey, a link to the company's intranet site explaining the study in detail and the link to the survey. Eight hundred and thirty-seven usable responses were received at T1 (response rate 54%), and 735 at T2 (50.1%). We focus on the T1 responses, using T2 as a replication to assess the reliability of the results. The T1 and T2 samples are not, however, completely independent, as nearly half of the respondents were the same.

### *Measures*

Both surveys included the following measures. All of the scales exhibited unidimensionality (via principal components analysis; table available from the author) and good reliability (from .80 to .94; see Table 1 below).

**Table 1.** Descriptive statistics and correlations between variables, T1 and T2.

Variable	M	SD	$\alpha$	1	2	3	4	5	6	7	8	9
<b>T1 (N = 827-833)</b>												
1. Supervisor's allowance of FWA use (a)	5.3	1.3	.82	—								
2. Leader in-group prototypicality (a)	4.8	1.3	.94	.21 ***	—							
3. Respect (a)	5.4	.80	.91	.21 ***	.22 ***	—						
4. Leader endorsement (a)	5.5	1.2	.93	.43 ***	.36 ***	.34 ***	—					
5. Desire for FWA use (b)	4.9	1.3	.80	.20 ***	.00	.07 *	-.04	—				
6. Interaction centered 1 & 2	0.3	1.8	—	-.20 ***	-.07 *	.03	-.30 ***	.07 *	—			
7. Age < 30 4.4%; 31-40 29.0; 41-50 38.4; 51-60 24.0; > 60 4.2	2.9	.94	—	-.06	-.01	-.08 *	.04	-.22 **	-.02	—		
8. Sex m 60.5%; f 39.5	.40	.49	—	-.11 **	.05	.05	.03	-.08 *	.02	.08 *	—	
9. Tenure	15.6	9.6	—	-.09 *	.01	-.07	.05	-.22 **	-.04	.70 ***	.08 *	—
10. Education elementary 2.4%; upper secondary or vocational 27.5; university applied sciences 35.9; university 34.3	3.0	.85	—	.14 **	-.03	.08 *	.01	.06	-.02	-.12 **	-.12 **	-.29 ***
<b>T2 (N = 716-732)</b>												
1. Supervisor's allowance of FWA use (a)	5.1	1.2	.81	—								
2. Leader in-group prototypicality (a)	5.0	1.2	.94	.15 ***	—							
3. Respect (a)	5.4	.83	.88	.13 ***	.17 ***	—						
4. Leader endorsement (a)	5.6	1.1	.91	.41 ***	.37 ***	.21 ***	—					
5. Desire for FWA use (b)	5.1	1.4	.80	.32 ***	-.09 **	.04	.03	—				
6. Interaction centered 1 & 2	.21	1.6	—	-.14 ***	.02	.08 *	-.18 **	-.01	—			
7. Age < 30 3.3%; 31-40 23.7; 41-50 41.5; 51-60 25.5; > 60 6.0	3.1	.93	—	-.11 **	.05	-.03	.00	-.31 ***	.05	—		
8. Sex m 58.8%; f 41.2	.41	.49	—	-.08 *	.00	.05	.06	.00	-.02	.04	—	
9. Tenure	17.6	9.7	—	-.13 ***	.03	-.03	-.01	-.32 ***	.01	.68 ***	.03	—
10. Education elementary 2.1%; upper secondary or vocational 27.9; university applied sciences 37.5; university 32.7	3.0	.83	—	.14 ***	.01	.08 *	.02	.09 ***	.02	-.10 **	-.17 ***	-.30 ***

\* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$ .

Correlations among 1-6 are one-tailed; correlations with 7-10 are two-tailed.

(a) 1 strongly disagree to 7 strongly agree; (b) 1 not at all important to 7 extremely important.

*Supervisor's allowance of subordinates' access to FWA* was measured with four items derived from a study by McNamara, Pitt-Catsouphes, Brown, and Matz-Costa (2012): 'My supervisor allows me to' (a) 'change starting and quitting times,' (b) 'choose a work schedule that varies from the typical schedule at our worksite,' (c) 'compress the work week by working longer hours on fewer days for at least part of the year' and (d) 'work from an off-site location (such as home) for part of the regular work week.'

*Leader in-group prototypicality* was measured using three items from Platow and van Knippenberg's (2001) scale: 'Overall, I would say that my supervisor' (a) 'is a good example of the kind of people who work at (name of the organization),' (b) 'represents what is characteristic about employees of (name of the organization)' and (c) 'stands for what people who work at (name of the organization) have in common.'

*Respect* was measured with three items from Tyler and Blader's (2002) respect scale: (a) 'Other members of (name of the organization) react well to me,' (b) 'I have made a good impression on others in (name of the organization)' and (c) 'Most members of (name of the organization) respect me.'

*Leader endorsement* was measured with Colquitt (2001)'s scale: (a) 'I speak favorably about my supervisor to my friends,' (b) 'I think that my supervisor is a good one' and (c) 'I really like my supervisor.'

As noted in the review, variations in preferences for FWA might affect assessments of supervisor's decisions about FWA. Thus, *Desire for FWA use* was measured with the same items used for *Supervisor's allowance of subordinates' access to FWA*, except that respondents were asked to rate how important it is / would be for them to have each of the four FWA opportunities. Control variables included *age, sex, tenure and education*.

## Results

Table 1 provides the descriptive statistics, alpha reliabilities, response choices and correlations for the scales and demographics at both time periods. At T1, 60.5% of the respondents were men. Most of the respondents worked full-time (99%) and had a regular working contract (97%). On average, respondents were 41–50 years old (under 30, 4.4%; 31–40, 29.0%; 41–50, 38.4%; over 60 yrs, 4.2%). Over 70% had university education (elementary school, 2.4%; upper secondary school or vocational school, 27.5%; university of applied sciences, 35.9%; university 34.3%). They had been working at the organization for 16.6 (SD = 9.6) years. Most of the respondents reported having children (55%) but only 20% had elder care responsibilities. The following percentage of respondents reported engaging in these FWA once a week, a few times a week or every day: change starting and quitting times (71.0%), choose a work schedule that varies (41.2%), compressed workweek (11.4%) or work at home (51.1%). They participated in another nine



**Table 2.** Regression analyses for respect and for leader endorsement.

	T1	T2
<i>Respect explanatory variables</i>		
<i>Step 1</i>		
Supervisor's allowance of FWA use (1)	.17 ***	.10 **
Leader in-group prototypicality (2)	.18 ***	.16 ***
Desire for FWA use	.04	.03
R <sup>2</sup>	.08	.04
Adjusted R <sup>2</sup>	.07	.04
F	(3,823) = 23.1 ***	(3,726) = 10.1 ***
<i>Step 2</i>		
Supervisor's allowance of FWA use (1)	.18 ***	.11 **
Leader in-group prototypicality (2)	.19 ***	.15 ***
Desire for FWA use	.05	.02
Interaction 1 × 2 (both centered)	.08 *	.09 *
R <sup>2</sup>	.08	.05
Adjusted R <sup>2</sup>	.08	.04
R <sup>2</sup> change	.01	.01
F	(4,822) = 18.7 ***	(4,725) = 9.0 ***
F change	(1,822) = 5.2 *	(1,725) = 5.7 *
<i>Leader endorsement explanatory variables</i>		
<i>Step 1</i>		
Supervisor's allowance of FWA use (1)	.39 ***	.38 ***
Leader in-group prototypicality (2)	.28 ***	.21 ***
Desire for FWA use	-.12 ***	-.06
R <sup>2</sup>	.27	.27
Adjusted R <sup>2</sup>	.27	.27
F	(3,829) = 104.0 ***	(3,725) = 8.7 ***
<i>Step 2</i>		
Supervisor's allowance of FWA use (1)	.36 ***	.36 ***
Leader in-group prototypicality (2)	.28 ***	.32 ***
Desire for FWA use	-.10 ***	-.06
Interaction 1 × 2 (both centered)	-.17 ***	-.14 ***
R <sup>2</sup>	.30	.29
Adjusted R <sup>2</sup>	.30	.28
R <sup>2</sup> change	.03	.02
F	(4,828) = 88.0 ***	(4,724) = 72.9 ***
F change	(1,828) = 29.3 ***	(1,724) = 18.8 ***

\* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$ .

Note: Full entry method within blocks. Values are standardized beta coefficients.

Interaction term is the product of the mean-centered Supervisor's allowance of FWA use and mean-centered Leader in-group prototypicality.

FWA at least once a week from 15.7% (work in your own car) to .4% (work at a library).

### **Moderated regression analysis**

As Table 2 shows, none of the demographic control measures (age, sex, tenure and education) correlated significantly with leader in-group prototypicality or leader endorsement, and only two were correlated with respect: age (T1) and education (T1 and T2). Those two were entered in the initial regression explaining respect, but neither was a significant influence. Therefore, we do not include demographics in the reported analyses.

We used a moderated multiple regression approach to test our hypotheses. Following Aiken and West (1991) and Dawson (2014), supervisor's FWA decision,



and supervisor's in-group prototypicality, were mean-centered and then multiplied to create the interaction term. At the first step in two separate regressions, *respect* or *leader endorsement* was regressed on *supervisor's allowance of subordinates' access to FWA*, *leader prototypicality* and *employees' desire for FWA use*. The interaction term was entered in the second step of each regression.

### **Respect**

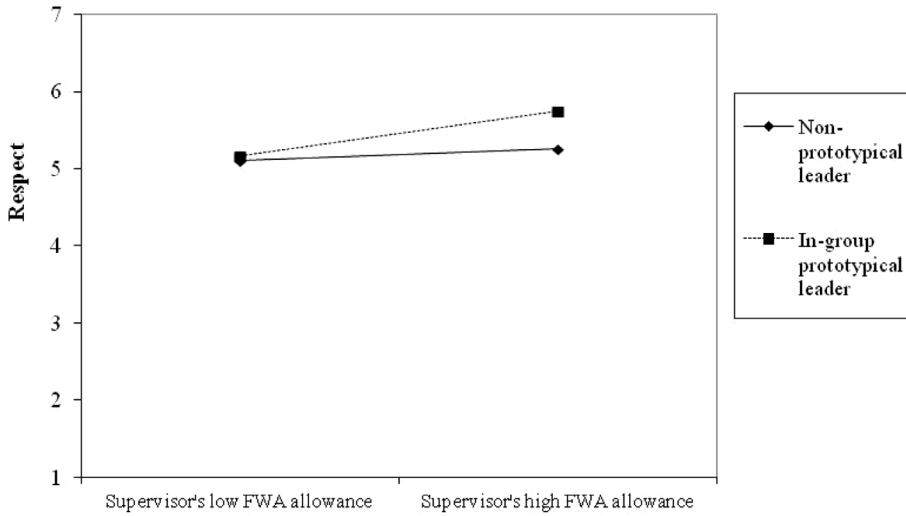
Results of the first step of the T1 regression, for *respect*, without interaction, indicated that if the *supervisor offered more FWA*, and if the supervisor was *more in-group prototypical*, the employee had a slightly greater sense of being *respected* (7% variance explained). However, the *desire for FWA* to the employee was unrelated to respect. In the second step, the interaction term was significant, and contributed an additional 1% explained variance. The T2 results were similar (7% variance, 1% additional).

