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**Performance in a Dual Distribution Irish Building Society: The Role of  
Human Resource Management and Leadership**

**Séan McGrath**

**Thesis submitted in fulfilment of the Degree of Doctorate in Business  
Administration (DBA)**

**Durham University  
Durham Business School, Durham, UK  
Academic Year 2012**

**Supervisors Professor Tom Redman and Dr. Graham Dietz**

## **Abstract**

This thesis explores the subject of organisational performance in a partially franchised organisation, the EBS Building Society, a retail financial service business. It focuses on understanding why, in a dual distribution system, a franchised outlet outperforms a non-franchised outlet within the same organisation. In particular it examines the potential impact of Human Resource Management (HRM) and leadership practices at both the level of the individual and of the unit. Many studies have examined the link between HR practices and performance, however, few have studied the system of practices within a retail financial services network.

This thesis is concerned with the behaviours of the managers of franchised units of the EBS Building Society and how those behaviours may potentially explain why managers outperform their colleagues in the company manned branch network from a financial perspective. Specifically, the study will highlight the current performance measures that are pertinent to both franchised and non-franchised outlets and it will set out to connect these measures to the HRM practices and leadership styles of managers in EBS units. In particular, the study explores the nature of the linkages between HRM/leadership practices and behaviours, focusing in particular on three possibilities: Empowerment, Perceived Organisational Support (POS) and Work Intensification to understanding how HRM or leadership impacts on performance in organisations.

The Study found that, as anticipated, HRM had a positive indirect effect on employee service interaction behaviour with empowerment having the greatest consequence. There was also evidence that agency status within the EBS contributes to service quality, in part through the development of higher levels of unit-level employee service behaviours and unit level leadership.

The importance of the research lies in the fact that it offers, for the first time, some evidence on the impact of HRM and leadership practices within a hybrid franchised financial firm in Ireland. It also offers for the first time a comparison of the three different possibilities or mediators and their explanatory powers on HRM and leadership and their effects on organisation performance by adopting a multi-level approach.

## **Declaration**

I confirm that no part of the material offered has previously been submitted by me for any degree. If material has been generated through joint work, my independent contribution has been clearly indicated. In all other cases, material from the work of others has been acknowledged and quotations and paraphrases suitably indicated.

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## List of Abbreviations

ESRI	Economic Research and Social Institute
GDP	Gross Domestic Product
GNI	Gross National Income
HRM	Human Resource Management
IBF	Irish Banking Federation
ICC	Inter-class Correlation
IFSRA	Irish Financial Services and Regulatory Authority
NIB	National Irish Bank
NUI	National University of Ireland
OCB	Organisational Citizen Behaviour
OECD	Organisation for Economic Cooperation, Development
POS	Perceived Organisational Support
TBA	Tied Branch Agent
UCD	University College Dublin

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## **Chapter 1:**

### **Introduction and Overview**

## **Chapter 1: Introduction and Overview**

Chapter 1 explains the underlying rationale for the research of this thesis. It describes the scope of the study and provides an overview of how the thesis is structured. The chapter also provides a high level synopsis of each of the chapters that follow.

### **1.1 Rationale for Research**

The research has one main aim: to understand why franchise managers, termed Tied Branch Agents (TBAs - privately owned outlets that sell or advise on financial products from one financial institution) of EBS are higher financial performers than managers of wholly owned branches of the EBS that sell or advise on the same products.

To achieve the key aim, a number of research questions arise. These questions are:

1. What role does HRM and leadership play within the retail network of the EBS towards improving organisational outcomes?
2. How does HRM work within a franchise outlet when compared to the wholly owned outlets of the EBS?
3. What changes are required in HRM practices and leadership development to increase organisational performance in the future?

It is intended that this research and the answers to the research questions will assist in the production of a set of HRM practices such that their adoption and use within the EBS, and indeed throughout the broader financial services environment, will improve performance. Additionally, the thesis attempts to understand what leadership practices are the drivers of higher performance in the franchised outlets. Both the search for improved HRM practices and the identification of leadership practices that enable improved performance are the principle rationale for the research. The research will also assist in contributing to positive employee outcomes as such outcomes generally flow from high performance organisations and support engagement in citizenship behaviours, (Sun, Aryee, and Law, 2007). The research may, in contrasting different performance outcomes between two organisational forms (franchised and non- franchised), steer the future strategy of the business and service proposition of the EBS such that improved competitiveness and profitability should result.

This thesis is important as it contributes to the limited number of available studies on the subject of HR practices within financial institutions and hybrid franchise models. The study will show that very few comprehensive frameworks dealing with this subject exist, particularly those frameworks that incorporate significant analysis of operating performance data. It is the first research of its kind in an Irish context and it purports to offer, for the first time, ‘hard’ evidence that quantifies the returns on investment in human resources practices within hybrid franchised firms. Consequently, it is envisaged that this research will be of interest to Irish Financial Institutions, senior management and HR practitioners who are currently engaged in redeveloping their organisations in light of the major changes that are taking place in the industry. As a whole the results of this study will also be useful to Human Resources scholars and to the owners and operators of franchise outlets because it provides for the first time a multi-level analysis that shows that HRM and leadership are positively associated with service- oriented Organisation Citizen Behaviours, (OCBs).

Further rationale for conducting this research is provided by the major changes that have taken place within the Irish economic environment and specifically within the Financial Services industry as a result of the national economic boom, commonly referred to as the ‘Celtic Tiger’ era (1998 – 2008). Indeed the research has evolved at a time when the Irish Financial Services industry, like so many others in the global financial services sector is being transformed by the dynamic and unprecedented nature of the changes that are currently taking place across the world. Much is expected from banking institutions in the future and therefore it is timely, to reflect on what practices or activities that local retail banking managers carry out which may have implications for the development of the profession going forward.

The idea of conducting a comprehensive, in-depth analysis of these research questions and producing a set of useful findings for EBS management practice is at the heart of this thesis. In order to do this it emerged early on in the study that it would be necessary to conduct extensive primary research with the key stakeholders within EBS Building Society, as will be demonstrated later in this thesis when the selection of Methodology is discussed (Chapter 4).

The author of this research was the National Director for Human Resources and Director of Retail Banking within the EBS from 2001 to 2005. As a HR practitioner and



professional in a senior sales position, the role triggered in the author a significant interest in seeking to understand how HRM and leadership impacts on performance. Importantly the author believed that by showing how investment in HRM and leadership contributed to the bottom line he would help justify the considerable investment that the Society was making in its strategic HR plan, called 'Best People' outlined in the Societies strategic vision in 2002. He believed that HR practices could increase organisation's earnings and boost its productivity but had no organisational evidence to support this thesis.

The theme of this research is, therefore, intimately associated with the work of Human Resources and Leadership practices within Ireland, and the work involves a great deal of contact with a large number of banking personnel. This has been an important stimulus for conducting this research.

## **1.2 Scope of the Research**

The scope of the research is defined by the nature of the research questions. In the first instance, it is clear from the research questions that the focus is on understanding why some units perform better than others. It is the intention of this research to contribute to the development of theories that may influence future formulations of workplace performance by specifically examining HRM and leadership practices and behaviours. This is an important consideration that needs to be outlined at the outset.

For that reason, in defining what is meant by the use of the term performance, it is intended to introduce a critical debate on a number of Human Resource Management and Leadership behaviours, their interventions and their outcomes. The strong positive link between monitoring performance and improving performance has been well documented (Wood and Wall, 2005; Guest, 1997; and Boselie, Dietz and Boon, 2005). Also performance information is important in improving organisational effectiveness, ensuring accountability and monitoring management behaviour (Leggat et al, 1998).

In practice, the financial performance of franchise outlets of the EBS Building Society has developed significantly since their establishment over a decade ago, especially when compared to the company manned branches within the wider EBS Group. This higher performance has been achieved within the same regulated industry as all other financial

institutions that are regulated by Irish Financial Services and Regulatory Authority (IFSRA) and within a similar market and customer base of all of the other retail financial outlets in EBS retail network.

A central tenet of a high performance work system theory is the linking of HR practices and policies to organisational performance (Godard, 2004). These practices or bundles or systems of HR activity create an environment whereby the combined effect is to align employee behaviours with the business objectives and thus becomes central to the delivery of high performance in any organisation (Huselid, 1995; MacDuffie, 1995; Pfeffer, 1994; Kochan and Osterman, 1994). Importantly, the research will centre on the effects of examining these bundles of HR practices within the retail arm of the EBS Building Society. Interestingly it seems few major research surveys have involved employees in their assessment of these HRM bundles in franchised outlets, (Elango and Fried, 1997, Truss 2004) while Cappelli and Hamori (2008) suggest that the absence of research in this area is due to the difficulty of accessing data on the financial performance of franchise units. The emphasis in this study therefore will be to explore, with the employees and the managers of the EBS, the nature of these linkages on both the franchised and non-franchised populations in that organisation. Critically, the focus will centre on management practices that generate a broad range of feelings and attitudes that in turn produce a climate for positive employee contributions and performance outcomes in the workplace.

Three models will be assessed as part of the study. The first model (Model 1) focusing at the individual level will explore the HRM practices as the key cause of performance in EBS and seeks to establish a path, which links this with the individual level behaviours of the employees. The second model (Model 2) is developed from the association between leadership and performance outcomes, and at the unit level the second model seeks to understand the effects of linking agency status to unit level outcomes. Finally, Model 3, a multi-level model will be introduced which consists of constructs that span both the individual and units level models.

An important element to emerge from the scoping of the research is that this is the first time that a detailed examination of both franchised and non-franchised outlets has been undertaken in EBS, and therefore this research assumes a high level of importance for them. It potentially provides the material for the determination of the most appropriate

approach to how a retail banking proposition may be delivered by the Society into the future.

### **1.3 Chapter Outline**

Chapter 2 is the literature review and provides a detailed analysis of the literature relevant to the research questions. It is beneficial to introduce the reader to literature within each of the topics examined as part of the research, Franchising, Human Resources Management, Leadership and the three mediator variables of Work Intensification, Perceived Organisational Support (POS) and Empowerment. The chapter also explores the topics of service climate and service quality and argues that these constructs provide linkages at unit level that assist in an explanation of performance with regard to the Building Society's Tied Branch Agencies (TBAs). Chapter 2 concludes with a summary of the issues that arise from a review of the literature, a presentation of three models that underpin the research is provided and a number of hypotheses are presented to test the research outlined in the subsequent chapters.