### **Leader endorsement**

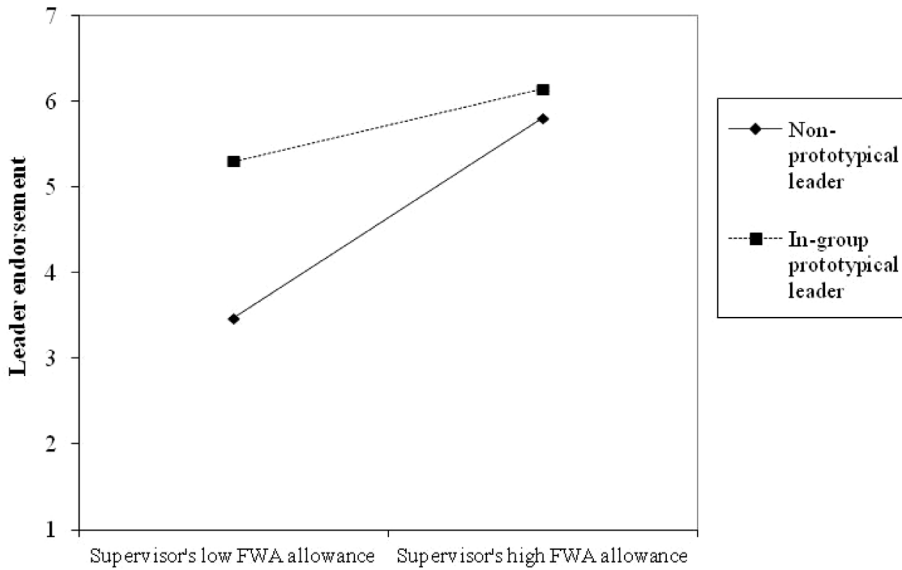
Results in the first step of the T1 regression for *leader endorsement* were much stronger than for *respect* (27% variance explained). A supervisor's offering of FWA and leader prototypicality were both positively related to leader endorsement. However, desire for FWA was, intriguingly, significantly *negatively* related to leader endorsement. It may be that employees who do not strongly endorse their supervisor feel it is preferable to spend more time away from the office, or be more in control of their work context. Alternatively, as some prior research suggests, working away from the office creates social distance between the flexworker and co-workers and supervisor. Here, too, the interaction term was significant, adding 3% explained variance. Results from the T2 data were again very similar (27%, 2% additional), except for the slightly smaller and non-significant, yet still negative, influence of desire for FWA.

### **Slopes analysis**

To determine the interaction effects, we used the Process SPSS macro (Hayes, 2013) to compute effect sizes at one standard deviation below and above the mean for leader prototypicality. At T1, the slope between supervisor's FWA allowance and feelings of *respect* was  $\beta = .08$  ( $p < .01$ ) for low prototypical supervisors, and  $\beta = .16$  ( $p < .001$ ) for high prototypicality. For *leader endorsement*, the slopes were  $\beta = .47$  and  $\beta = .21$ , respectively (both  $p < .001$ ). The results for T2 were quite similar. The slope for *respect* was  $\beta = .02$  (ns) for low, and  $\beta = .13$  ( $p < .001$ ) for high, supervisor prototypicality. For *leader endorsement*, the slopes were  $\beta = .45$  and  $\beta = .23$ , respectively (both  $p < .001$ ). Figures 1(a) and (b) display the two sets of slopes.



**Figure 1a.** T1 Respect as a function of supervisor's allowance of subordinates' FWA use, by supervisor prototypicality.



**Figure 1b.** T1 Leader endorsement as a function of supervisor's allowance of subordinates' FWA use, by supervisor prototypicality.

## Discussion

### Basic results

The results of the present study supported both our direct (H1a, H2a) and moderation hypotheses (H1b, H2b). A group leader's decision to allow group members' access to organizational FWA was related to higher feelings of respect and

higher leader endorsement. Importantly, and in line with propositions of SIMOL, these effects were asymmetrically moderated by leader in-group prototypicality: An in-group prototypical leader's FWA-decisions had a stronger influence on group members' feelings of respect but weaker influence on leader endorsement. These results were quite consistent across T1 and T2, providing evidence of the reliability of these results. Such reliability is always in question about single-time cross-correlational results.

### **Theoretical implications**

These findings make theoretical contributions to the traditions of SIMOL and FWA. First, they broaden the research done within the SIMOL by examining identity- and leader-related effects of a supervisor's FWA allocation decisions. Previous work has mainly considered identity-related effects as a consequence of procedural and interactional justice (Lind & Tyler, 1988; Tyler & Blader, 2000). It has only recently been proposed that allocation decisions (or some economic outcomes) could also provide symbolic value for assessing one's self-worth and standing within a group (Blader & Tyler, 2009). Importantly, the present research contributes to this new aspect of research by showing that leader in-group prototypicality moderates the impact of supervisor's allocation decisions (and not procedural or interactional justice effects like previous studies; Koivisto & Lipponen, 2015) on employees' attitudes about oneself and towards the leader. As far as we know, this is the first empirical study finding this moderation effect, which is central to SIMOL.

Second, the study supports the straightforward LMX proposition that a supervisor's decisions to favor a subordinate result in increased support for the leader (Graen & Uhl-Bien, 1995). However, it shows support for this in the specific FWA context. Even more importantly, it extends this proposition by indicating that characteristics of a leader, specifically the extent the leader represents the shared group identity, moderate the relationship between leader decisions and support for the leader. It thus validates SIMOL's assumption that in-group prototypical leaders may be endorsed in spite of their unfavorable decisions or behavior (up to some point) (e.g. Giessner et al., 2009).

Third, the finding that the relationships between a supervisor's FWA-related decision and employees' feelings of respect and leader endorsement are *asymmetrically* moderated by leader in-group prototypicality provides interesting input into the current theoretical discussions in SIMOL. That is, even though research and literature supports the significance of prototypicality in group processes, during recent years there has been an active debate on the moderating role of leader in-group prototypicality in the relationship between leader behavior and leader-related outcomes on the one hand, and employee-related outcomes on the other hand (see De Cremer, van Dijke, Brebels, & Hoogervorst, 2008).

The debate has noted that leader in-group prototypicality may have different moderating effects on different kinds of outcomes. It may substitute for the undesired behavior when the dependent variable is associated with the source of the behavior (i.e. the leader) (Giessner et al., 2009; Ullrich, Christ, & van Dick, 2009). Alternatively, it may reinforce the influence of a leader's behavior when the dependent variable is associated with the self or the group (Koivisto & Lipponen, 2015).

Before the present study, empirical research had not examined both employee- and leader-related effects (from the perspective of the employee), as moderated by leader in-group prototypicality, in a single study. The results of our study support the idea presented by De Cremer et al. (2008) that the moderation effects of leader in-group prototypicality depend to some extent on whether the outcome is follower- or leader-related. Based on these results, prototypicality matters for the individuals' sense of being respected (self-identity), while non-prototypicality matters more for their leader endorsement.

This finding strengthens the theoretical foundations of the social identity approach and SIMOL. In-group prototypical leaders are viewed as more liable for employees' identity-related inferences but are accorded more leeway when it comes to employees' leader-related evaluations. As in-group representatives, prototypical leaders are able to convey identity-related information to group members, and in this way affect members' self-evaluations and feelings of self-worth. Yet, because of their prototypicality and the assumption that they seek to maintain the group's norms and interests, they have a greater ability to make an unpopular decision, and even to fail in their endeavors, while still retaining positive assessments (Giessner et al., 2009; Ullrich et al., 2009).

### ***Practical implications***

The findings of the present study are also interesting in terms of developing FWA policies and leadership in organizations. Our study underscores that, in line with the above review of supervisory influence on FWA, in addition to developing organization-wide policies for FWA, organizations should remember that employees view their immediate supervisors as active and consequential actors in the process. Thus, effective partnership between HRM practitioners and immediate supervisors may help in eliciting positive and avoiding negative outcomes of leader's FWA decisions. It is particularly important to find ways to avoid supervisors' unnecessary negative FWA-allowance decisions (that are based on factors such as supervisor's fear of losing control, insufficient knowledge or suspicion towards FWA). Thus, HRM practitioners should ensure that supervisors at all organizational levels have sufficient information on the organizational FWA, the positive and negative effects of their utilization and boundary conditions for reaching successful outcomes. They should also ensure that all supervisors get the needed guidance in applying FWA and leading from the distance.

This is important because an immediate supervisor's decisions on FWA can have profound effects (see also Knies & Leisink, 2014) for both the employees and the supervisors themselves, as well as personnel and performance outcomes. The present research shows that these decisions influence employees' feelings of being respected and support for the leader. However, via these outcomes, the organizational and group-level effects are much wider: That is, employees' perceptions on their standing can affect leadership as well as functioning of work groups and organizations (Haslam et al., 2013; Tyler & Blader, 2000).

First, it is important for organizational and team-level viability and success (Podsakoff, MacKenzie, Paine, & Bachrach, 2000) to preserve positive self-definitions of employees. Positive self-evaluation and experience of being a respected group member facilitates adopting group goals, proactively striving towards these goals, and even going beyond role requirements in carrying out tasks (as well as other extra-role behaviors) or avoiding negative and abusive behaviors (Blader & Tyler, 2009; Knies & Leisink, 2014; Koivisto & Lipponen, 2015). Conversely, negative identity evaluations may severely jeopardize organizational and team-level success since they may even lead to antisocial behavior such as producing physical, economic, psychological or emotional harm towards other employees or the organization (Aquino & Douglas, 2003).

Second, employees' attitudes towards the leader govern the extent that group members internalize a group's goals, as well as the vigor and motivation that they devote to pursuing these goals (Haslam et al., 2013). Positive attitude towards the leader promotes the leader's ability to exercise power in the group (van Knippenberg & Hogg, 2003). Endorsed supervisors are likely to get more compliance and support for their requests, suggestions and orders (e.g. Hogg, 2001). Indeed, low endorsement may harm the leader's ability to be effective (Giessner et al., 2009).

### **Future research**

Of course, not all leaders' decisions can be favorable to employees; leaders often need to make decisions that are unfavorable to at least someone. In that situation, there probably are ways for leaders to diminish the negative effects of their undesired decisions. One interesting avenue for future research, then, would be examining these factors and their possible moderating role in relation to leaders' FWA allocation decisions, leader in-group prototypicality, and leader- and follower-related outcomes. For instance, it could be argued that an employee's perception of their leader's interactional or procedural fairness in decision-making situations might compensate for the negativity aroused by unfavorable decisions (e.g. Brockner et al., 1994; Ullrich et al., 2009) – or vice versa.

Another interesting avenue for future research would be empirically examining other effects of organizational FWA policies and supervisor's FWA-related decisions. For example, how do identity-level and leader-related consequences differ

when the levels of organizational provision of FWA, supervisor's support for FWA and members' use of FWA are more or less congruent? Over time, does repeated incongruence increase or decrease supervisor prototypicality? To the extent that, as in this organization, supervisor allowance of FWA strongly converges with organizational provision of FWA, supervisory allowance is less likely to represent a 'favored' exchange of resources from leader to subordinate. In this case, LMX theory would argue that there would be less of an influence on leader endorsement. Further, SIMOL argues that in very salient groups or when members experience strong group identification, the salience of the group relations and norms would cause members to devalue substantial favoritism in the form of favored dyadic FWA allowance (van Knippenberg & Hogg, 2003). Thus, future studies should assess the contextual effects of divergence in FWA provision, and of group salience and identification.

Research in this area could also extend the causal chain, by assessing behavioral outcomes (especially other extra-role behaviors; Blader & Tyler, 2009) of increased subordinate respect or leader endorsement associated with offering FWA. Those also may be moderated by leader in-group prototypicality (Koivisto & Lipponen, 2015). Furthermore, it would be interesting to examine to what extent and how employees may appeal unfavorable FWA decisions, and whether they are more likely to do so with prototypical or non-prototypical supervisors.