Chapter 3 details the organisation that is EBS and analyses the environment within which it operates. The chapter starts with a detailed analysis of the Irish financial services sector and continues with a review of some of the key social and demographic trends in both Irish and European banking since the establishment of the EBS franchise model in 1994. The review includes brief analysis of Ireland's demographics, employment and financial results relative to some of its peer group in Europe. The emphasis is on setting the context for the Irish economy over two decades (1989-2009) and how this has driven the dramatic change in economic development for the country and particularly the financial sector.

Chapter 4 discusses the research methodology adopted by the study and the theoretical framework that underpins the selection of the particular methodological strategy employed. Details of the data gathered, the population, samples and data collection methods chosen and an analysis of issues of access and scheduling are presented. In addition, the research instruments and the data analysis techniques used are described and discussed. Ethical matters are an important consideration of all primary research and therefore the chapter also provides a discussion of the issues involved in the

research. The practical implementation of the methodology is also reflected in this chapter with particular emphasis on the questions of validity and reliability of the data gathered. Finally, the Chapter concludes with a discussion of the data analysis strategy adopted.

Chapter 5 presents the results of the primary research findings that emerged from the analysis of Model 1, Model 2 and Model 3. Firstly, at the individual level of analysis, the chapter reports on some key data from the sample such as organisation tenure, average years service, while also showing the results for tests of the reliability of measures. The chapter reports the correlations between variables. In order to identify the significant predictors of the dependent variables, multiple regression analyses were carried out. Secondly, supported by tests for mediation, in each of the models, the mediation effects of POS, Empowerment and Work Intensification were tested to assess their impact on the relationship between HRM and OCBs and in-role behaviours. The chapter then moves onto the results of Model 2 and the unit level analysis. Again the research approach, measures and analysis, using aggregation, to test the link between individual level behaviours to performance outcomes are provided. Finally the chapter reports on Model 3, a multi-level analysis where simultaneous variance at multiple levels of analysis are explained, the purpose of which is to blend the research at the individual level with that at organisational level.

Chapter 6 represents the culmination of the work of this thesis by discussing the key findings and their implications together with reflections on methodological issues. It also comprises of a consideration of its limitations and suggestions for further study.

## **Chapter 2:**

### **Literature Review**

## **Chapter 2: Literature Review**

### **2.1 Introduction**

This chapter provides a detailed review of the literature relevant to the research questions. There is a widely held belief that an organisation's survival and success are at least (Guest, 1997) or indeed wholly (Barney, 1991) dependent on the effort, behaviours and interactions of employees as they carry out the work of the firm. Hence, it is considered beneficial to introduce the reader to as broad a base of literature as possible within each of the core areas examined as part of the research - Franchising, Human Resource Management and Leadership. Essentially the study will develop a theoretical framework which will help guide the study, review the relevant literature and develop hypotheses to test the research questions. Specifically, the study seeks to firstly examine the theory behind franchising, how it works and if it results in a case for a better work atmosphere and higher performance.

However, high performance just does not happen without some key ingredients, and Human Resource and Leadership scholars have argued that companies can effectively influence high performance through understanding the activities of the 'black box' and its mediating phase between HRM/leadership and its impact on performance (Boselie, Dietz and Boon, 2005; Guest, 1997; Wright and Gardner, 2002). Thus, HRM/Leadership drives positive employee actions that contribute to improvement in organisation performance such as increases in productivity (Cappelli and Neumark, 2001; Youndt and Snell, 1996) and lower staff turnover (Delbridge and Oliver 1997). Equally, a lack of HRM may generate negative employee outcomes such as high turnover, high absenteeism (Guest and Hoque, 1994) and a reluctance to engage in citizenship behaviours (Godard, 2001; Tsui et al, 1997) which can result in organisations suffering diminished performance (Guest 2004).

This Chapter, therefore, not only examines the literature around how HRM and Leadership drives better performance outcomes by employees but supports this theory by examining forms of organisation citizenship behaviours (OCBs) that improve the effectiveness of organisations and work groups and service climate with the intention of setting a foundation that supports employee work. It also discusses the 'linking mechanisms' (Wood, 1999; p408) or mediation by three key variables: Work

Intensification, Perceived Organisation Support and Empowerment. Thus the author argues that it is by examining these mediating variables that the study will provide an insight into how HRM and Leadership transmit their effects on performance in the franchised outlets. A critique of the literature available and how it contributes to the study is provided. Additionally, gaps in the literature will be discussed.

## **2.2 Franchising**

Franchising has been described as ‘an organisational form chosen by management in order to compete in industries in the retail and services sector’ (Michael, 2000, p295). Grunhagen and Dorsch (2003) define franchising as a ‘contractual vertical marketing relationship’. Franchising as a business structure has attracted considerable academic interest over the last quarter of a century (Stanworth and Curran, 1999) and has grown rapidly as an area of research (Elango and Fried, 1997).

The coexistence of franchised and company-owned units within chains is sometimes described in the literature as dual distribution (Bradach 1997; Penard et al 2002; Srinivasan 2006) Such dual systems, are argued to enhance the credibility of the firms contractual safeguards, reduce risks and give greater control over its business processes and profits (Heide, 1994). The literature sets out many reasons for having franchised and co-owned outlets in the same organisation. First, the manager’s incentives are stronger under franchising than under company-ownership. The costs associated with monitoring and control may result in substituting control for incentives and, therefore, franchised stores are subject to much less control from the chain operator than company-owned stores. Similarly, full company-ownership entails stronger investment incentives for the franchisor, but it may increase monitoring costs to prevent shirking, capital costs, and search costs (Blair and Kaserman 1994; Brickley and Dark 1987; Brickley, Dark, and Weisbach 1991; Minkler and Park 1994; Yin and Zajac 2004). Dual distribution may be the optimal mix from a franchise system perspective.

Second, Lewin-Solomons (1999) argues that a dual distribution franchise enhances innovation by providing a credible signal to franchisees that only profitable innovations will be implemented. Third, Sorenson and Sorensen (2001) explain the franchise mix as the result of a trade-off between exploration (franchising) and exploitation (company-owned units) in organizational learning, or as referred to in the strategic

entrepreneurship literature as the “ambidextrous” organization (Tushman et al 1997) Fourth, Michael (2000) maintains that franchise chains engage in dual distribution to build bargaining power by inducing effort for quality with monitoring with the threat of termination. Fifth, the relative compensation literature focuses on the ‘ratcheting’ of incentives (Green and Stokey 1983; Lazear and Rosen 1981) that seek to strengthen the performance of a chain by enabling competitive benchmarking across units. Sixth, Bradach (1997) highlights the creation of a dual labour market as a benefit of dual distribution whereby a chain can leverage wider strategic resourcing options that contribute in a unique way to benefit both entities.

Franchising involves a firm giving another the right to sell products or services using the franchisor’s brand name and business practices (Combs, Michael, and Catrogiovanni, 2004). Franchisees operate one or more units under the brand name of the franchisor, but “unlike employees, franchisees invest their own capital and receive residual claims from a specific site rather than a salary” (Michael, 2000, p295). Franchising is especially common in industries such as retailing and services, which require servicing or sales activities to be carried out in dispersed sites near to customers. Under such conditions firms are chain organizations, involving a large number of similar but geographically dispersed units.

Such units may be managed either by a direct employee or by a franchisee, but it has been argued that franchising provides superior unit performance. Unlike an employee, a franchisee is a residual claimant who, according to agency theory, will exert greater effort in managing the unit (e.g., Rubin, 1978). Thus: “these ownership rights induce the franchisee to put forth greater effort in supervision and other cost-reducing and demand-generating activities in order to solve the agency problem” (Michael, 2002: 329). The suggestion is that such incentives should improve financial performance as agency costs are reduced relative to direct ownership and employment of unit managers

There are currently 767,000 franchised businesses in the USA with over 18 million people employed directly (Rennick, 2011). In the United Kingdom, it is estimated that there are 23,000 businesses employing approximately 350,000 people in franchising (BFA, 2010) but despite the rapid adoption of the franchising concept there is still a lack of understanding and consensus on the theoretical determinant of how franchising works. In Ireland, a survey conducted by the Franchise Association of Ireland in 2010



shows turnover in Ireland generated by franchise businesses (excluding the known branded retail groups) was €2.4bn, an increase of €1.2bn since 2006 (F.A.I, 2011). In total, franchising in Ireland has approximately 4,086 operating units generating 42,925 full time equivalent jobs to the economy (FA.I, 2011). This growth is inextricably linked with the onset of the Celtic Tiger but since the economic downturn in 2008 the sector has interestingly increased job creation every year since, consistent with the international expansion of franchising (Aliouche et al., 2011).

From the franchising literature two dominant theories have emerged, Agency theory and Resource Scarcity Theory (Oxenfeldt and Kelly, 1967; Inma, 2002; Rubin 1978; Shane 1998). Resource Scarcity theory views franchising as a means of obtaining capital for retail development which may be essential to compete against established firms (Combs and Castrogiovanni, 1994; Carney and Gedajlovic, 1991). The franchisor over time gives the franchisee a larger share of the profits and lessens the inter-company controls as the business begins to grow, while the franchisee supplies commission to the franchisor to continue to have the name over the door. Many franchisees are recruited from local people who would add to local knowledge. In all franchising is ‘considered a low risk method for the franchisor’ (Inma, 2005, p30). It is commonly considered that this theory, while making an important contribution to franchise theory, is centred on younger or small firms and inadequately addresses the issues within larger organisations (Caves and Murphy, 1976; Oxenfelt and Kelly, 1968, Carney and Gedajlovic, 1991 and Lafontaine and Kaufmann, 1994).