### **Limitations**

The study of course has certain limitations. First, the results are based on cross-sectional survey data collected from a single organization, although at two time periods (which show highly similar results, increasing reliability). Common method variance is possible when using survey data (e.g. Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). However, the direction of this kind of bias in a moderation analysis is an underestimation of interaction effects (Siemsen, Roth, & Oliveira, 2010). In addition, the correlational data makes it difficult to ascertain the causal relationships in question. For example, one could argue that feelings of respect or leader endorsement influence the perceived favorability of a leader's decisions. However, from a theoretical standpoint, there is no rationale behind this kind of causal relationship, whereas the relationships that we suggest are strongly based on the social identity approach and SIMOL. Additionally, were the results across T1 and T2 noticeably different, were this a true panel study or were there theoretical reasons to assess changes in the relationships across time, it would be appropriate to test for such differences and changes using latent variable modeling (McArdle, 2009).

The fact that the data were collected in a telecommunication company that has a long history of offering FWA options to its employees may be seen as reducing the broader relevance of our key findings. That is, it could be argued that in organizations where work flexibility is not a viable or desired option, FWA may not have

the same significance to employees. In that context, a supervisor's FWA-related decisions then may be related neither to employees' feelings of respect nor their leader endorsement; or alternatively, such decisions may be much more highly influential. Organizations emphasizing collective and cooperative work may be less satisfactory contexts for FWA; employees in those contexts may even avoid FWA due to its possible fragmentation of team cohesion and interaction. However, as work flexibility becomes more common (Galinsky et al., 2008; Madden & Jones, 2008), and increasingly important for younger generations entering the workforce (Smith, 2010), the findings of our research become more relevant.

De Menezes and Kelliher (2011) emphasize the many possible contingent results about FWA due to different kinds or combinations of FWA, convergence between availability and employee preferences and use, extent of employee choice, change in working arrangements over time, frequency of use, length of availability of policy, etc. They note that 'relatively few contingent factors have been actually examined, though reviews or meta-analyses indicated a need for such investigations (e.g. Baltes et al., 1999)' (p. 463). Further, studies vary by methodologies, data and research designs (most typically single-level and cross-sectional), with wide variation in types of occupation, sample size of individuals or organizations.

## Conclusion

This study provides new insights to the research on FWA, supervisory mediation of FWA and SIMOL by demonstrating that (1) immediate group supervisors' decisions on their subordinates' access to FWA are associated with subordinates' identity and leader endorsement, and (2) that a leader's in-group prototypicality moderates these relationships: In-group prototypical (rather than less prototypical) leaders' FWA-decisions have a stronger influence on group members' self-evaluation, but a smaller influence on group members' leader endorsement. These findings emphasize one of many immediate supervisors' active roles in implementing organizational policies. When implementing policies for FWA, organizations need to consider ways to help immediate supervisors communicate these to their subordinates, and to underscore implications for employee and leader identity.

## Acknowledgments

This paper is part of the project 'CityWorkLife: Smart and Flexible Work and Living in Metropolitan Areas', funded by TEKES, Finland, [grant number 40277/12]. Professor Matti Vartiainen; Project Manager: Anu Sivunen, Ph.D.; Satu Koivisto, Ph.D.; Emma Nordbäck; Aalto University Work Research Unit, P.O. Box 15500, FI-00067 Aalto, Finland. Research partners include Professor Terri Griffith, Santa Clara University, Leavey School of Business; and Professor Ronald E. Rice and Associate Professor Karen K. Myers, University of California, Santa Barbara, CA. We are extremely grateful to the participating organization and its members.



## Disclosure statement

No potential conflict of interest was reported by the authors.

## Funding

This work was supported by TEKES, Finland [grant number 40277/12].

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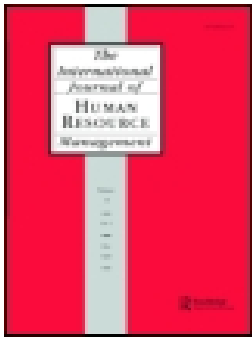
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# The International Journal of Human Resource Management

ISSN: 0958-5192 (Print) 1466-4399 (Online) Journal homepage: <http://www.tandfonline.com/loi/rijh20>

## The role of HRM and social capital configuration for knowledge sharing in post-M&A integration: a framework for future empirical investigation

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**To cite this article:** Alphonse Aklamanu, William Y. Degbey & Shlomo Y. Tarba (2015): The role of HRM and social capital configuration for knowledge sharing in post-M&A integration: a framework for future empirical investigation, The International Journal of Human Resource Management, DOI: [10.1080/09585192.2015.1075575](https://doi.org/10.1080/09585192.2015.1075575)

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## The role of HRM and social capital configuration for knowledge sharing in post-M&A integration: a framework for future empirical investigation

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The literature on human resource management (HRM) indicates that HRM plays an important role in merger and acquisition (M&A) integration success, but pays little attention to the mechanisms for knowledge sharing in post-M&A integration. Limited work has been carried out to provide understanding on how social capital and HRM practices influence intra-organizational knowledge sharing in M&A integration. This paper primarily focuses on the phenomenon of social capital and HRM practices – one of the primary means by which knowledge sharing can occur within firms. The main aim of this paper is to provide an alternative framework that introduces the literature on HRM and social capital to discuss how HRM practices and the various dimensions of social capital may enhance knowledge sharing in post-M&A integration. Drawing on the literature on social capital and HRM, we offer an alternative view on the issue of knowledge sharing in M&A integration by explaining how specific HRM practices that have an impact on employees' knowledge, skills and abilities for participating in knowledge sharing activities may depend on relational, cognitive and structural social capital. We isolate a number of HRM practices and social capital variables that may enhance knowledge sharing in post-M&A integration, and develop a research model and propositions for future empirical investigation.

**Keywords:** human resource management; knowledge sharing; mergers and acquisitions; social capital

### Introduction

Global merger and acquisition (M&A) activities reached an all-time record high in 2006 of \$3.79 trillion (Barkema & Schijven, 2008). In spite of the fragile and slow economic recovery from the 2007 recession in many developed nations, the value of global acquisitions in 2013 alone exceeded \$2.3 trillion (Bloomberg, 2013). The value creation potential of M&As (Degbey, 2015; Haleblian, Devers, McNamara, Carpenter, & Davison, 2009; King, Dalton, Daily, & Covin, 2004; Seth, 1990) and their practical importance in strategic, monetary and social terms have also been discussed in prior studies (Degbey & Pelto, *in press*; Gomes, Angwin, Weber, & Tarba, 2013). However, rather strikingly, there is lack of consistent corroborative confirmation that M&A

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strategy enhances the financial performance of the acquiring company, because the findings of the studies are often inconsistent, mixed and even contradictory (Gomes et al., 2013; Haleblian et al., 2009; Papadakis & Thanos, 2010; Schoenberg, 2006). Furthermore, one of the enduring paradoxes in M&A activity has been the propensity of companies and incumbent executives to pursue M&As in spite of consistent evidence that post-merger performance of acquiring firms is mixed at best (Weber, Tarba, & Öberg, 2014). For instance, in 2011, global M&A activity exceeded the previous years' deal volume records, and several recently conducted surveys indicate that despite the financial market crisis, executives remain upbeat about their M&A plans around the world (Bloomberg, 2012; Deloitte, 2012).

Indeed, research in general has emphasized the significant role of human resource management (HRM) in the creation and management of human and social capital (Youndt, Subramaniam, & Snell, 2004). Specifically with regard to M&A, several studies suggest that HRM practices influence the degree to which knowledge is shared in post-M&A integration (Almor, Tarba, & Benjamini, 2009; Graebner, 2004; Sarala, Junni, Cooper, & Tarba, 2014; Stahl et al., 2013; Weber & Tarba, 2010; Zhang et al., 2015), and thus the need to plan and develop well-formulated practices or policies with respect to human capital (knowledge, skills and abilities–KSAs) issues is very important. Moreover, while the role of HRM in M&A has received recent attention (Gomes, Angwin, Peter, & Mellahi, 2012), HRM practices in particular are frequently a neglected area of post-M&A integration research (Melkonian, Monin, & Noorderhaven, 2011; Monin, Noorderhaven, Vaara, & Kroon, 2012; Weber & Fried, 2011a, 2011b; Weber, Tarba, & Reichel, 2011; Xing & Liu, 2015). Limited studies have been conducted on how HRM practices affect knowledge sharing in M&A integration, with few exceptions (e.g. Faulkner, Pitkethly, & Child, 2002; Weber et al., 2011). For example, Weber et al. (2011) noted that few M&A researchers have mentioned the importance of HRM practices as integration mechanisms, and fewer still have discussed the importance of creating mechanisms that renew a firm's stock of HRM practices.

Furthermore, it is important to note that knowledge-related issues are inherently human capital issues, and are thus treated on this basis in this paper (see, MacNeil, 2003). Knowledge sharing has been described to occur 'when people who share a common purpose and experience similar problems come together to exchange ideas and information' (MacNeil, 2003, p. 299). In fact, recent studies have emphasized the importance of knowledge transfer in M&A in general (Junni, Sarala, & Vaara, 2013) and its interrelationships with causal ambiguity, partner attractiveness and cultural integration (Junni & Sarala, 2011); cultural differences, convergence and crossvergence (Sarala & Vaara, 2010); cultural learning and collective teaching initiatives (Junni & Sarala, 2012); and absorptive capacity (Junni & Sarala, 2013). Similarly, Yoo, Lyytinen, and Heo (2007) call for future research in M&A to explore knowledge sharing as an outcome of dynamic interactions between managerial choices and employee enactments. Since knowledge is difficult to transfer, oftentimes a high level of post-acquisition integration may be needed to achieve the expected benefits of the acquisitions (Puranam, Singh, & Zollo, 2003, 2006; Puranam & Srikanth, 2007; Ranft, 2006; Ranft & Lord, 2002; Weber, Tarba, & Reichel, 2011; Weber, Tarba, & Rozen-Bachar, 2011). However, a high level of integration may eventually result in cultural clashes (Drori, Wrzesniewski, & Ellis, 2011; Lubatkin, Schweiger, & Weber, 1999; Schweizer, 2006; Weber & Tarba, 2011), destruction of the knowledge-based resources of the acquired firm due to senior management and key employee turnover (Ahammad, Glaister,



Weber, & Tarba, 2012; Krug, Wright, & Kroll, 2014; Ranft & Lord, 2000), and the disruption of organizational routines (Puranam, Singh, & Chaudhuri, 2009).

Similar to, and independent of, the importance of human capital in enhancing knowledge exchange processes during M&A implementation (see also, Ahammad, Tarba, Liu, & Glaister, 2014; Fridman, Carmeli, Tishler, & Shimuzu, 2015; Junni & Sarala, 2013), other studies have also delineated the importance of social mechanisms, such as social community (Bresman, Birkinshaw, & Nobel, 1999), and culture, socialization and collective teaching as a learning strategy (Junni & Sarala, 2012; Zander & Zander, 2010), that enable knowledge transfer in M&A.

However, while human capital is often regarded as the origin of all knowledge, its value and uniqueness to create and manage new knowledge (cf. Reed, Lubatkin, & Srinivasan, 2006) is enhanced through learning that requires people to exchange and share insights, knowledge and mental models (i.e. social capital) (Cabello-Medina, López-Cabrales, & Valle-Cabrera, 2011; Tsai & Ghoshal, 1998). That is, knowledge sharing in M&A integration can be regarded essentially as a collaborative or team exercise, and thus, social capital plays a central role in improving employees' KSAs and in creating the conditions to influence knowledge sharing in M&A. In addition, although the importance of social capital as a mechanism for facilitating knowledge sharing and renewing a firm's HRM practices has been emphasized in previous research (cf. Cabello-Medina et al., 2011), only limited studies exist on how they may enhance knowledge sharing in post-M&A integration. Thus, current understanding of how knowledge sharing at the individual level leads to post-M&A integration success is limited, suggesting a lack of interconnectedness in HRM and social capital literature in the M&A context.

In pursuit of developing the needed interconnection in the literature and to enhance our understanding, Larsson and Finkelstein (1999) and Gomes et al. (2013) call for researchers to take into account strategic, organizational and HRM explanations for M&A success simultaneously. Likewise, other scholars support the view that how M&A integration members are selected, trained and motivated may affect their knowledge sharing behaviors in M&A integration (see, Ahammad et al., 2014; Weber, Rachman-Moore, & Tarba, 2012). Following the last two assertions, emphasizing the role of relevant HRM practices with connected, but distinct orientations, rather than individual and disconnected HRM practices, has the potential to maintain the value and uniqueness of human capital (M&A integration members' KSAs) and improve social capital in achieving a desired strategic objective (in this case, knowledge sharing in M&A integration) (cf. Cabello-Medina et al., 2011; Lepak & Snell, 1999, 2002).

It therefore appears that the advancement in managing knowledge sharing in the M&A integration processes cannot be achieved without providing an understanding of the influence of HRM on M&A integration (Seo & Hill, 2005), as well as the social capital side of M&A integration (Rottig, 2011). HRM practices alone without the aid of social mechanisms, such as shared language, communication and teamwork, may not be enough in facilitating knowledge sharing in M&A integration. For instance, Angwin, Mellahi, Gomes, and Peter (2014) found that different communication practices are influencing M&A outcomes in terms of employee commitment to merged organization strategy and M&A survival. The application of social capital theory (Nahapiet & Ghoshal, 1998) may therefore provide additional insight into understanding the social mechanisms that may enhance knowledge sharing in M&A integration.

As a result, this paper aims to fill this gap in the literature by drawing on HRM and social capital literature to discuss the configuration of a set of HRM practices and

social capital variables that may have an impact on human capital (i.e. employees' KSAs) for sharing knowledge in M&A integration. In this paper, we focus on employees' KSAs as a relevant theoretical framework for HRM practices (Argote, McEvily, & Reagans, 2003; Lado & Wilson, 1994; Stevens & Campion, 1994), and social capital variables (Kostova & Roth, 2003; Nahapiet & Ghoshal, 1998) that may enhance knowledge sharing at the individual level in M&A integration. In this way, we intend to develop a better understanding of knowledge sharing in post-M&A integration (i.e. where more social interaction and effective human capital and HRM practices are needed), by providing a suitable theoretical model and propositions that help unmask the intricate linkages in the literature, and hence setting a strong foundation for future empirical work in further validating and strengthening this paper.

The remainder of the paper is structured as follows. First, we offer a brief review of the literature on the relationship between HRM practices and social capital in relation to knowledge sharing in M&A integration. Next, we develop and discuss a conceptual framework based on a configuration of HRM practices influencing employees' KSAs for sharing their knowledge and social capital variables that may enhance knowledge sharing in M&A integration along with propositions. Finally, we present conclusions and discuss the contributions of the paper.

### **The relationship between HRM practices, social capital and knowledge sharing in M&A integration: a review of the literature**

Wright, McMahan and McWilliams (1994, p. 301) defines human resources as 'the pool of human capital under the firm's control in a direct employment relationship.' HRM practices, on the other hand, are the organizational activities directed at managing the pool of human capital and ensuring that the capital is employed towards the fulfillment of organizational goals. Human capital theory (Becker, 1975) suggests that human resources (employees and managers) are valuable and unique resources in which organizations must invest. The human capital of the firm constitutes the knowledge, skills and abilities (KSAs) residing with and utilized by individuals (Stevens & Campion, 1994; Subramaniam & Youndt, 2005). The value of human capital is derived from its potential to enhance the efficiency and effectiveness of the firm, exploit available market opportunities, and/or neutralize potential threats (Lepak & Snell, 2002), while the uniqueness makes an individual employee/manager irreplaceable and idiosyncratic, and his/her firm-specific KSAs (see, Barney, 1991) may not be easy for other firms to imitate and also problematic to transfer to other positions (Cabello-Medina et al., 2011; Lepak & Snell, 1999, 2002). Human capital theory suggests that firms "purchase" or obtain human capital from the external labor market through HRM practices, such as recruitment and selection (Youndt & Snell, 2004). Furthermore, companies invest in employees and "make" human capital through HRM practices, such as training and career development, when they require people with explicit KSAs (see, Stevens & Campion, 1994) that are not readily available for purchase from the external labor market (Nikandrou & Papalexandris, 2007). Indeed, people with unique KSAs are regarded as 'rainmakers' (James, 2002) and are not widely available/generally observed in the labor market (Amar, 2002).

Recently, researchers have started to draw attention to HRM issues regarding knowledge management, and some studies have postulated that knowledge sharing issues can be well understood by exploring whether and how HRM practices have an impact on employees' abilities, motivation and opportunities to participate in



knowledge sharing events (e.g. Alexopoulos & Monks, 2004; Bartol & Srivastava, 2002; Foss, Minbaeva, Pedersen, & Reinholt, 2009; Minbaeva, Pedersen, Björkman, Fey, & Park, 2003; Pastor, Santana, & Sierra, 2010). For instance, Alexopoulos and Monks (2004) suggest that we can understand knowledge sharing issues by examining how HRM practices influence employees' abilities, motivation and opportunities to participate in knowledge sharing events, which in turn depend on relational, structural and cognitive social capital. Prior studies (e.g. Cabrera & Cabrera, 2005; Carmeli, Gelbard, & Reiter-Palmon, 2013; Kuvaas, Buch, & Dysvik, 2012; Pastor et al., 2010; Wasko & Faraj, 2000; Yamao, Cieri, & Hatchings, 2009; Youndt & Snell, 2004) have also shown that people management practices, such as training and development, leadership and creative problem-solving capacity, training intensity, hiring/recruitment, compensation and reward systems, performance appraisal, work/facility design and job rotation initiatives may enhance knowledge sharing.

Much of the HRM studies have postulated that HRM practices can be categorized or classified around ability, motivation and opportunity, with the assumption that organizational performance rests on these three categorizations (e.g. Argote et al., 2003; Huselid, 1995). Particularly, these three HRM categorizations are described as: (1) skill development through recruitment and training to affect employees' KSAs for understanding and combining new knowledge; (2) the incentive structure that includes pay, performance appraisal and employee security, which provides the mechanism to influence employees' motivation to search for and absorb new knowledge; and (3) the design of work structures that define the content, breadth, interdependence and autonomy of job conditions and employees' opportunities to interact with others for task accomplishments (Alexopoulos & Monks, 2004; Argote et al., 2003; Boxall, 2003; Huselid, 1995; Pastor et al., 2010). The three HRM practice categorizations are multifaceted and enhance each other to provide a clear system that can improve performance (Boxall, 2003; Delery & Doty, 1996; Delaney & Huselid, 1996; Guest, 2011; Lepak, Liao, Chung, & Harden, 2006; Snape & Redman, 2010; Wright & Snell, 1998). Each of the three HRM practice categorizations is often strongly associated with one specific dimension of social capital (Pastor et al., 2010). Table 1 depicts HRM practices found in the literature as having an impact on individuals' abilities, motivation and opportunities to participate in knowledge sharing activities (cf. Argote et al., 2003; Boxall, 2003).

Although prior research has shown that specific HRM practices are strongly geared toward influencing individuals' abilities, motivation or opportunities (as depicted in Table 1), we argue that this view is quite limiting, particularly in a context such as M&A where knowledge sharing in M&A integration, for example, facilitated through HRM selection and training practices, may require more than just an influence on employees' abilities to occur. Thus, we strengthen this aspect of the HRM literature – and especially M&A research – by stressing that employing the KSA framework would help broaden the scope of understanding of HRM practices, such as selection and training, beyond prior studies' mantra (see citations in Table 1) of mainly influencing employees' abilities to share knowledge. In short, employing the KSA framework to theoretically support HRM provides additional understanding beyond HRM practices' influence on employees' abilities, to also include their knowledge and skills in shaping knowledge sharing in M&A integration.

For example, in terms of employee selection for teamwork as is often required in M&A integration, the identification of additional KSAs required by jobs (in this case, knowledge sharing in M&A integration) is clearly important to the development of

Table 1. HRM practices identified as impacting on employees' ability, motivation and opportunity to engage in knowledge sharing.

HRM practice		How it facilitates knowledge sharing	Authors
HRM practice affecting employees' ability to <b>share knowledge</b>	Training and development	Introducing cross-functional and team-based training, introduce formalized orientation and socialization programs	Cabrera and Cabrera (2005); Kang, Morris, and Snell (2007); Yamao et al. (2009)
	Hiring/staffing	Hire networks and not just on the basis of what people know, hire people who fit the organization's culture and promote communication skills	Cabrera and Cabrera (2005); Lengnick-Hall and Lengnick-Hall (2003); Robert and O'Malley (2000); Schneider (1987)
HRM practice affecting employees' <b>motivation to share knowledge</b>	Performance appraisal	Adopt developmental evaluations, include knowledge sharing criterion in evaluation program sharing	Cabrera and Cabrera (2005); Kang et al. (2007); McDermott and O'Dell (2001)
	Compensation and rewards	Combining individual and collective rewards; rewarding for knowledge	Cabrera and Cabrera (2002, 2005); Robertson and O'Malley (2000).
HRM practice affecting employees' Opportunity to <b>share knowledge</b>	Work/facility design:	Open offices, absence of physical barriers, co-location, water-cooler strategies	Cabrera and Cabrera (2005); Lengnick-Hall and Lengnick-Hall (2003); Robertson and O'Malley (2000)
	Rotation programs	Acting as natural vehicle for building networks that transfer knowledge across organizational boundaries and develop a global mind-set	Lengnick-Hall and Lengnick-Hall (2003)
	Communities of practice	Fostering, nurturing, and investing in the development of community of practice. A community of practice gives employees a home	Cabrera and Cabrera (2005); McDermott and O'Dell (2001); Wasko and Faraj (2005)
	Egalitarianism	Eliminates status symbols thereby creating flatter organizations, minimizing job classifications, empowering employees, and flat pay structures	Robertson and O'Malley (2000); Yamao et al. (2009); Youndt and Snell (2004)

selection systems (cf. Stevens & Campion, 1994). In a teamwork environment (such as M&A integration), scholars suggest two broad KSA requirements: interpersonal KSAs (conflict resolution, collaborative problem solving and communication) and self-management KSAs (goal setting and performance management, and planning and task coordination), in order to successfully complete team tasks (Stevens & Campion, 1994). We therefore suggest that by employing employees' KSAs, the implementation of HRM practices of selection and training (see Figure 1) would be better strengthened