Agency theory on the other hand argues that franchising works because of ownership attention and the motivation which the franchisees direct at their business (Dahlstrom and Nygaard; 1994) and offers the most well accepted explanation of why firms franchise (Dnes, 1996; Lafontaine, 1992). Accordingly, franchising is viewed primarily as a compensation system that aligns (franchisee) unit managers’ profit motives with firm goals. Franchising is therefore used most frequently in situations where the firm has difficulty monitoring whether unit managers are working hard or not (Combs and Ketchen, 2003). As they receive unit profit and because they have considerable investment at risk (Castrogiovanni and Justis, 2007), franchisees are more motivated than employee managers to do whatever it takes to make their units successful (Shane, 1998). The “profit motive and the binding nature of the franchisee’s deal in the outlet were key aspects of this motivation” (Stanworth and Curran, 1999, p335). Similarly, the

ownership attention presents the franchisee with the encouragement to put extra effort into beneficial activities for greater economic reward relative to the company manager whose compensation, in the case of EBS branch managers, is fixed.

However, it would be too simplistic a view to state that the Agency Theory approach is how money is made at unit level and the key as to why franchises often perform better. The author argues that much more goes on in any business and in order to comprehend this issue greater understanding of the cause (where HRM / Leadership are used as the proxy for franchise effort) and its effects (performance) is required.

Several franchising theorists argue that Agency Theory could be the rationale behind the widespread use of franchising as a strategy for firm growth (Mathewson and Winter, 1985; Rubin, 1978; Shane 1998). Agency Theory views franchising as a form of channel management, which attempts to gain advantages of standardisation, economies of scale, plus the advantages of motivation associated with small business. The theory also acknowledges that franchising is “seen typically as a mechanism for reducing agency costs” (Forward and Fulop, 1996, p 609). It is also recognised under this approach that when there is ambiguity or a lack of understanding then company owned managers “tend to shirk their responsibilities to the principle” (Inma, 2002, p30) because of fixed salary costs. Thus, organisations can engage in franchising when there is doubt regarding the ability of company managers to perform to the level required. This was the case for EBS in 1993 when they set out to deconstruct their retail network.

While the merits of creating a dual distribution system are strong, moral hazard problems in the franchised channel are an important concern. TBAs only invest in their business (i.e. the franchised unit), and they experience higher risk than the company manned branches, creating moral hazard problems for the firm (Blair and Kaserman 1994; Fama and Jensen 1983). For example, TBAs may attract customers on the basis of the EBS’s reputation but deliver inferior products such as poor service or miss-selling to consumers but still profit from such actions with limited negative consequences to them while hurting the firm's reputation. Such moral hazard problems are especially common when franchised units are located in remote markets characterized by high monitoring costs (Oxenfeldt and Kelly, 1969).

The management of employees, therefore, is central to most franchise operations in part because the labour content is the crucial component (Cappelli et al, 2008). Interestingly, firms that use conversion franchising (where a franchisor adds new franchisees to the system by recruiting independent business) perceive that they derive greater competitive resource advantages than others who do not (Hoffman and Preble, 2003). This is because established know-how serves as a basis for competitive advantage where experienced franchisors have developed such managerial capabilities (Bates, 1998). Cappelli and Hamori (2008) suggest that franchised outlets ‘appear to offer better jobs with more sophisticated systems of employee engagement than did similar non-franchise operations’. These beneficial actions normally reach to the human resources that are employed within the SMEs (Shane, 1998) particularly when set against the leaky boundaries within a dual distribution system (Truss, 2004). The consequential result in the case of the TBA staff, many of whom were former members of EBS, may be greater commitment to their franchise owner. This likely development builds a more committed individual who “identifies with, is involved in, and enjoys membership in, the organisation” (Meyer and Allen, 1990, p 3).

### ***2.2.1 Franchising and performance***

Empirical evidence on the association between franchising and performance is not clear cut. Some studies have shown that franchises had more favourable performance outcomes relative to directly-managed units, including higher profitability and sales, and lower payroll costs (Shelton, 1967; Norton, 1988; Krueger, 1991). There is some evidence that the use of franchising is positively associated with the growth and survival of the franchisor, which may be explained by Resource Scarcity theory, as the franchisor needs to spend less time on developing unit managers and may draw on the franchisees’ managerial and financial resources (Combs, Michael and Catrogiovanni, 2004). However, a review of the evidence on the implications of franchising for the financial performance of franchisors suggests at best a complex relationship, contingent on other factors (Combs, Michael, and Catrogiovanni, 2004). For example, franchising may be positively associated with financial performance when a franchisor operates beyond its home region, suggesting that there are learning benefits to franchising (Sorenson and Sorensen, 2001). Also, there is a suggestion that the performance impact of franchising may vary between different “strategic groups” of franchisors, with those who are motivated by resource scarcity performing less well financially than those who

are motivated to franchise primarily by agency considerations (Combs, Ketchen, and Hoover, 2004).

Whilst much of the theoretical and empirical literature has focused on the positive implications of franchising for both franchisor and franchisee (Combs, Michael and Catrogiovanni, 2004), there is a potential downside for the former in terms of opportunism by the franchisee, including free riding, failing to comply with operating or quality standards, and withholding information (e.g., El Akremi, Mignonac and Perrigot, forthcoming). In particular, individual franchisees may have an incentive to try to free ride on brand-building activities that benefit the whole chain, since such activities give rise to an externality which can be enjoyed by others in the chain (Kidwell, Nygaard and Silkoset, 2007). Limiting such activities might increase the individual franchisee's residual profit as costs are reduced, even though there may be damage to the overall brand and perhaps also to sales both in the individual franchise and in the chain as a whole.

The provision of high quality by individual franchisees may be subject to this logic. When the brand is shared by all units in the chain and when customers are mobile between units, then customer goodwill in response to the perceived quality of the brand involves interdependence between units. This means that an individual franchisee who invests effort and resources in providing high quality will not appropriate all the gain generated, and in fact benefits from the goodwill created by other units. Under these circumstances, there is an incentive to free ride on the efforts of other units by not investing in high quality (Kidwell and Bennett, 1993; Michael, 2002). To the extent that this behaviour becomes common, the quality level of the chain as a whole will fall. Michael (2000) provided evidence from the US restaurant and hotel industries of a negative association between the proportion of franchised units in a chain and customer perceptions of quality. Although the study did not observe franchisee effort or free riding directly, and was not able to rule out the possibility of reverse causation (already low quality chains choosing franchising), these findings are at least consistent with the suggestion that franchising leads to lower quality. Kidwell, Nygaard and Silkoset (2007) directly measured free-rider behaviour in their study of 192 Norwegian franchisees of a multinational petrol distributor, finding that such behaviour was negatively associated with both a subjective assessment of franchisee performance (assessing activities such as marketing, training, and management and control) and with franchisee sales.

Clearly, there is evidence that, although, franchising addresses the *vertical* agency problem associated with employed managers who lack a residual interest in the performance of their unit, there remains a possible *horizontal* agency problem, whereby franchisees may engage in opportunistic behaviour, maximising their own payoff at the expense of the chain as a whole (Kidwell, Nygaard and Silkoset, 2007). The remedy to this latter problem is usually seen as monitoring (Brickley and Dark, 1987) and it is significant that chain organizations often maintain detailed monitoring systems to assure franchiser compliance with operating and quality standards, often on pain of termination of the franchise (Michael, 2002).

The horizontal agency problem discussed above assumes that customers are mobile across units within the chain. It is this that gives rise to the non-excludability and public good nature of the franchisee's effort to provide high quality (Michael, 2002). Whilst this condition may be a common feature of many markets, including fast food, restaurants and hotels, not all service markets necessarily share this feature. Retail financial services, for example, often involve repeat, even long-term, relationships between customers and their branch, and the trend towards personal banking seeks to personalise this at the level of the individual (Panther et al, 2004). Under these conditions, whilst there is still a shared brand image to some degree, individual branches are likely to suffer the consequences of poor or deteriorating service quality in terms of customer loyalty and switching (Levesque, et al 1996). The suggestion is that where franchising is practiced in such markets, it is much less likely to be associated with problems of free riding, and the positive effects of franchising are likely to dominate.

### ***2.2.2 EBS and Franchising***

It is known that as a means of channel management, the contractual arrangements of a franchise facilitate a high degree of control, organisation and operation by firms over their outlets (Pilotti and Pozzana, 1991). This ability by the business to exercise closer control of the franchise can ensure the imposition of more consistent and uniform standards across the network compared with those associated with dealerships structures etc (Wicking, 1993; Mendelsohn, 1992). The literature also tells us that the influence of a manager's personal goals on strategy and performance is particularly strong in small franchised firms (Chaganti et al, 1995) – defined in this study as firms with less than 20

workers. In these firms, business goals are inseparable from the personal goals of the owners (Covin, 1991). Kotey and Meredith (1997) have argued that high performing managers in small firms, like franchisees, adopt a more commercial strategic orientation towards their business including management practices, thus better performance is achieved (e.g. Wiklund, 1999; Zahra, 1991; Zahra and Covin, 1995). Segal et al (2005) also found that individuals' tolerance for risk had a significant influence on their intention to engage in entrepreneurial activity. Moreover, even though the individual might find the engagement in entrepreneurial activity desirable and has the self-confidence to do so, it is important that the individual has a relatively high tolerance for risk to engage in such activity. Therefore, there is the potential for this pre-disposition or attitude to be decisive.

However, the author argues that tolerance to risk is not a differential feature of the franchise operation as both channels meet the needs of members (customers of EBS Building Society are classified as members) through a similar quality control system. The co-existence of high dependency, which a franchise offers, also provides a high autonomy setting for those who both operate and work within them (Salancik and Pfeffer 1978; Garnier, 1982; Baliga and Jaeger 1984), thus leading to a higher overall performance. In the case of the TBAs many of them added additional complementary services like real estate to their business, with the support of EBS, in order to provide an end-to-end sales process for their customers. Therefore, is it more about the working environment, i.e. the franchise itself, where managers intuitively create an entrepreneurial style that establishes a platform for high performance?

Every franchise system revolves around the quality of its franchisees, the people who operate the franchise and the personal decisions they make with respect to their work play a significant role in their commercial success. Interestingly, within the small business literature, Human Capital appears to play an integral part in the performance of the firm (Pennings, Lee and Van Witteloostuijn, 1998) and the key to the success for any research in this field is to understand when and how entrepreneurial agents, i.e. TBAs and their staff discover and appraise opportunities that set them apart from their more conventionally manned parent. Accordingly, the behaviours of the franchisee, is a key action, and their respective staff seem to be significant factors in their success.