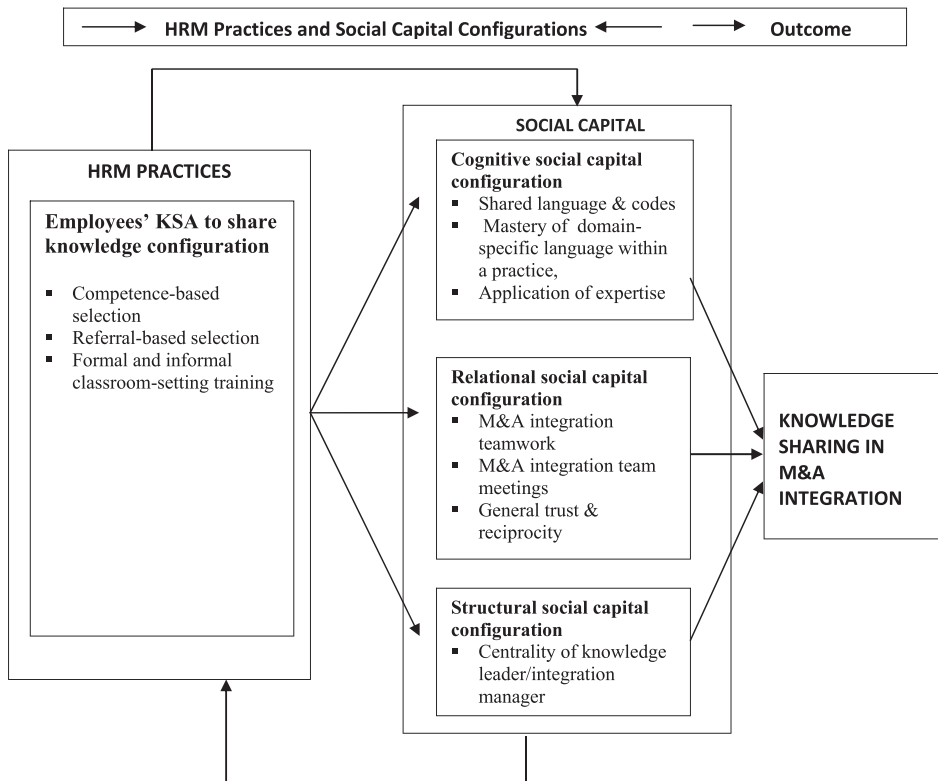


Figure 1. A conceptual model of the impact of HRM practices and social capital on knowledge sharing.

to promote both the employees' human capital (i.e. the competence of individual employees) and their cognitive, relational and structural social capital (i.e. the willingness of individual employees to interact and share knowledge) for knowledge sharing in M&A integration.

Even though the notion of social capital has its history in economics and political science, it has recently drawn the attention of organization and management theorists (see, e.g. Hoffman, Hoelscher, & Sherif, 2005; Inkpen & Tsang, 2005; Kwon & Adler, 2014; Moran, 2005; Payne, Moore, Griffis, & Autry, 2011). Prior studies have found that HRM practices aid in fostering social capital between employees by developing their abilities, opportunities and motivation to access other's knowledge (Adler & Kwon, 2002; Dyer & Nobeoka, 2000; Kaše, Paauwe, & Zupan, 2009; Leana & Van Buren, 1999; Morris, Snell, & Lepak, 2005; Nahapiet & Ghoshal, 1998). Seeing organizational knowledge as a socially created activity (Berger & Luckmann, 1996; Cohen & Prusak, 2001), and the knowledge-based firm as a dispersed knowledge structure (Tsoukas, 1996), highlights the view of seeing knowledge sharing within the firm as a cooperative process located in a multifaceted, collaborative social exchange (cf. Cabrera, Collins, & Salgado, 2006; Gupta & Govindarajan, 2000; Kaše et al., 2009; Minbaeva, Mäkelä, & Rabbiosi, 2012; Walter, Lechner, & Kellermanns, 2007). Consequently, the role of social capital is viewed as important. Social capital is defined by Nahapiet and Ghoshal (1998, p. 243) as

the sum of the actual and potential knowledge resources embedded within, available through and derived from the network of relationships possessed by an individual or social unit. Social capital thus comprises both the network and the assets that may be mobilized through that network.

Similar to human capital, social capital is a valuable resource to an organization (Adler & Kwon, 2002; Kostova & Roth, 2003; Wright, Dunford, & Snell, 2001). The people involved in forming the network of relationships mutually own and make use of this valuable resource (see, e.g. Baraldi, Gregori, & Perna, 2011; Baraldi, Gressetvold, & Harrison, 2012; Bourdieu, 1986; Degbey & Pelto, 2013). Social capital is viewed as an important asset to the firm because it promotes interaction among employees of the firm, which is required for successful collaborative actions (see, e.g. Kianto & Waajakoski, 2010; Leana & Van Buren, 1999; Yli-Renko, Autio, & Sapienza, 2001).

Reflecting on its multidimensional characteristics, Nahapiet and Ghoshal (1998) identified three interconnected dimensions of social capital: cognitive, relational and structural. According to Nahapiet and Ghoshal (1998), the structural dimension represents the overall pattern of relationships among parties. That is, it is concerned with the structure of networks determining with whom each person maintains contact (Cabello-Medina et al., 2011). The cognitive dimension refers to the degree to which employees within a social network share a common perspective or understanding (Nahapiet & Ghoshal, 1998; see also, Rottig, 2011). For instance, a shared language and shared stories among network members can enhance strong bonding. Shared language and narratives increase mutual understanding among individuals, and this helps them to communicate more effectively (see, Nahapiet & Ghoshal, 1998; Simsek, Lubatkin, & Floyd, 2003; Tsai & Ghoshal, 1998). The relational dimension represents the type of relationships that parties have developed with each other over time, on the basis of such governance mechanisms as respect, friendship, trust and norms of reciprocity (see, Dyer & Singh, 1998; Fukuyama, 1997; Tsai & Ghoshal, 1998). The relational dimension of social capital focuses on the quality of relationships developed over time (Moran, 2005). For instance, do people working in the firm know each other, and do they intermingle, talk, and exchange ideas? Social network theory (see, e.g. Gulati, 1998; Hansen, 1999; Zaheer & Bell, 2005) suggests that structural components of social capital form important sources of benefits obtained from: (a) attaining access to vital information and knowledge flows; (b) timing – that is ‘the ability of personal contacts to provide information sooner than it becomes available to people without such contacts’ (Nahapiet & Ghoshal, 1998, p. 252); and (c) referrals that provide information on available opportunities to people or actors in the network, hence influencing the opportunity to combine and exchange knowledge (Nahapiet & Ghoshal, 1998). Little research exists exploring social capital’s implications for HRM practice (Baker, 2000; Lengnick-Hall & Lengnick Hall, 2003; Yamao et al., 2009; Youndt & Snell, 2004). For example, Baker (2000) identifies a set of ten HRM ‘best practices’ (faculty design and location, hiring, education and training, multidisciplinary teams, rotation programs, incentive systems, communities of practice, management networks and external networks) that can be used to build organizational social capital. Although all of these HRM practices are relevant tools for building social capital, our work employs mainly the practices that relate to employees’ selection and training to make our case – beyond the narrow scope of HRM practices’ impact on employees’ abilities (see, Cabrera & Cabrera, 2005; Kang, Morris, & Snell, 2007) – for knowledge sharing in M&A integration. We argue that the aforementioned HRM practices not only influence employees’ abilities for sharing knowledge, but could equally influence their knowledge and skills.

This is more likely the case in social contexts where collaborative and/or interactive skills and knowledge are necessary ingredients for knowledge sharing in order to accomplish relevant tasks, such as M&A integration, and thereby facilitate the realization of the firm's set objectives.

In knowledge creation as well as knowledge sharing during M&A integration, HRM practices and social capital play an important role (Jackson & Schuler, 2003). For example, HRM practices can have a strong effect on the KSA to achieve the best results from the newly integrated entity due to differences in culture and organizational structure (e.g. Gill, 2012; Lakshman, 2011). In addition, the way both the acquirer and the acquired firm's HRM practices are designed may affect how employees interact with each other and share their knowledge in post-M&A integration (cf. Gagné, 2009; Swart & Kinnie, 2003). Knowledge is classified into two main forms: explicit knowledge, which can be transferred in formal, systematic language; and tacit knowledge, which resides in the brain and requires a person to observe, experience and interact with others to fully access the knowledge (e.g. Lubatkin, Florin, & Lane, 2001; Polanyi, 1966; Zollo & Winter, 2002). Knowledge sharing can be defined as 'a reciprocal process of understanding, integrating and sense-making, which is embedded in the activities of the organization' (Willem & Scarbrough, 2002, p. 4), and occurs 'when people who share a common purpose and experience similar problems come together to exchange ideas and information' (MacNeil, 2003, p. 299). HRM plays an important role in assisting knowledge sharing and organizational learning among integration team members in post-M&A integration mediated by social relations. Prior literature in post-M&A integration shows that M&As suffer a high failure rate or may not create the desired value due to poor integration of knowledge (see, Lakshman, 2011; Ranft & Lord, 2000; Scheunemann & Suessmair, 2013), and synergy-seeking M&As have not been found to add more shareholder value than unrelated M&As (e.g. Datta, Pinches, & Narayanan, 1992; Seth, 1990). Knowledge sharing in M&A can revitalize firms through leveraging new capabilities. Evidence in practice also indicates that HRM can influence M&A in the integration stage when M&A practices and policies are implemented (e.g. Antila, 2006, 2008; Björkman & Soderberg, 2006; Sinkovics, Zagelmeyer, & Kusstatscher, 2011; Teerikangas, Véry, & Pisano, 2011). For example, in the case study of the strategic adaptation process of international HRM process in an Australian bank that acquired a British bank, Dowling and Welch (1991) suggested that the involvement of HRM in the strategy formulation process contributed to the success of the acquisition. However, not all M&As are motivated by the same objectives (see, Bower, 2001), and thus the level of involvement of the HRM function must be taken into account despite its importance in enhancing M&A success. A recent empirical study that focuses on the role of HRM in M&As found that we should expect HRM functional involvement (in terms of scope and intensity of involvement) to vary across the type of M&A (Bagdadli, Hayton, & Perfido, 2014).

### **HRM practices, social capital and knowledge sharing in M&A integration: a suggested framework and proposition development**

The model proposed in this paper is of a descriptive nature, which is not atypical in international business and M&A integration research. We draw mainly upon social capital theory and HRM literature to develop an HR-social mechanism configuration that aligns different HRM practices with employees' KSAs for sharing their knowledge in M&A integration. The adoption of employees' KSAs intends to help strengthen the

HRM theory in order to better clarify the linkage between HRM practices and social capital for knowledge sharing in M&A integration. The preceding assertion is tenable because employees' KSAs can be more valuable and unique through interaction with other colleagues (Cabello-Medina et al., 2011; Reed et al., 2006).

We use the term configuration to describe this framework because it is based on a set of central parameters that, once established, allow us to draw inferences about both the form and function of the entire system. Though the concept of HRM practices design is in line with the conceptualization of organizational configurations and the need to align strategic employment and HRM issues, the basis of our framework is that there may be different HRM practice configurations within a single organization. Therefore, the HRM practices configurations in this paper do not represent an entire organization but, rather, subgroupings within the merged entity (e.g. the M&A integration team). Grounded on this premise, a crucial strategic problem for the M&A integration manager involves identifying the HRM practices and social mechanisms that could promote knowledge sharing in the integration process. Accordingly, we next identify the HRM practices and social factors that may have an impact on employees' KSAs for sharing their knowledge in M&A integration with accompanying framework and research propositions. We focus only on HRM practices that have an impact on employees' KSAs (i.e. M&A integration team members' KSAs) for sharing their knowledge and the three dimensions of social capital specified by Nahapiet and Ghoshal (1998).

### **Employees' KSAs for sharing knowledge configuration**

Employees' KSAs (i.e. the set of knowledge, skills and abilities embedded in individual employees of the firm) for decades have been conceptualized as human capital, which is revealed to consist of a solid knowledge base (Argote et al., 2003; Pastor et al., 2010). Skills and abilities are inherent, but can also be obtained through training (Nadler, Thomson, & Van Boven, 2003) and career development opportunities provided by the firm (Collins & Smith, 2006). Indeed, Lado and Wilson (1994) suggest that investment in firm-specific KSAs through HRM practices and policies would not be economically justified if the labor market for human resources were homogeneous and freely mobile across firms. However, firms do indeed encounter a heterogeneous demand for and supply of human resources, indicating an imbalance in the dispersion of KSAs across individuals and in their productive capacities (Wright & Snell, 1991).

Hence, intra-organizational knowledge sharing in M&A, for example, can enhance a firm's capacity to strengthen its creation of its internal labor market and also help it minimize its incremental cost of investing in firm-specific human capital arising from various HRM activities (Lado & Wilson, 1994). To support or create an employment relationship that is focused on knowledge sharing among M&A integration team members, firms will likely rely on KSA-based HRM practices that encourage employees' participation and increase the organization's return on human capital investments. Thus, we argue that in order to foster knowledge sharing in M&A integration, management has to pay attention to how the M&A integration team members are selected and trained. The logic of the HRM practices configuration in our framework is as follows. First, in relation to organizational learning, we pinpoint two selection criteria that may have an impact on the M&A integration team members' KSAs for sharing their knowledge with others: (1) selecting the M&A integration team members based on referrals; and (2) selecting the M&A integration team members based on their



experience, competence and skills related to processes and systems to be integrated. Second, we identify two training methods that may have an impact on employees' KSAs for sharing their knowledge with other M&A integration team members: (1) team-based formal and informal trainings in a classroom setting; and (2) informal training based on learning-by-doing, hands-on experience, observation and coaching. Thus, the above selection criteria and training methods can be configured as HRM practices affecting employees' KSAs for sharing their knowledge in M&A integration. These practices may also enhance social capital, which in turn, may facilitate knowledge sharing in M&A integration (e.g. Baker, 2000; Brass & Labianca, 1999; Robertson & O'Malley Hammersley, 2000; Yamao et al., 2009). How the configuration of each of these practices may have an impact on employees' KSAs for sharing their knowledge, as well as enhance social capital and facilitate knowledge sharing in M&A integration, is in turn explained.

### ***Referral-based selection***

How the M&A integration team members are selected should affect their KSAs for sharing their knowledge with others. Researchers (e.g. Jung, Namkung, & Yoon, 2010; McCulloch & Turban, 2007; Robertson & O'Malley Hammersley, 2000; Saks & Ashforth, 2002; Song & Chathoth, 2011; Saks, Uggerslev, & Fassina, 2007) have postulated that in the process of recruitment, the firm would have to take into account how the perceived potential values of the employee will match with those of the firm. Researchers have also noted that a major reason why employee referrals may be linked to positive work outcomes is attributed to the fact that employees making the referrals may have pre-screened or evaluated potential applicants. As mentioned by Breaugh (1992), pre-screening is most likely to happen when the person making the referrals is concerned about his or her reputation in the firm. For example, in M&A integration, the integration manager is likely to appraise the integration team members' communication KSAs regarding the working language of the firm or the language applicable to the M&A integration, and also encourage the M&A integration team members to build collaborative problem-solving KSAs, i.e. interpersonal KSAs for teamwork (cf. Stevens & Campion, 1994). Furthermore, the M&A integration manager can also access and mobilize his/her existing network of relationships (cf. Kwon & Adler, 2014; Smith, 2005) in the organization to select individuals to form the integration team (see, Ashkenas & Francis, 2000; Brass & Labianca, 1999; Dagnino & Pisano, 2008). Selecting the M&A integration team members on the basis of referrals should also enhance structural, relational and cognitive social capital as the M&A integration team members may have already known one another and share common values, and possibly share similar KSAs needed for the integration (cf. Marks & Mirvis, 2001; Schuler & Jackson, 2001). Meglio, King, and Risberg (2015), in their conceptual paper, view the post-acquisition integration phase through the lens of contextual ambidexterity that may have an impact on the M&A performance in two ways: by providing an integrated solution to the economic and social tensions in acquisitions, and by enabling managers to effectively confront the competing needs of task and human integration. Information dissemination in connection with the M&A integration and individual existing networks of relations between the integration manager and the M&A integration team members can present opportunities for enhancing social capital (cf. Kaše et al., 2009; Morris et al., 2005; Zaheer & Bell, 2005). Thus, relational and structural social capital will be greater when the M&A integration team members are chosen based on referrals



because, upon joining the M&A integration, the new member would already have social ties (relations) with a current integration team member (e.g. Brass & Labianca, 1999; Dyer & Singh, 1998; Zaheer & Bell, 2005). Cognitive social capital will also be enhanced when the M&A integration team members are selected based on referrals. This is because the integration manager in making the selection would have taken into consideration the linguistic skills, knowledge and expertise of the integration team members (see, e.g. Piekkari, Vaara, Tienari, & Sääntti, 2005; Vaara, Tienari, Piekkari, & Sääntti, 2005). Cognitive capital is the knowledge and language (e.g. English, Finnish, French, or German) and systems' language related to the functions integrated in M&A. For example, knowledge of domain-specific language, such as accounting, project management, human resource management, finance, logistics, warehousing, distribution or inventory management, is a relevant element of the integration team members' selection process (cf. Marschan-Piekkari, Welch, & Welch, 1999).

Selecting M&A integration team members based on referrals from the integration manager is also especially crucial for knowledge sharing as his/her familiarity with the team members may help create a sense of community for enhanced learning and developing more knowledge during the integration (e.g. Schuler, Jackson, & Luo, 2004). Thus, we argue that the HRM practice of selecting the M&A integration team members based on referrals may enhance social capital, which in turn, facilitates knowledge sharing in M&A integration.

### ***Competence-based selection***

The M&A integration team members' competence in this paper refers to the level of knowledge and understanding the integration team members possess in relation to the various functional areas of the new entity, i.e. accounting, human resources, production, marketing, information technology, logistics and so on. Even if an individual is motivated to contribute knowledge to others within the M&A integration team, that contribution may not happen unless the individual possesses the necessary cognitive capital; put simply, the individual must possess some knowledge to exchange (Wasko & Faraj, 2005). Therefore, it is vital that the M&A integration team members not only have general technical skills, but also special knowledge related to the business requirements of managerial and sociocultural integration (Stahl et al., 2013; Weber & Tarba, 2013). In other words, the M&A integration team members must also understand the setting in which their knowledge is useful (see, e.g. Wang & Noe, 2010; Wang, Noe, & Wang, 2014) in order to be able to share their knowledge with others.

One can assume that in a situation where an organization undertakes exploratory learning in a new domain, such as in M&A integration, it is unlikely and maybe not required, that all members have common domain understanding. Prior studies have shown that people must possess adequate knowledge related to the area of their partners' expertise in order to recognize its value for commercial application, assimilate it, interpret it and apply it (Cohen & Levinthal, 1990; Grant, 1996; Szulanski, 1996). As Lane and Lubatkin (1998) and Takeishi (2002) argued, even when the knowledge to be shared is new and profoundly different, as in M&A integration, the common knowledge possessed by the integration team members allows them to be in a better position to understand and interpret new knowledge than if they had no previous domain knowledge related to functional areas to be integrated. Schuler et al. (2004) pointed out that M&A integration team members should be composed of managers possessing prior M&A integration skills, good reputations, flexibility and the capability to be assigned

with the responsibility to make critical decisions. Therefore, we argue that the HRM practice of selecting the M&A integration team members based on their experience, competence and skills related to the systems and processes to be integrated may foster social capital as well as aid knowledge sharing in M&A integration.

### ***Formal and informal classroom-setting training***

Formal training in a classroom environment, together with one-on-one individual attention (coaching) and hands-on experience, where the integration team members practice and perform tasks related to financial, operational and human resource issues related to the M&A integration, may provide an effective mechanism for knowledge sharing among the integration team members. Formal training in a classroom setting may also provide consultants/trainers involved in the M&A integration the opportunity to share valuable and relevant information related to the business operations and systems and how it fits with, for example, the organization's planned production, financial, logistics and distribution systems. The formal training in a classroom setting can, for instance, allow the M&A integration team members involved in enterprise resource planning systems' integration to interact with the systems. Implementing formalized orientation and socialization programs before the start of the M&A integration process can also assist M&A integration team members with learning the new organization's culture, values and norms and shared cognitive schemes (Kang et al., 2007). For example, Schuler et al. (2004) suggest that individuals who comprehend the legal and financial constraints managers encounter during the initial stages of the M&A integration process are more likely to be optimistic and promote positive outcomes with respect to the M&A, whereas those who do not comprehend these constraints are less optimistic, and are not totally open and clear with regard to their involvement in the M&A. For instance, in the initial phase of the M&A integration, formalized orientation and socialization programs in the form of workshops and informal get-togethers and socializing programs, such as offering tea and coffee and providing lunch, can promote social interactions (e.g. Sinkovics et al., 2011).

Team-based formal training in a classroom setting and informal socialization programs can also provide social environments where the M&A integration manager and consultants, as well as other integration team members, can interact to exchange ideas and know-how. This atmosphere may enhance both relational, structural and cognitive social capital, as members involved in the M&A integration interact with each other overtime and discuss issues related to the M&A integration. Birkinshaw, Bresman, and Håkanson (2000) suggest that mixed project teams, research and development (R&D) personnel rotations, and joint R&D personnel training programs are useful integration mechanisms. These mechanisms are identified as valuable to both task and human integration processes (Haspeslagh & Jeminson, 1991; Sales & Mirvis, 1984; Shrivastava, 1986). We therefore argue that formal training in a classroom setting combined with hands-on experience, coaching and learning-by-doing (i.e. informal training) may enhance social capital leading to knowledge sharing in M&A integration.

### **Social capital configuration**

Although the original HRM practices configuration pays particular attention to managing the knowledge stock of employees, it may indirectly have an impact on knowledge sharing by providing the conditions for particular social relations among the M&A

integration team members. Specifically, the HRM practices configuration of employees' KSAs for sharing knowledge theoretically corresponds to the three dimensions of social capital – cognitive, relational and structural – and relates to their effect on employees' KSAs for interacting and sharing their knowledge with others. This provides us with some understanding about how the management of HRM practices may be related to social capital in knowledge sharing. This paper considers the employees' KSAs configuration in relation to the three dimensions of social capital specified by Nahapiet and Ghosal (1998).

### *Cognitive social capital configuration*

The cognitive social capital configuration emphasizes the significance of shared interpretations, understanding and systems of meaning necessary for acquiring new knowledge. In order to foster effective knowledge sharing among the consultant, integration manager and M&A integration team members, management needs to take into consideration the linguistic skills of the integration team members, as well as their knowledge of domain-specific language related to the functional modules included in the M&A integration process. We therefore argue that the configuration of the following cognitive factors may enhance employees' KSAs for sharing knowledge, as well as for facilitating knowledge sharing in M&A integration: (1) shared language (national linguistic skills in languages such as English, French, Swedish, Finnish, etc.) used in communication in M&A integration; and (2) master of domain-specific language related to the functional modules to be integrated in the M&A process (e.g. logistics, marketing, accounting, finance, distribution, information technology, warehouse management and human resources). How the configuration of these factors may have an impact on employees' KSAs for sharing their knowledge with others, as well as for facilitating knowledge in M&A integration is in turn explained.