Schumpeter linked wealth creation directly to the entrepreneurial process, through which “new combinations” of factors of production are introduced into the economic system (Schumpeter, 1950, p83). Entrepreneurship, as experienced in franchising, creates new processes, puts potentially under-utilised resources to new uses, initiates the formulation of new industries, and otherwise exploits market opportunities through ‘innovation and proactive behaviour’ (Dess, Lumpkin and McKee, 1999, p85). Entrepreneurial activity by franchisees ‘appears to provide a competitive advantage’ (Falbe et al, 1998, p137) and consequently TBAs have in their business a key tool from the entrepreneur’s toolbox that drives changes that could potentially generate competitive advantage.

Entrepreneurship research in franchised organisations has attempted to identify the situational and environmental factors that predict entrepreneurial activity, such as job displacement and availability of various resources. However, these empirical studies of contextual factors have found low explanatory power and predictive ability (Krueger et al, 2000). Logically, there is no reason to expect a direct relationship between these external forces and entrepreneurial activity. For example, job displacement may be a triggering event leading to entrepreneurship. However, displaced workers will not pursue this career unless there is a more direct, process oriented linkage. Other enterprise activities are captured by the literature on ‘corporate entrepreneurship’, which suggest that the performance activity depends on an organisation creating the opportunities or the appropriate space for entrepreneurial attributes such as proactiveness or the pursuit of ambitions to exceed everyday experience found in standard or company manned outlets in order for them to flourish. Many EBS franchisees have informed the author that the system they received from their corporate parent required local adaptation and created the opportunity for the TBAs to exploit this new space positively from a business perspective.

In 1992, EBS’s decision to franchise some of their retail outlets, based on the Agency Theory approach, offered a completely different, but untried, retail proposition within the Irish financial services environment. Their decision was determined by a realisation that under-performing branches with under-performing branch managers did not offer a long-term sustainable business proposition for the organisation. The literature suggests that franchisees, as entrepreneurs, present a deeper understanding of the requirements of the business, a tighter commitment to the business and their staff, and an ability to

spread control and influence of the key decisions of the business. Further, the literature also shows that by having entrepreneurial-minded managers/leaders in place encourages behaviours that trigger a series of knock-on effects that lead to positive business performance and is good for organisations. Clearly to understand how the franchise is working within EBS, the assumption is that it has something to do with how managers manage and the author hypothesises that the franchisee is achieving the higher performance through the use of HRM or Leadership. Essentially, it may be the case that franchisees' may manage people differently or that they are being more entrepreneurial or more socially oriented and this may be the decisive contribution to enhanced performance. Therefore, an examination of Human Resource Management and Leadership is merited.

### **2.3 HRM**

Boxall and Purcell (2008) define HRM as 'all of those activities associated with the employment relationships in the firm' (Boxall and Purcell, 2008, p1). HRM has also been defined as a term used to represent that part 'of an organisation's activities concerned with the requirement, development and management of its employees' (Wood and Wall, 2005, p430). Schuler (1992) states, that HRM is "all those activities affecting the behaviour of individuals in their efforts to formulate and implement the strategic needs of the business" (Schuler, 1992, p19), while Wright and McMahan (1992) suggest that it is the "planned human resource deployments and activities intended to enable an organisation to achieve its goals" (Wright and McMahan, 1992, p 296). These definitions highlight a few important dimensions to HRM such as management, deployment, behaviours etc. and crucially their interrelationships and influence on the overall business and organisation activity.

In this context it has become a widely held assertion that people provide organisations with an important source of competitive advantage and that human capital may be the definitive determinant of organisational performance (Prahalad, 1983; Barney, 1991; Pfeffer, 1994; Wright, McMahan and McWilliams, 1994). Therefore to increase productivity through human capital the organisation needs to harness the potential contribution of the employees and this human capital must be developed and managed as a core competence of the organisation (Barney, 1991). It is believed that this competitive advantage, distinct management practices for example, creates unique



competencies within an organisation that make the different products and services that deliver the competitiveness required (Cappelli and Crocker-Hefter, 1996 and Collins and Smith, 2006). Over the last decade or so HRM practitioners and academics alike have enthusiastically articulated the relationship between business strategy and people process (Gratton, 1999; Guest, 1997; MacDuffie, 1995; Huselid, 1995) and consequently, the management of this HRM - performance link has become a significant matter for all.

The literature is commonly underpinned by the resource-based view of the firm with its emphasis on gaining sustainable competitive advantage by means of effective and efficient utilisation of the resources of the organisation (Paauwe, 2004). That is, successful organisations are those that have acquired and utilised valuable, rare, inimitable and non-substitutable resources, including human resources (Barney, 1991, 1995; Barney and Wright, 1998). Thus, for example, Wright and McMahan (1992) discussed the importance of human resources in the creation of competitive advantage, while Wright, McMahan and McWilliams (1994) suggested that while human resources are always a potential source of competitive advantage not all organisations have the ability to develop these scientifically through the use of tangible HRM practices. Similarly, Guthrie (2001, p181) noted “that the common theme in the literature is an emphasis on utilising a system of management practices giving employee skills, information, motivation and attitude and resulting in a workforce that is a source of competitive advantage”.

Guest (1987) in capturing a theory of HRM and performance suggested that if an integrated set of HRM practices is applied with a view to achieving the “normative goals of high commitment plus high quality and flexibility then higher work performance will result” (Guest, 1997, p265). Much of the research on this link has examined single HR practices such as compensation (e.g. Gerhart and Milkovich, 1990) and while, as of yet, there is no universal consensus, there is significant support to suggest that there are an identifiable set of HRM practices that positively affect organisation performance (Applebaum and Batt, 1994; Kochan and Osterman, 1994; Pfeffer, 1994; and Young, Snell, Dean, and Lepak, 1996). ‘Universalistic’ theories (Gooderham et al, 2008) interestingly are concerned with ‘best practices’ and work on the assumption that there is an association of linear relationships between HRM practices and organisation performance that is best measured in financial success. More

specifically, Becker and Huselid (2000) report a strong relationship between HRM and performance while Boselie et al (2005), drawing on a widespread selection of 104 studies deduced that most of the HRM research has been found to matter in a positive way for organisation performance. Combs et al (2006) meta-analysis of HRM highlights that high performance work practices affect organisational performance greater in manufacturing organisations than in service related ones. This is due, in part, to the manufacturers' dependence on complex machinery and concomitant standardized procedures which requires these work practices to help adaptation to change. The need for high performance work practices to aid adaptation is less among services as they are less burdened by complex machinery.

Furthermore, there is considerable literature focusing on the ability of these best practices to contribute to firm profitability, and not just performance or whether such practices are a cost of, or hindrance to, production (Butler et al, 1991; Delery and Doty, 1996; Huselid, 1995). It is here, within the daily management cycle, that key activities take place, and which “clarifies the level of performance required to meet their strategic objectives, convert them into unit and individual objectives and manage them continually” (Lockett, 1992, p14).

### ***2.3.1 HRM: Nature and Bundles***

An increasing body of work makes the argument that organisational performance is facilitated by the use of certain work practices, such as employee recruitment and selection procedures, incentive compensation, performance management systems and extensive employee engagement. Such practices can improve the knowledge, skills, and abilities of a firm's employees (Combs et al, 2006). Researchers increasingly recognise the importance of HRM practices as a means to enhance strategic business processes (Becker and Huselid, 2006) or to manage specific employee segments (Lepak and Snell, 2006). Since organisational goal setting is a means of delivering the strategic objectives of the organisation, the alignment of HRM behaviours and processes expected from different employee segments are required to be set. Thus alignment of HRM practices with stakeholder interests enhances ‘the effect of these practices on the development of organisational capabilities that allows for superior performance’, (Hermans et al, 2009, p 12). There is generally a broad consensus among researchers in favour of the greater integration of HRM and business strategy (Boxall and Purcell 2003; Lepak et al, 2006).

Accordingly, models of HRM envisage its use in shaping employees' attitudes and behaviours in ways that deliver superior performance.

Delery and Doty (1996) in their examination of banks in the US found that HRM practices, many of which are interrelated, were the most appropriate unit of analysis for studying the link to performance in organisations as such practices “create the multiple, mutually reinforcing conditions that support employee motivation” (MacDuffie, 1995, p 198). The author believes that HRM is a likely candidate where TBAs and branches seem to differ so it is central that we examine what practices are working in TBAs and understand their respective synergies. Researchers in the main found that bundles or systems of HR practices had more influence on performance than individual work practices in isolation, (Huselid, 1995; MacDuffie, 1995). Indeed, the logic in connecting sets of HRM practices in assessing the performance of any organisation is instinctively appealing and ‘supported by theoretical arguments from a number of disciplines’ (Youndt et al, 1996; p839). This system can then be viewed as a mutually reinforcing system of practices, the combined effect of which is to align employee behaviours with the business objectives and core values of the organisation.

The HR literature also centres on the effects of examining these bundles of HR practices or HR systems (Redman et al, 2005) in determining which systems are the most effective. These ‘bundles’ themselves, once developed, become a strategic asset of the firm and are held to produce substantially greater performance effects than individual practices. But it is important to note that it is not these practices or respective packages that form the source of the competitive advantage but rather, the gain lies in their ability to generate a synergy that cannot be replicated elsewhere. “Success does not depend on doing a few things right but on doing lots of small little things correctly” (Barney, 1995, p134). Accordingly, it is this persistent, patient managerial process that has been built on over time that delivers, when all things are equal, superior performance.