### *Shared language and mastery of domain-specific language of a practice*

Language is the medium used by people to have conversation with others. Engaging in the exchange of meaningful and valuable knowledge necessitates some level of common understanding between the parties, i.e. a common primary or secondary language and vocabulary (Nahapiet & Ghoshal, 1998). Shared language offers a frame of reference for making sense of the environment, and its complexities are usually shown by an individual's level of expertise (Sinkovics et al., 2011; Wasko & Faraj, 2005). Shared language also allows people to comprehend the context in which their knowledge is valuable and applicable (Sinkovics et al., 2011). It is reasonable to contend that every profession has its own domain-specific language, for instance, the well-established research tradition for new product development, marketing and international business usually has different terminology, codes, languages and 'thought worlds' in comparison to other technical knowledge research traditions, such as those in engineering and information technology (e.g. Dougherty, 1992; Kogut & Zander, 1992). One can thus contend that it is these diverse thought worlds that can hinder the effectiveness of knowledge exchange among M&A integration team members drawn from different functional areas of the organization, due to lack of shared language, codes and meanings (e.g. Birkinshaw, Bresman, & Håkanson, 2000; Faulkner et al., 2002; Sinkovics et al., 2011).

In M&A integration, the integration manager and integration team members may have to visit the acquired company in a foreign country where the language of communication might be different. Therefore, fluency in shared language is important for communication and knowledge sharing. A common linguistic background (e.g. English, Swedish, Finnish, etc.) among the consultant and the M&A integration team members is therefore more likely to facilitate common understanding and exchange of information (Birkinshaw, Bresman, & Håkanson, 2000; Sinkovics et al., 2011). Chapman, Clegg, and Gajewska-De Mattos (2010) pointed out that different functional areas of a company may experience problems differently and that technical issues arising from production may best be dealt with in a language from which the technical expertise springs.

Thus, similarity-based connection on the basis of shared language and mastery of domain-specific language within a practice (e.g. accounting, logistics, distribution, budgeting, marketing research and development), and experience in using one's expertise (Wasko & Faraj, 2005) is vital, as M&A integration and implementation is a very difficult and complex activity. In one case, Sinkovics et al. (2011) noted that many merging firms acknowledge that overcoming language barriers is their major problem, and in an attempt to overcome this barrier and improve communication with business and merger partners, managers were invited to enroll in French classes in addition to their existing English, German and Italian lessons. Previous studies in M&A research (Birkinshaw, Bresman, & Håkanson, 2000; Chapman et al., 2010; Faulkner et al., 2002; Sinkovics et al., 2011) found that a shared language overcomes barriers in communication and facilitates knowledge sharing between the merger partners. The study by Makela, Kalla and Piekkari (2007) also indicates that people and the whole subsidiary tend to bond and collaborate on many issues due to usage of common language.

### ***Relational social capital configuration***

The issue of trust has been explored in prior research, as having an impact on people's behavior and attitudes in general (Colquitt, LePine, Piccolo, Zapata, & Rich, 2012; Colquitt, LePine, Zapata, & Wild, 2011) and in the M&A context in particular (e.g. Graebner, 2009; Michalenko, 2010; Schweiger & DeNisi, 1991; Stahl, Chua, & Pablo, 2012; Stahl, Larsson, Kremershof, & Sitkin, 2011; Stahl & Sitkin, 2010; Weber, Drori, & Tarba, 2012). The findings of the research study by Stahl, Chua, and Pablo (2006) suggested that the attractiveness of the acquiring firm's HRM policies is by far the most powerful predictor of a target firm members' trust in the senior management of the acquiring company. Furthermore, Lee, Kim, Kwon, and Cho (2013) found that employees' trust in top management can serve as a boundary condition for the relationship between the perception of sincere integration efforts and subsequent turnover intention.

The relational social capital configuration addresses the motives, expectations and norms among the related parties involved in the M&A integration, here, meaning the consultant, integration manager and the M&A integration team members. In M&A integration, trust and collaboration within the integration team is vital as the sharing of the knowledge embedded in processes and systems, and in an individual's brain is a social construction process by which the M&A integration team members and the outside parties discuss, negotiate and arrive at common understanding through interaction, sense making and team learning (e.g. Ayas & Zeniuk, 2001; Coff, 2002; Newell, Swan, & Galliers, 2000). We therefore argue that the configuration of the following relational social factors may have an impact on employees' KSAs for sharing knowledge, as well

as for facilitating knowledge sharing among the M&A integration team members: (1) M&A integration team meetings; (2) M&A integration teamwork; and (3) generalized trust and collaboration among the M&A integration team members.

#### *M&A integration team meetings*

Team meetings can provide a setting for knowledge exchange among the M&A integration team and other members of the company. Exchange of information inside the firm is vital for the success of the M&A integration. The continued interaction between the integration team members during these meetings has the potential to provide opportunities for developing and building trust among the integration team members. In reference to social capital theory (Nahapiet & Ghoshal, 1998), relational social capital emphasizes the level of interpersonal relationships people have with one another built on a history of social interaction. In the context of M&A integration, these interpersonal connections encompass emotional issues, such as friendship, respect and trust, which affect people's attitudes and behavior (e.g. Sinkovics et al., 2011).

The M&A integration team meetings may also increase the opportunities for new relationships to be built or old relationships to be revitalized through sharing information related to tacit processes of the organization. For example, holding regular formal and informal meetings in relation to the M&A integration can foster social ties among the M&A integration team members and help the team members to identify each other's expertise. Prior research in M&A integration (Birkinshaw, Bresman, & Håkanson, 2000; Sinkovics et al., 2011) pointed out that integration mechanisms, such as international staff meetings, joint R&D meetings, cultural awareness seminars, mixed project teams, R&D personnel rotations, joint R&D personnel training programs, 'whisky and sauna' meetings and 'parties' were used in M&A integration. These mechanisms were identified as valuable to both task and human integration processes (Haspelagh & Jeminson, 1991; Sales & Mirvis, 1984). Thus, we argue that M&A integration team meetings may enhance employees' KSAs for sharing their knowledge with others, as well as encourage knowledge exchange in M&A integration.

#### *M&A integration teamwork*

Selecting the M&A integration team members based on their KSAs for working in teams is vital for interaction and exchange of information (e.g. Kankanhalli, Tan, & Wei, 2005; Nahapiet & Ghoshal, 1998; Stout, Salas, & Carson, 1994; Zoogah, Vora, Richard, & Peng, 2011). This is because M&A integration involves integrating different functional activities (cf. Zoogah et al., 2011), such as production, accounting, budgeting, warehousing, human resources and the logistics of the firm. The integration team members drawn from different functional units should be able to get along with each other and share information related to the integration process. Working in teams means that the M&A integration team members have the desire to be team players, and are also open to discussing and sharing common and individual peculiar problems and solutions related to the M&A integration. Ideally, in a team environment, the integration team members will have an open mind and be ready to welcome and accommodate divergent views and opinions, and work with each other during the M&A integration. This means that in M&A integration, when management takes into account the integration team members' KSAs for working in teams and designs the M&A integration around teamwork, relational social capital may be enhanced and knowledge sharing

encouraged. The existence of a high level of trust in a relationship may produce some positive results, like collaborative behavior and knowledge exchange among the M&A integration team (e.g. Mayer & Davis, 1999). The existence of strong relationships among the integration team members and the high level of trust that is usually associated with these relationships are crucial in the M&A integration in the sense that they have an impact on knowledge sharing behaviors of the integration team members (e.g. Snowden, 2000).

M&A integration involves tacit knowledge sharing, and tacit knowledge is best shared through face-to-face interpersonal interaction. Teamwork can provide unique opportunities for it to occur. Teamwork may also help in shaping individual attitudes and reinforces expected behaviors leading to knowledge sharing. It may also facilitate trust building and interpersonal connections among the integration team members at a deeper level, thus leading to the willingness to share knowledge with others. Prior studies (e.g. Kankanhalli et al., 2005; Lengnick-Hall & Lengnick-Hall, 2003) show that working in teams promotes knowledge sharing. Therefore, we argue that teamwork in M&A integration may improve employees' KSAs for sharing their knowledge, and thus enhance their knowledge sharing in M&A integration.

#### *Generalized trust and collaboration among M&A integration team members*

The relational social capital dimension addresses the motives, expectations and norms among the M&A integration team members, for example, trust. Researchers like Blau (1964), Kale, Singh, and Perlmutter (2000), and Whitener (2001) implied that because social relationships are created and transferred through social interactions, relational qualities may have the potential of creating long-lasting outcomes on knowledge sharing in those relationships. The issue of reciprocity is also necessary for effective knowledge mobilization between the consultant and the M&A integration team members (e.g. Szulanski, 1996). In other words, it will be difficult to share knowledge among the M&A integration team members if they do not trust and collaborate with each other (e.g. Alder & Kwon, 2002; Gupta & Govindarajan, 1991, 2000). This is likely to be true even in situations where the M&A integration team members have structural opportunities to acquire knowledge through network connections. Scholars have claimed that trust operates along multiple dimensions and have distinguished between two types of trust: generalized trust and resilient dyadic trust. Generalized trust refers to impersonal or institutional trust conferred on people as a result of belonging to a social entity. Resilient dyadic trust, on the other hand, refers specifically to trust among two parties having direct involvement with each other (e.g. Jones & George, 1998; Leana & Van Buren, 1999).

Thus, in M&A integration where organizational learning focuses on broadening and reshaping knowledge in the firm's processes and systems, the integration team members have to work together as a unified entity (Schuler et al., 2004). In this situation, general trust can be useful in information exchange, as individuals do not necessarily need to develop personal relations with each member on the M&A integration team. Rather, trust is conferred on the grounds of norms and expectations of reciprocity on the part of the entire integration team. Thus, we argue that generalized trust and collaboration among M&A integration team members may have an impact on employees' KSAs for sharing their knowledge with others, as well as for facilitating knowledge sharing in M&A integration.



### ***Structural social capital configuration***

The structural social capital configuration represents the patterns of connection among the M&A integration consultant, the manager and the M&A integration team members. In short, network structures affect employees' opportunities to identify and access others' distinctive knowledge within and across the organization. In the context of M&A integration, this dimension involves the degree to which the M&A integration team members interact, or are associated to one another (Bolino, Turnley, & Bloodgood, 2002). For instance, do M&A integration team members working in the firm interact with each other, and do they have good relationships and communicate? We therefore argue that the configuration of the following structural factor may have an impact on employees' KSAs for sharing their knowledge and for facilitating knowledge sharing in M&A integration: the central position of the M&A integration manager.

#### *Centrality of knowledge leader/integration manager*

One can argue that the implementation of M&A integration may result in the creation of a new knowledge community with some M&A integration team members assuming the role of knowledge leaders or knowledge sources for other members to tap into for addressing problems related to the M&A (see, e.g. Pablo & Javidan, 2009; Ranft & Lord, 2000, 2002; Zollo & Winter, 2002). Therefore, the central position of knowledge leaders (i.e. the M&A integration manager and experienced personnel) within the M&A integration represents the structural connections or links in structural holes of knowledge exchange among the integration team members (Burt, 1992, 2002; Zaheer & Bell, 2005). This is because the integration manager has access to a greater level of information from the M&A integration consultant by virtue of his or her position (cf. Gulati, 1998). This implies that the integration manager and core experienced personnel are the knowledge recipients from those to whom they are connected (e.g. integration team members). The structural social capital here thus denotes relationships comprising the connection between the knowledge leader (i.e. the M&A integration manager) and other integration team members (cf. Hite, 2003; Holste & Fields, 2010).

In M&A integration, the structural dimension has an impact on knowledge because the knowledge leader/integration manager, due to his structural position, and prior experience gained in dealing with M&A-related assignments, is able to gain access to more knowledge and information from the integration consultant, or request information from the integration team members, than other workers who are not in such a structurally desirable position (cf. Degbey & Hassett, *in press*; Johanson & Mattsson, 1992; Nyström, Ramström, & Törnroos, 2008; Zaheer & Bell, 2005). For example, the number of e-mail communications with the knowledge leader/M&A integration manager represents the number of social ties with the M&A integration team members. Thus, social interaction in the network here represents conversation in the form of composing and responding to e-mail messages. This may involve asking questions and receiving answers related to the M&A integration. Therefore, structural social capital is created and knowledge is shared when the M&A integration manager responds to e-mail messages from the integration team members. Theories of collective action postulate that people who occupy a central position in a network and who are linked to several others usually bear knowledge contributions to the group, and are therefore more keen to share their knowledge with others (Burt, 1992, 2002; Sparrowe, Liden, Wayne, & Kraimer, 2001). We therefore argue that the central position of the M&A



integration manager may have an impact on employees' KSAs for sharing their knowledge, as well as for facilitating knowledge sharing in M&A integration.

In our framework, we view the patterns of HRM practices (the employees' KSAs configuration) as helping to build social relations (social capital) and support the strategic characteristics of human capital. There exist different forms of social relationships among people within and across a single organization; therefore, the social capital configuration in this paper does not represent an entire organization, but rather, subgroups within organizations (e.g. the M&A integration team). We are of the view that when employees' KSAs are combined into configurations of HRM practices, it enhances the value and uniqueness of the employees to the firm (see, e.g. Lepak & Snell, 1999; Wright, Dunford, & Snell, 2001). Human capital theory suggests that firms "purchase" or secure human capital from the external labor market by means of HRM practices, such as hiring and selection (e.g. Youndt & Snell, 2004).

Furthermore, organizations invest in people to 'make' human capital through HRM practices, such as training and career development when they require workers possessing particular knowledge, skills and abilities that cannot be readily obtained from the external labor market. The theory of human capital further suggests the necessity to keep employees from leaving the firm by designing HRM practices that motivate and offer them opportunities to deliver on the potential of their human capital. Thus, HRM practices can be considered as one of the determinants of human capital (Kang et al., 2007). Weber et al. (2011) pointed out that HRM strategy may be articulated as establishing policies that result in the creation of firm-specific, inimitable assets in the form of knowledge, skills and abilities embedded in the human capital of the acquiring and acquired firms. Just as HRM practices offer employees opportunities, motivation and improve their abilities in order to enhance the firm's human capital (KSAs), social relations equally provide opportunities, motivation and abilities that can be readily accessed and mobilized (utilized) as social capital by members of that relationship.

Moreover, a recent study suggests that both potential and mobilized ties (i.e. having social ties and using social ties, respectively) have greater relevance for social capital (Kwon & Adler, 2014), because access alone does not guarantee mobilization (Smith, 2005). Similar to human capital, which requires investment in specific HRM practices to enhance its advantage, social capital also needs constant investment in order to preserve it (cf. Håkansson & Ford, 2002), because the value of social relationships is diminished if the relationships are not renewed or reconfirmed (Adler & Kwon, 2002). It therefore means that management practices should be continuously applied to renew and preserve social capital. Strategic management researchers suggest that social capital can be cultivated and improved to serve as a source of competitive advantage for the firm through management practices (e.g. Gulati, Nohria, & Zaheer, 2000; Ireland, Hitt, & Vaidyanath, 2002). Certainly, HRM practices can be a catalyst for building and developing social capital (Lengnick-Hall & Lengnick-Hall, 2003). We depict the relationships among these elements of the HRM practices, social capital and knowledge sharing in Figure 1.

For instance, a company can build and develop its social capital by designing work processes that promote employees working in teams and encouraging them to acquire knowledge from their colleagues or people outside the organization, like customers and suppliers. Consequently, HRM practices can be considered as a determinant or mechanism for cultivating social capital. As shown in Figure 1, while each of the four HRM practices affecting employees' KSAs may be strongly associated with a particular

dimension of social capital, this paper does not claim that it is only associated with one specific element of social capital. Reflective of the above discussions, many HRM practices are multifaceted and thus may produce multiple outcomes. This paper adopts the configuration approach that HRM practices support and complement one another as a coherent structure to increase firm performance, here, knowledge sharing in M&A integration (Delery & Doty, 1996; Delaney & Huselid, 1996; Kang, Morris, & Snell, 2007; Wright & Snell, 1991; Youndt & Snell, 2004). The arguments above are reflected in Figure 1 and the subsequent propositions.

- Proposition 1a: The employees' KSAs configuration will be positively associated with the cognitive social capital configuration in knowledge sharing in M&A integration.
- Proposition 1b: The employees' KSAs configuration will be positively associated with the relational social capital configuration in knowledge sharing in M&A integration.
- Proposition 1c: The employees' KSAs configuration will be positively associated with the structural social capital configuration in knowledge sharing in M&A integration.
- Proposition 1d: The employees' KSAs configuration will be positively associated with knowledge sharing in M&A integration through the combined effects of the cognitive, relational and structural social capital configurations.
- Proposition 2: The cognitive social capital configuration will be positively associated with knowledge sharing in M&A integration.
- Proposition 3: The relational social capital configuration will be positively associated with knowledge sharing in M&A integration.
- Proposition 4: The structural social capital configuration will be positively associated with knowledge sharing in M&A integration.

## Discussion

The main aim of this paper is to develop an alternative framework that draws on the literature on HRM and social capital to explain their impact on knowledge sharing in M&A integration. We explore the impact of HRM practices on employees' KSAs for sharing their knowledge with others in M&A integration. In addition, this paper tries to explain the role of HRM practices and social capital in aiding knowledge sharing in M&A integration. Using theoretical concepts derived from HRM and social capital literature dealing with knowledge sharing, we suggest that an individual's KSA for sharing his/her knowledge with others in M&A integration can be aided by: (1) staffing the M&A integration members based on recommendations/referrals made by others; (2) choosing the M&A integration members based on their competence, skills and expertise; and (3) implementing formal training in a classroom setting in addition to informal learning approaches like one-on-one coaching and learning-by-doing (hands-on experience).

Furthermore, using concepts derived from social capital touching on knowledge sharing, we suggested that team meetings, shared language, M&A integration teamwork and the central position of the M&A integration manager in the integration team may facilitate knowledge sharing. The conceptual model developed in this paper suggests that human resource practices and social capital variables effecting employees' KSAs for sharing knowledge complement each other as depicted in Figure 1. HRM practices assist in building the elements of cognitive, relational and structural social capital. Likewise, cognitive, structural and relational social capital produces a joint impact on individuals' KSAs for exchanging their knowledge in M&A integration. Therefore, social

capital can be seen as both the cause and the effect of an individual's decision to exchange his/her human capital (KSA), as shown in the developed conceptual model. Furthermore, we suggest that cognitive and structural social capital is linked to relational social capital (e.g. Tsai & Ghoshal, 1998), all of which enhance knowledge sharing in M&A integration. We hope that the configuration of HRM practices and social capital in the developed conceptual model contributes to a better understanding of the drivers of knowledge sharing in M&A integration and thus expands our knowledge regarding this important, but less researched, phenomenon in the M&A literature.

### **Conclusions and implications**

Seo and Hill (2005) pointed out that although M&A researchers have used several different theoretical perspectives to examine the M&A integration process, the lack of an integrated theoretical framework has made any systematic empirical examination of the integration process difficult. In this paper, we address this gap in the literature by developing a conceptual model that integrates the literature on HRM and knowledge management and social capital theory, and by identifying three HRM practices that may have an impact on employees' KSAs for sharing their knowledge with others in M&A integration.

In addition, we identify six social mechanisms along cognitive, relational and structural capital that may enhance knowledge sharing in M&A integration with testable propositions. We contribute to the further advancement of theoretical development in HRM and social capital in the context of M&A integration in particular. Each theoretical stream suggests unique sources of sociological and behavioral effects on employees' KSAs in knowledge sharing and relevant mechanisms that facilitate knowledge sharing in organizations. We argue that the various elements of social capital theory may affect the KSAs of individuals for sharing what they know with others in M&A integration. As Rottig (2011), p. 418 commented, 'sociocultural integration assumes a central role in M&As, but becomes difficult to achieve across distant cultures.' The author further suggests that one theoretical lens that may help to enrich our knowledge about how to successfully integrate different organizational and national cultures is social capital theory. The developed theoretical model in this paper therefore adds to the understanding of the role of HRM practices and social capital in the knowledge sharing process in M&A integration, as it provides a unified theoretical framework for which M&A integration team members' KSAs for sharing knowledge is interconnected with structural, cognitive and relational social capital, which are products of the firm's social structure.

This paper thus provides valuable theoretical and managerial implications. By developing a complementary framework that introduces HRM practices and social capital for enhancing knowledge sharing in M&A integration, this paper provides a more holistic theoretical explanation of human-side and sociocultural issues, as well as the drivers of knowledge sharing in M&A integration. It thus expands our knowledge and understanding of the role of HRM and social capital in knowledge sharing in M&A integration. The framework can assist researchers in acquiring valuable knowledge regarding the multifaceted role of HRM practices and social capital in knowledge sharing in M&A integration, and add a richer and more comprehensive understanding of the importance of HRM and intra-organizational social capital for firms that pursue cross-border M&As.

For managers, this paper offers a more complete understanding of the drivers of knowledge sharing in M&A integration. The developed model conceptualizes HRM

practices and social capital as valuable mechanisms that enhance knowledge sharing in M&A integration. Furthermore, this paper examines HRM practices and sources of social capital, and offers a complementary view on the knowledge sharing aspect in M&A integration, demonstrating how various HRM practices that have an impact on individuals' KSAs for participating in organizational knowledge sharing events may depend on relational, structural and cognitive social capital. All in all, this paper contributes to improving our theoretical understanding, not only of short-term M&A integration process performance, but also the ultimate long-term firm performance (cf. Zollo & Meier, 2008).

### **Limitations and directions for future research**

The major limitation of this paper is that it is a conceptual paper leading to the development of a theoretical framework and propositions for further testing. Therefore, empirical analysis is required to know whether the theoretical connections between the formulated propositions can be established. The variables identified under the three dimensions of social capital (Nahapiet & Ghoshal, 1998) may be evaluated empirically through questionnaires administered to employees (e.g. Ellis, 2000; Rottig, 2011; Tsai, 2000) and face-to-face or telephone interviews (e.g. Lechner, Frankenberger, & Floyd, 2010), secondary data (Koka & Prescott, 2002), single or multiple case studies (e.g. Hajro, 2015; Wong & Ellis, 2002) and social network analysis (e.g. Borgatti, Jones, & Everet, 1998). HRM practices and knowledge sharing can be evaluated through interviews (e.g. Mäkelä & Brewster, 2009), employee surveys (Lauring & Selmer, 2012; Lepak & Snell, 2002; Lopez-Cabrales, Perez-Luño, & Cabrera, 2009; Minbaeva et al., 2012; Simonin & Özsoy, 2009; Swart, Kinnie, van Rossenber, & Yalabik, 2014; Wickramasinghe & Karunatatne, 2009) and case studies (e.g. Rees & Edwards, 2009; Swart & Kinnie, 2003).

Furthermore, Rottig (2011) noted that new studies on M&A pinpoint different methods of M&A integration (Weber, Tarba, & Reichel, 2009) and sociocultural issues (Sarala, 2010) and emphasize the contribution of human resource practices that are closely related to M&A, e.g. training and development programs and employee motivational programs adopted after the merger (e.g. Weber & Tarba, 2010). Future studies can also examine the impact of the various variables identified in the three dimensions of social capital in the developed framework to help firms in executing diverse integration approaches and people management practices. In addition, future studies may also build on the conceptual model developed in this paper by exploring the influence of other forms of people management practices that may influence individuals' motivations and opportunities to share knowledge in M&A integration.

### **Acknowledgment**

The authors wish to thank the Academy of Finland (VCIG project 26080068) and the Foundation for Economic Education for their financial support during this research.

### **Disclosure statement**

No potential conflict of interest was reported by the authors.

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