### **2.3.2 HRM in Service Work**

An interest in the effects of HRM on employees in service industries has been growing in recent years (Li et al, 2011). Zheng (2009) highlighted that there are statistically significant linkages between HR practices and firm performance and where various skill programmes are seen to be significantly associated with capacity to deliver quality service and on firm growth. In his book *Human Resource Management in Service Work*,

Korczynski (2002) points out that human assets are crucially important to service firms due to the inherent characteristics of the service industry, and HR management practices and the resulting quality of human resources are difficult for competitors to imitate. He argues that service work is interpreted as functioning within a 'customer oriented bureaucracy' (Korczynski 2002, p58) with key dimensions of Management, HRM policies and labour processes indicating ways of capturing the twin imperatives of customer oriented control and being proficient at your business at the same time. The continued need to increase quality while reducing cost points to a tension between the two aims and is at the heart of service work. Korczynski suggests HRM can assist front-line workers with understanding this tension by creating the dialogue either through employment policies on training and development, promoting suitable employee behaviours or just filling the 'social order' (p74) in labour flexibilities. It may be, indeed, that the way in which HRM is related to the nature of work in service settings that franchises generate a more appropriate efficient behaviour or hard versions of HRM. This also may serve to 'cope with the inevitable ensuring tensions', (Korczynski, 2002, p200) better by localized management action to uphold the management message that 'service is sales'.

It is also suggested by a number of commentators (Keenoy, 1990; Legge, 1995) that HRM can also assist in promoting this dual focused behaviour 'through its use of rhetoric' (Korczynski, 2002, p67). The point made is that the power of HRM lies not so much in its substantive content, in terms of, for instance, actual training practices, but rather in the language it uses and the effects these have on the workforce in the service settings.

While the concept of the customer-oriented bureaucracy, as a heuristic device, can illuminate many types of customer-facing work it is less useful when considering sales work as at its extreme, sales work involves sales orientation rather than customer orientation, Korczynski (2002). Moreover, Korczynski's theory makes a clear distinction between 'front-line' service work compromising socially embedded interactions and back-office work producing non-interactive services.

Within the retail EBS network there is no segregation amongst the staff as either back office or front office as these roles are a blend of multiple tasks to meet customer needs. Furthermore, while Korczynski argues that service work is fertile ground for identifying

the appropriate social order, he argues that others (Beer et al., 1984 and Guest, 1987) do not offer real insights into the nature of work in service contexts. Indeed, Boxall et al (2011), state that HRM is not about saluting the same flag of HRM practices but understanding better the set of messages that are embedded in the HR practices and in the personal behaviour of front-line and higher level managers supporting the business success. Hence, there are a range of key HRM issues at play in a service context and it is assumed that various types of HR practices interact to improve employee attitudes, ultimately contributing to positive employee behaviours and organisational effectiveness (Boxall and Macky, 2009). Despite some scepticism (Wood and Wall, 2007), the weight of empirical evidence favours this assumption (Hailey, Farndale and Truss, 2005; Combs, Liu, Hall and Kitchen, 2006; Boxall and Macky, 2009) and how these relate in franchised organizations now needs to be explored.

### ***2.3.3 HRM in franchised organisations***

In franchise outlets, Truss (2004) viewed human resources practices, as practices that potentially ‘limit(s) the control over individual franchisees’ (Truss 2004, p58). She argues that it is this constant theme of control and dependence and its renegotiation between the principal and its agents, displayed in the application of HRM, which attracted the key agenda for her study. Her research, within the automotive franchise retail sector, set out to show how employees’ experience of HRM can, under some circumstances, be influenced both directly and indirectly by third-party organisations. She focuses attention on the power relations between the franchisor and franchisee outlining that it is generally assumed that the power lies in the hands of the franchisor. In this context and building on previous studies (Child, 1997; Garsten, 1999; Swart and Kinnie, 2003; Truss et al, 2002) Truss (2004) sought to identify how, and under what circumstances, does a franchisor intervene directly in personnel policies and practices in the context of the power relations within the franchise system. Specifically she sought to answer the following exploratory questions:

1. How is HRM enacted in practice within the franchise relationship?
2. What mechanisms are used by the franchisor to influence HRM within the franchisee company, and vice versa?
3. What are the broader implications for concepts and theories of HRM? (Truss, 2004, p 60)

Her exploratory study involved a series of semi-structured interviews and focus groups within a large retail automotive organisation. The qualitative case based research involved interviews with HR and operations / line management who were responsible for managing a network of franchises within the organisation.

In presenting the findings, Truss (2004, p61) focussed on the HRM activity in the areas of ‘training and development, recruitment and selection, performance management, career management, the role of HR department and the overall HR strategy and policy’. The study found that in terms of HRM, there was a delicate balance of power between the manufacturer and dealer (franchisor and franchisee) where HRM “is deployed as a range of tools used to create, reinforce and sustain the power position of the manufacturer” (Truss, 2004, p70). Within the relationship, it was clear that HRM practices, such as training, were being used as a means by the franchisor to retain power and importantly as an opportunity to inculcate the thinking and ‘identification’ of the franchisor with the respective franchisee employees. However, it was also apparent in the study that the franchisee was able to retain some control in the areas of career management, remuneration and the rewards that were conferred on employees within the franchised entity.

Truss suggests that HRM may have a greater benefit to the organisation if used to examine the efficacy with which it manages relations between the franchisee and franchisor rather than in seeking to demonstrate a ‘linkage between HR interventions and organisational outcomes’ (Truss, 2004, p72) because the HR department had taken a clear decision not to get involved in the relationship in her study. This implies that our traditional conceptualisations of HRM in franchises may be based on an outmoded understanding of HRM and that the influence of HRM on franchisees has more to do with how the TBAs interact and operate with the corporate parent rather than anything that is occurring within the TBA. However, it may also present HRM in franchised outlets as having a considerable permeable organisational boundary that enables conceptions of HRM from the corporate parent to tacitly influence the HRM activity with its franchises.

In the case of EBS, the author would suggest that the latter is a better explanation simply because the staff, including the principals, would already have considerable exposure to all EBS HRM practices due to their past employment with the company. In

addition, there is ongoing experience from the considerable training and development which is provided for the TBAs and their staff by the organisation. Truss's (2004) findings lend support to the fact that HRM is clearly at work, specifically the element of control, within these smaller organisations in order to influence a persistent direction in the pursuit of profit. We know from the HRM theory and literature that practices of high performance increase organisational effectiveness by creating conditions where employees become highly involved in the organisation and work hard to accomplish the goals. However, we also know that it is difficult to generalise findings from single case studies to all service settings and the evidence from HRM shows that some organisations give considerable autonomy. It is clear that franchisees have total autonomy in the EBS case. What we do not know is what are these practices or conditions that staff have that creates the platform for high performance in a franchised establishment.

In their research, '*Are Franchises Bad Employers?*' Cappelli and Hamori (2008), sought to examine the relationship between franchise status and employment practices. Their research suggested that franchise operations appear to offer superior jobs with more established systems of staff management than did similar non-franchise operations. Moreover, Cappelli and Hamori (2008) specifically sought to examine high performance work systems that affect employees in franchises. Their study compared the employment data between two different organisations, franchised and the equivalent in non-franchised organisations, in over 4,000 companies in the USA. The chiefly quantitative work concentrated on leaders or managers in either organisation type drawn from surveys run in the mid – 1990s and with high overall response rates, and no apparent differences between respondents from different industries. Simple regressions were used to establish the estimates of the relationship between franchise and work practices and work outcomes. Among the primary variables considered in deciding whether franchises offer good jobs to staff, were the benefits that were offered, measures that captured labour costs, productivity and the measures that captured the employee involvement in the respective workplaces.

This study was the first to use nationally representative data to examine franchise operations and the results suggested that franchised operations offered more sophisticated management practices and “have made greater investment in their employees than did similar non-franchised establishments” (Cappelli and Hamori, 2008,

p157). Specifically, it was argued that franchises were closer to the higher performance model than to the scientific management model in that, they made greater use of arrangements that delivered greater employee involvement and engagement. They also suggested that additional data on employee behaviours 'might make it possible to tell whether workers with given attitudes receive better treatment by franchisees than non-franchised organisations' (Cappelli, and Hamori 2008, p60). Moreover, it is suggested that significant research is still required in many aspects of franchisee operations but a good point of departure for future research would be to examine practices that contribute to higher performance.

In relating both Cappelli and Hamori (2008) and Truss (2004) to this study, it is apparent that employee outcomes, behaviours and contributions need to be more fully understood in the context of EBS. In both these studies it is suggested that the franchisors have a greater understanding of what these best people practices are that create the conditions, reactions or climate that facilitates the employees of the franchised outlets to go the extra yard, both individually and collectively. Both view the areas of training and development of employees and the recruitment and selection processes as key HRM activities, as a means and an end of power retention by the franchisor. Moreover, HRM was clearly being used as a tool in the distribution of power or in the creation of 'low-road' jobs. There is also a subtle emphasis in both studies that perhaps HRM is coercive in the delivery of performance as it underpins much of the interplays between franchisor and franchisee suggesting that lower educated, lower paid individuals in the franchisee model are manipulated by the power of the franchisor. Importantly, they both call for more research to interpret how HRM actually works and what part it plays in the link to organisational performance. Notwithstanding these comparisons, Truss's (2004) study does differ from Cappelli and Hamori (2008) as she reflects that in franchised organisations, HRM is best understood more in managing relationship behaviours at the boundary of organisations i.e. between the corporate franchisor and franchisees, while Cappelli and Hamori (2008) suggests that franchises make better use of HRM because the franchise jobs offered more to lower-quality workers than did similar non-franchise jobs.

In this research, therefore, the author will examine if the use of different HRM methods by the franchises generates higher performance. Both Truss (2004) and Cappelli et al,



(2008) suggest in their research that HRM activity is supporting productivity in some way and that further research is necessary.

We can see that HRM is a sensible path to take to explore TBA performance as the literature establishes that HRM practices are at work in franchised organisations in ways that seek to align employee behaviours with the business objective for higher performance. The key however is to determine which are the more effective. It is evident from the literature that HRM offers interesting opportunities from which to explore the performance of EBS retail channels.

The chapter so far has focused on this area and its antecedents, with a particular focus on franchising. It has also focused briefly in setting the scene on other important attitudinal and behavioural proficiencies that are associated with high performance outlets. However, we require a deeper understanding of the performance outcomes with theoretical underpinning as to why various practices will impact on specific performance measures. Consequently, we will now examine a number of these outcomes, namely OCBs that assist the effectiveness of organisations.

Following this, three potentially competing theoretical models or processes, specifically, 1) Social Exchange, 2) Empowerment and 3) Work Intensification will be reviewed, in an effort, to examine them as mediators of the relationship between HRM and these performance outcomes.

## **2.4 Performance Outcomes**

### ***2.4.1 Organisational Citizenship Behaviour (OCB)***

Evidence in the literature suggests that employee behaviour that goes beyond that described for a prescribed role benefits an organisation. Organisational citizenship behaviour (OCB) has been recognised as essential to the effective functioning of the organisation (Katz and Kahn, 1978; Organ, 1990). OCB is also one of the most widely studied topics in organisational behaviour (Moorman, 1991; Niehoff and Moorman, 1993; Podsakoff, MacKenzie, Paine and Bacharach, 2000). The research clearly indicates that employee perceptions of the “support that they receive from their organisations are positively related to OCBs and that their sense of obligation and their commitment to the organisation are mediators of this relationship” (Organ et al, 2005, p

129). Equally it is found to improve work performance (Bateman and Organ, 1983) and in the long run promotes the efficient and effective functioning of an organisation (Organ et al, 2006). It deserves adding that research by Stone-Romera et al (2009) showed that the behaviours that are typically viewed as OCBs are in fact basic requirements of many roles (especially managerial). It is common for researchers to regard the effects that OCBs have on individual-level outcomes to also positively relate to a variety of unit effectiveness measures, including productivity, quality, profitability and the reduction of costs (Dunlop and Lee, 2004; Koys, 2001 and Walz and Niehoff, 2000).

OCBs can include doing work that is outside of the normal expectations for that role or of the role's contractual obligations, such as assisting new colleagues at work and generally doing things above and beyond the call of duty. A review of the literature highlights over thirty dimensions of OCBs with substantial distinctions in their nature (Podsakoff, et al 2000). Smith et al (2003) cite classes of organisational citizenship behaviours: OCB-Is are behaviours that are deliberately intended at helping particular individuals in different situations, while OCB-Os represent behaviours targeted at helping organizations. In-role behaviours (IRB) are those behaviours that would ordinarily be expected from a typical employee.

Despite progress on research in the domain of citizenship performance, one common limitation is that the focus has been on OCBs that are widely applicable across different types of organisations. Some researchers, however, have argued that certain types of OCBs "are probably more appropriate for certain types of organisations than others and service organisation, like retail banking, have unique requirements on dimensions relating to customers" (Borman and Motowidlo, 1993, p90). Bettencourt and Brown (1997) advanced the contribution by outlining different types of behaviour that are role prescribed and that are extra-role (Organ, 1988) and within a service setting. First, extra-role customer service - refers to discretionary behaviour where employees give that little extra to the customer and hence create superior customer service through responsiveness, courtesy and a genuine desire to satisfy customer needs (Cran, 1994; Hogan et al, 1984). Second, role prescribed customer service refers to expected employee behaviours towards meeting customer needs and the expectations that would normally derive from "norms of the workplace and specific obligations as specified in organisational documents" (Bettencourt and Brown, 1997, p42). This is the equivalent

to in role-behaviour in the service context. Finally, given the customer-focused nature of service delivery, the provision of exceptional service to customers relies upon the cooperation and internal service among the team.

In recent years researchers in several fields have recognised the importance of distinguishing between different exchange relationships - in-role e.g., sales volume, commissions and extra-role performance, (Brown and Peterson, 1993; MacKenzie, Podsakoff, and Fetter, 1994). The present research is based on the premise that employees holding the same formal job i.e. staff in a branch or a TBA differ in how broadly they define that job, or in terms of where they draw the line between in-role and extra-role behaviour. The critical difference remains that the “greater an employee’s perceived job breadth, the more activities he/she defines as in role” (Morrison, 1994, p1544). This domain refers to the employees’ confidence that they can carry out a range of integrative and positive activities that extend beyond traditional tasks and ‘is conceptualised as a realm of self-efficacy’ (Parker, 1999, p928). Consequently, are TBA staff performing more extra-role behaviours than their colleagues in the branch network or do they have more citizenship behaviours that are specifically defined as in-role creating higher OCB in the franchised outlets than that of the branches? Do the respective HRM practices or leadership qualities generate a stronger supportive climate than their branch colleagues? Does this in turn, lead to the TBA staff demonstrating OCBs, where their behaviour is discretionary and while not formally recognised by the reward system, still delivers improved business performance?

#### ***2.4.2 Intention to Quit***

Renewed interest in labour turnover and retention, stimulated by skills shortages and demographic trends, is reflected in the increasing number of articles on labour turnover, quit intent and retention over the last number of years (Winterton, 2004; Bergiel et al, 2009). Turnover in sales forces in financial institutions has a major impact on business results and when staff leave an organisation, the firm incurs the opportunity cost of having the vacancy left open in a competitive market. In addition the cost of hiring a replacement can be substantial (Firth et al, 2004). Research shows a negative correlation between organisational commitment and turnover intentions because employees with positive attitudes are less likely to quit an organisation (Jex, 2002; Meyer et al, 2002). Most theoretical models incorporating intent to quit emphasise the effect of organisation commitment and job satisfaction in exerting a negative effect on turnover cognitions

(Price 2001). Numerous researchers (e.g. Bluedorn, 1982; Kalliath and Beck, 2001; Peters et al, 1981) have attempted to answer the question of what determines people's intention to quit by investigating possible antecedents. While there has been little consistency in findings to date, among the variables found to relate to intention to quit are the "experience of job related stress, lack of commitment to the organisation and job dissatisfaction" (Rahim and Psenicka, 1996). These variables can be mediated by personal and dispositional factors and by the organisation's environmental factors (Firth et al, 2003).

Importantly, the principles of building employee commitment entail establishing an appropriate organisational culture in which the firm's objectives are communicated to all employees. Studies (Arthur 1994, Alvesson 1995 and Dessler, 1999) have found that high commitment work practices characterised by high involvement and team working can achieve a feeling among employees that dissuades them from quitting. There is also substantial research that family friendly policies, (Abbott et al, 1998; Maume, 1991; Glass and Riley, 1998, Casper and Landy, 2001), the perception of a company's reputation (Herrbach et al, 2004; Cable and Graham, 2000) and trust in a supervisor or manager all tend to lower the desire to leave (Davis et al, 2000).

The preceding reviews indicate both theoretical and empirical grounds for organisational satisfaction as an antecedent for OCB. Davidson et al (2002) and Schneider and Bowen, (1993) both highlight that a positive relationship exists between organisational climate and customer satisfaction and employees' perceptions of service directly influence the customer assessment of the service delivered (Yoon et al, 2001). These are all important factors when examining work practices within organisations because high performance work practices also suggest a long term relationship, 'employees in organisations with such practises are more likely to be cooperative and assist others or, in other words, engage in service-orientated OCB' (Sun et al 2007, p 562); that 'high levels of service orientated OCB suggests lower turnover or intention to quit (Sun et al 2007, p 562); and that the overall level of OCB that takes place in a business unit is linked to unit performance (Podsakoff and MacKenzie, 1997). In essence, the more you have of these services-related behaviours then the more you are putting yourself out for your customers and it is these actions that the research argues that create the climate for staff to deliver higher performance (Albrecht and Zemke, 2001). In providing the flexibility and individualised care required in the service

proposition to customers, service companies must rely to a large extent on their employees' attitude and behaviours towards customer care.

This study will, therefore, focus on key service related behaviours within the building society's retail operations to more fully understand the impact of these behaviours on the business. Human resource management policies in general may be seen as an input into the social exchange process, as the evidence of positive effects of bundles of "high performance" or "high commitment" work practices on employee attitudes, behaviours and turnover suggest. Redman et al (2005) argue that it is the motivation offered by HRM practices within a particular employment position that increases the performance and not the social exchange relationship that is offered by the contract of employment. This thesis supports Appelbaum et al's (2000) model of employee ability, motivation and opportunity (A.M.O.) for assessing better performance within organisations where bundles of practices operate together to build capability, increase intrinsic motivation and provide opportunity for empowering work. It is this layering procedure that delivers the better performance. The expansion of this capability within any organisation, but particularly in small functional establishments, enables workers to perform a range of critical roles, especially where workloads fluctuate with customer demand, like in retail banking.

Accordingly, the following hypothesis is proposed:

H1: There will be a positive association between HRM and a) extra-role service behaviour b) in-role service behaviour c) OCB-O d) OCB-I and e) IRB and f) a negative association with quit intent.

## **2.5 Mediating Path 1 - Empowerment**

Social exchange theory has become a strong theme in the OCB literature. However, there have recently been calls for researchers to expand their attention beyond this theory into other areas when analysing the links between practices and performance, (Zellars and Tepper, 2003). The fast moving global economy requires that organisations learn and adapt to change quickly and employees have a key role to play here. This is particularly true in modern service organisations where employees require greater flexibility and freedom to make decisions. The central tenet is that workers respond

more creatively when given broad responsibilities, encouraged to contribute, and helped to derive satisfaction from their work (Walton, 1985, p76). This contrasts markedly with traditional management techniques that have emphasised control, hierarchy and rigidity (Greasley et al, 2008). Employee empowerment has been hailed as a management technique that can be applied universally across all organisations as a means of dealing with the needs of a modern business (Lashley, 1999). However the service sector is said to have a unique cluster, where employees have a need not just to meet customer needs, but to recognise them in advance (Heskett et al, 1990). Therefore empowerment is important in so far that it has a significant influence on work attitudes and behaviours.

According to Conger and Kanungo (1988) empowerment describes working arrangements that engage the empowered at an emotional level. They distinguish between concepts of empowerment that are relational and motivational. As a relational concept empowerment is concerned with issues to do with management style and employee participation. As a motivational construct empowerment is individual and personal, it is about discretion, autonomy, power and control. This motivational aspect to empowerment becomes the defining feature of the initiative. Kanter (1977) describes empowerment as giving power to people who are weak in organisations (Ugboro and Obeng, 2004 p249) while Rothstein (1995) argues that empowerment is “an act of building and increasing power through cooperating, sharing and working together” (Honold, 1997, p202).

There are two main approaches that can be adopted to understand the dynamics of empowerment. A sociological approach treats power as potential influence in the context of social interaction (Bacharach and Lawler, 1980). In contrast, psychologists have treated power as a motivational factor (McClelland, 1961). Empowerment researchers from the sociological tradition focus on the granting or transfer of power, that is, the act of empowerment. However, researchers from the psychology tradition focus on the cognitions of the individual being empowered, which is the internal process or psychological state of the individual. In addition, when empowerment is considered an act, the emphasis is on the employee or the person being empowered. Therefore in line with Melon (2001) empowerment can be distinguished from a structured approach and from a motivational approach.

Within a franchise, the literature informs us that the expected benefits of empowerment will be realised only if employees actually experience empowerment (Lashley et al, 2000 and Stanworth, 1999) with franchising involving “both the objective facts of what a person is empowered to do and the subjective feelings which the individual experiences as a result” (Lashley et al, 2000, p108). An organisation, like a financial institution, may therefore direct that their managers empower branch employees to assist in operational decisions. Yet, whether an employee feels empowered or not to make these decisions depends on a host of factors including the actual behaviour of the manager (Howell and Shamir, 2005). Also, an employee can feel empowered in the absence of formal ‘empowering’ initiatives (McCann et al 2006) because the opportunities for success are created by setting challenging but achievable goals within the work unit. Consequently, given the diverse standpoints borne out by the literature, the author will focus on the psychological state of the employee, mindful however, that we want to know how HRM and leadership affect this sense of empowerment.

Conger and Kanungo (1988) were the first to integrate the approaches to empowerment found in the management and psychology literatures and conceptualise it as a motivational process (Kizilos, 1990). Spreitzer (1995) found support for her hypothesis, which highlighted “four distinct dimensions of psychological empowerment” meaning, competence, self-determination and impact and that “each dimension contributes to an overall construct of psychological empowerment” (Spreitzer, 1995 p 1446). She also developed a partial ‘nomological’ network of psychological empowerment in the workplace, “identifying and confirming antecedents and consequences of psychological empowerment” (Appelbaum, 1998, p35). Researchers believe that empowerment is thought to unleash employees’ potential, enhance their motivation, allow them to be more adaptive and receptive to their environment, and minimise bureaucratic hurdles that slow responsiveness (Forrester, 2000; Spreitzer, 1995; 1996).

At the individual level managers have higher levels of performance when they feel a sense of control (empowerment) on the job (Wood and Bandura, 1989). Kirkman and Rosen (1999) found some support that empowerment within a team context is more effectual, but this tends to vary due to the individual’s ability to influence their environments over time (Thomas and Velthouse, 1990). Empowerment can also be seen as increased task motivation resulting from an individual’s positive orientation to his or her work role (Spreitzer, 1995). The literature informs us that there are some key

objective external conditions and managerial acts or organisational practices that increase or heighten employees' sense of self-efficacy (Conger and Kanungo; 1988) and that these factors have in the main focused on job characteristics (Hackman and Oldham, 1980), leader's behaviour (Bennis and Nanus, 1985; Block, 1987, Sigler 1997; Bishop, 2000; Juneg et al, 2003; Castro et al 2008); and ability in the communication of participative actions (Kanter, 1979; Block, 1987). Finally, considering empowerment as a psychological state provides a mediating link between empowering acts and employee outcomes such as staff satisfaction, intention to quit etc. Consequently empowerment can be seen as a factor that adds impetus to employees' motivation that in turn provides the opportunity for better performance.

Significantly, a constant theme evident in the literature is that empowerment is not an "enduring personality trait generalisable across situations, but rather a set of cognitions shaped by a work environment" (Thomas and Velthouse, 1990, p668). Menon (2001) places emphasis on the energising aspect of empowerment where leaders invigorate and 'hence empower their followers to act by providing vision for the future' (Menon, 2001, p156). These acts lead to changes in employee perceptions about how much control they have and experience in their work environment. This leadership approach, where the emphasis is on inspiring employees to participate in the process of transforming the organisation, provides the platform where they feel they can make the difference to the success of the organisation.

Korczynski (2002) focuses in more detail, (amongst other elements) on empowerment in claiming that this is the only method through which "service firms can hope to deliver service quality" (Korczynski, 2002, p122). He argues that the literature balances two competing postures, one where empowerment empowers the front line worker and the other which masks an intensification of control and effort. It suggests that empowerment exists for front line workers in all units at two levels in EBS. Firstly, they have the power to act for the customers in resolving their issues, maintaining the relationship while they do so, and the relative success or otherwise will be measured in the output of the branch mystery shopper scores. Secondly, the increased need to cope with the variability of customer exchanges requires a less bureaucratic or mechanical process that allows discretion for the teller at the counter.



Employees need to feel empowered in order to expend discretionary effort. It is pertinent that employees are able to make decisions independently as front-line staff frequently have to handle customers on their own since it is not feasible or even desirable for managers to constantly monitor employees' actions. In both the TBAs and company manned branches the managers have all emphasised that their staff must have a clear concept of the boundaries of their authority and that it is their responsibility to communicate to customers. For example, as customers complain about the service they experience in the branch, if staff feel that it is right and justifiable they can make decisions “up to the limits of their authority” such as waiving the cost of a bank draft or direct debit payment. Empowerment of the front line is especially important during service recovery processes.

Managers and staff who transferred from one work environment to another in the EBS branch conversion process have acquired the psychological state that permits them to operate differently e.g. feel more empowered in the franchised unit than the others and to do what is best for them and for the business. This may also include the staff who perhaps require less direction over their actions than previously, and therefore have a more effective style, more local decision making (Lashley et al, 2000) and broader boundaries from within which they operate, which resonates better with them. Previous research has demonstrated that empowerment is an important driver of organisational effectiveness (Conger, 1988; Spreitzer, 2005). Also empowerment exists in an organisation when lower level employees feel that they are expected to exercise initiative (Appelbaum, 1998) and the perspective from a number of authors suggests that an empowered organisational unit is one where managers supervise more people than in the traditional hierarchy and delegate more decisions to their subordinates (Block, 1987; Sullivan, 1994; Kanter, 1977). Thus, the literature is informing us that empowerment is influenced by HRM (Snape and Redman, 2010) which in turn builds employee involvement and control over their decision making process. The literature also states that this in turn is likely to generate greater intrinsic motivation thus delivering higher performance (Spreitzer, 2005).

In this thesis the researcher is interested in the link between HRM practices and empowerment. As outlined in the previous paragraph there are suggestions that high levels of empowerment are required for such practices to impact positively on organisational performance. For example, several studies have shown that participation

in decision-making can lead to engagement in OCBs, such as helping new members of the work group (Chun et al, 2011 and Walumbwa et al, 2009). The reasoning is that the opportunity to participate and feel empowered implies a respect for the rights of the individual employees and a full-status relationship with the principal. Likewise Bandura (1986) submitted that self-efficacy could be influenced through positive emotional support, words of encouragement and positive persuasion by colleagues and leaders, models of success with which people identify, and experience mastering a task, (Conger, 1989). The importance of self-efficacy lies in its ability to increase employee performance as employees exert more effort, become more persistent and learn to cope with task-related obstacles (Chebat and Kollias, 2000). Similarly, self-efficacious employees should be able to perform better when demanding situations arise during an employee-customer encounter (Lent, Brown and Larkin, 1987). Empowerment should enhance a personal belief that their organisation builds on their 'emotional membership' (Organ, 2004) thus strengthening their belief in their particular psychological contract.

However, it is not all positive for empowerment as organisations have struggled to apply the notion of empowerment and in many cases the results have often fallen short of expectations for a variety of reasons (i.e. management failures). In their study of a green-field electronics company, McKinley and Taylor (1996) drew upon their evidence to argue that even in the absence of a trade union, opposition to new management practices "was articulated through the empowerment ideology" (1996, p289-290). Further, a survey of union members' work experiences revealed that "work intensification remains at the core of workplace relations rather than forms of workers' empowerment" (Waddington and Whitson, 1996, p.149). Argyris (1998) has declared the whole notion of empowerment "a loser" as an organisational strategy, while Rothstein (1997) argues that many empowerment efforts become undone due to flawed implementation.

Hyman and Cunningham, (1999) in their case study of a nation-wide distribution and delivery service suggest that there was a substantial gap between the empowerment ideals and the actual practice. Lee and Koh (2001) outline that the empowering opportunities that organisations seek to achieve lack a dimension of impact at the point of contact where it seeks to influence. They advocate that front-line subordinates engaged in work can be self-leaders, but are aware that they cannot influence, say, the strategic outcome of the firm. They also suggest that allowing participation in

organisations is drastically different from giving power, therefore Spreitzer's (1985) model could be limited due to this issue where participation does not imply receiving full-scale power and direct responsibility. However, in defence, the author would expect that employees in TBAs will find their work intrinsically more rewarding relative to their branch colleagues, because of flatter structures and the removal of layers of management (Lashley and Morrison, 2000) and under the motivational construct of empowerment, franchisees' perceptions of their ability to cope in situations, where they can exercise a range of judgements and skills is greater within the boundaries and limits set out (Stanworth, 1999). In addition, the very fact that the TBAs, as principals, derive their own ownership, then they have their own organisational power. Thus, as power is observed as a key ingredient of empowerment (Hardy and O'Sullivan 1998; Mowday, 1978), the TBA has the ability to grant the impact to his/her workers so that real power does not get diluted.

Finally, research indicates that empowerment is associated with above average outcomes for individuals, including citizenship and organisational attachment (Kirkman and Rosen, 1999; Tsui et al, 1997; Vandenberg et al, 1999). In this study the author is concerned with the relationship between empowerment at the individual level and OCB, absenteeism, both customer and staff satisfactions and intention to quit. These measures are relevant for many reasons, not least because there is a widespread belief that OCBs (discussed in detail earlier) are related to organisational performance (Posdakoff et al, 1994) and to a variety of positive organisational outcomes (Sun, Aryee and Law, 2007). Accordingly, it is suggested that that job empowerment provides the ability, opportunity and motivation to perform in general and the following hypotheses are presented.

H2: There will be a positive association between HRM and a) empowerment b) Perceived Organisation Support (POS) and a negative association with c) Work Intensification.

H3: There will be a positive association between empowerment and a) extra-role service behaviour, b) in-role service behaviour, c) OCB-O d) OCB -I and e) IRB and f) a negative association with quit intent.

H4: Empowerment will mediate the relationship between HRM and a) extra-role service behaviour b) in-role service behaviour c) OCB-O d) OCB –I e) IRB and f) intention to quit.

## **2.6 Mediating Path 2 - Social Exchange Theory**

Evidence suggests that in examining the impact of human resource practices on staff, that the norm of reciprocity and the motivational process of social exchange theory offer interesting and important insights for a number of reasons. Firstly, Allen, Shore and Griffeth (2003) have already shown that forms of social exchange mediate the positive relationship between HRM practices and organisational commitment. Secondly, Zacharatos, Barling and Iverson (2005) have shown that high performance work systems are associated with trust in management and finally, Whitener (2001) highlighted that employees interpret human resource practices as indicative of the personified organisation's commitment to them. The results of her study, consistent with social exchange theory, imply that employees reciprocate their perceptions of HRM with commitment to the organisation.

As described by Blau (1964) social exchanges entail unspecified obligations that extend beyond the normal terms of an employer-employee contract of employment. In a social exchange relationship one individual voluntarily provides a benefit to another, invoking an obligation of the other party to reciprocate by providing some benefit in return. In general, research findings suggest that positive, beneficial actions directed at employees by the organisation contribute to high quality exchange relationships for employees (Eisenberger et al, 1986; Shore and Wayne, 1993). The perceptions as to the amount of support that the employee may receive for these actions are referred to as perceived organisational support (POS). This is central to the increased work effort that employees may offer. Moreover, as such behaviour by employees is voluntary, the exchange is also understood as one that does not include explicit bargaining (Molm, 2000). There is no guarantee that benefits will be reciprocated or 'that reciprocation will result in receipt of future benefits' (Whitener et al, 1998, p515) and that consequently relationships in this context evolve slowly.

The effects of exchange ideology, where individuals with a strong exchange orientation are more likely to return a good deed than those low in exchange orientation, are not

limited to POS (Cropanzano and Mitchell, 2005). The understanding of exchange also balances the relationship between participative decision-making and acceptance of group norms and satisfaction with promotion opportunities (Witt, 1992). Witt and colleagues found that strong exchange beliefs significantly increase satisfaction with training (Witt and Broach, 1993) and manager rated commitment (Witt, Kacmar and Andrews, 2001). Cropanzano and Mitchell (2005), outline that exchange ideology also strengthens the effects of equal opportunity and attitudes. Further, social exchange, it is argued, can form clear relationships, however operationalised, between individuals and their immediate superior (Liden, et al 1997), co-workers (Cirka, and Andersson, 2003) and customers (Houston, Gassenheimer and Moskulka, 1992) and these “distinct behaviours have an impact on behaviour” (Cropanzano and Mitchell, 2005, p883). Specifically, because workers reciprocate the benefits they receive, they are according to Cropanzano and Mitchell (2005) likely to match goodwill “towards the party with whom they have a social exchange relationship” (Cropanzano and Mitchell, 2005 p 883).

Other organisational inputs into the employment relationship have been considered in a social exchange context. Wayne, Shore and Liden (1997) considered the quality of leader-member exchange as an input into a social exchange, and terms of employment may also be seen in this way. Providing training and development opportunities for staff sends a strong message to staff that they are supported and valued by an organisation. Researchers have also suggested that there may be a number of rules to exchange, established with the intention of reaching beneficial arrangements (Cook and Emerson, 1978; Cook, Emerson, and Gillmore, 1983) while Cropanzano and Mitchell (2005) suggest that more attention must be afforded to the possibility that multiple rules are employed simultaneously. However, irrespective of what the ‘rules’ of the social settings are in a work environment, the theory highlights a dynamic exchange relationship. It emphasizes, that an exchange process, including its potential development over time, provides an appropriate platform to examine the potential interdependent transactions that produce some sort of personal attachment in a work environment.

Given the strong linkages of these dimensions to performance (Organ, Podsakoff and MacKenzie, 2006) it suggests that POS can influence these discretionary behaviours and in turn result in favourable outcomes for the organisation and benefits for

employers. Indeed extensive research has supported a relationship between POS and forms of organisational citizenship behaviour (Eisenberger et al, 1990; Shore and Wayne, 1993; Wayne, Shore and Liden, 1997).

There is also evidence at the business establishment level that high performance work systems are associated with employee perceptions of social exchange (Snape and Redman, 2010). Takeuchi, Lepak, Wang and Takeuchi (2007) found that high performance work practices, rated by both employees and managers, were positively associated with collective human capital i.e. social capital and establishment-level social exchange. Likewise in their multilevel study, Sun, Aryee, and Law (2007) examined processes linking high performance human resource work practices and productivity and turnover and found that these processes and practices were partially mediated by service oriented citizenship.

Wayne, Shore and Liden (1997) state that POS is a relatively new concept and outline that a number of studies have shown its distinctiveness from other concepts (Shore and Tetrick, 1991; Kottke and Sharafinski, 1988; Randall, Cropanzano, Bormann and Birjulin, 1994 and Shore and Tetrick, 1991). Interestingly, they argue that POS is distinct from organisational climate, suggesting that POS is based on the particular “work history of an employee and represents his or her perception of the extent to which the employer is committed to him or her as an individual; organisation climate reflects individuals’ interpretations of a work environment they share with others” (Wayne et al, 1997 p83).

In summary, therefore, of primary importance to this theoretical model is the notion that various practices of HRM or a particular style of leadership produce a strong supportive environment which enhances staff members’ perceived organisational support (POS), the consequence of which leads staff to engage in OCBs, which increase affective commitment, lead to increases in staff and customer satisfaction, lessen turnover and intention to quit, in addition to absenteeism. Social exchange theory provides a theoretical basis from which to examine the quality of the exchanges between managers in EBS and their respective teams and POS provides an appropriate mediator for this theory to examine the linkages of the relationships. Accordingly, the following hypotheses are offered:

H5: There will be a positive association between POS and a) extra-role service behaviour b) In-role Service Behaviour r c) OCB-O d) OCB –I and e) IRB and f) a negative association with quit intent.

H6: POS will mediate the relationship between HRM and a) extra-role service behaviour b) in-role Service Behaviour c) OCB-O d) OCB –I and e) IRB and f) intention to quit.

## **2.7 Mediating Path 3 - Work Intensification -a labour process theory of HRM**

Most work on high-performance work systems has examined only the direct relationship between a set of management practices and performance outcomes. This presumes that any connection operates through the incentive and motivational effects captured as 'high-commitment' or 'high-involvement' employee outcomes. The third model, a labour process theory model of HRM however conceptualises that performance gains are as a result of new management practices from work intensification, offloading of tasks and increased job strain and this model represents a more established perspective than the previous 'softer' versions of HRM (Storey, 1998).

### ***2.7.1 Labour Process Theory***

Labour Process Theory (LPT) is a theory that offers a unique historical, systematic, and theoretical lens for analyzing labour development at a macro as well as micro level. Much of the early work on LPT was written within a broad Marxist framework. Braverman (1974) played a crucial role in resurrecting this neglected aspect of Marx's work, and three of the key texts in second wave labour process theory – Burawoy (1979), Richard Edwards (1979) and Friedman (1977) – were written from a Marxist perspective as a means of examining workplace development. Overall, LPT makes a unique meta-theoretical assumption that modern capitalist society is characterized by structural conflict. LPT theorists' focus is upon the study of economic and political administrative structures, power relationships among divergent interest groups, processes of organizational change and their impact upon the workplace, and the labour process (Braverman, 1974; Burawoy, 1979; Edwards, 1986; Friedman, 1977; Storey, 1983; Thompson, 1992).

An alternative view of the nature and outcomes of HPWS is informed by what Ramsay et al, (2000) term the labour process thinking that is underpinned by neo-Fordist theory (Palloix 1976). Here the view is that Taylorism has limits and in contemporary work organisation it can only take you so far before worker dissatisfaction starts to outweigh the benefits of the intensification process. There are many differences of emphasis within the labour process tradition, and indeed what constitutes ‘labour process theory remains contested’, (Ramsay et al; 2000, p504). However a common trend is the recognition of the intensification of work, working more than before and where managers are driven constantly to find ways to make employees work longer and harder as a means to maximise labour output. Crucially, this view sees the primary aim of new management practices or techniques as being to enhance workplace performance. The labour process theory approach therefore conceptualises these new HRM practices as leading either directly or indirectly to work intensification (WI) and with outcome of increased stress and higher levels of quit intent for employees.

Previous studies have established that work intensification (WI) was an important feature of labour markets in the 1990s (Green and McIntosh, 2001; Green, 2001; Burchell, Lapido, and Wilkinson, 2002). Other studies have highlighted that forms of WI such as ‘market driven’, which gives priority to supporting mass production processes and which places significant value on the efficiency of equipment, (Valeyre, 2004, p644) are now present within many industrial sectors and chiefly are a result of the search for greater competitiveness and profit. Unlike economic growth, WI is inherently a limited process. Just as an extension of the length of the working day is bounded ultimately by the number of hours in that day, so human and mental capacities do not allow an endless extension to effort. Thus “to understand the nature of the labour market and the mode of economic growth” (Green, 2004, p 615), it is important to monitor continually the extent of WI. Within the general retail financial services environment, WI is an under-explored path and there are widespread impressions, evident from popular reports, of increasing tensions and strains caused by ever-increasing demanding customers that affect two important aspects of job quality, the overall level of job satisfaction and the extent of work place stress (HSA, 2004). This, placed with the introduction of many manufacturing or production processes, such as “lean banking” into the financial services industry establishes a potential path to assess WI in a partly franchised retail building society.



Recent studies have attributed WI either to increased competitive pressure that has been passed onto workers (Burchell et al, 1999) or to the rising power of managers relative to declining unions (Green and McIntosh, 2001). An additional, related explanation is that effort intensification is complementary with organisational change in both technical innovations in the production process and control of the flow of work to the employees. In addition, this research will argue that High Performance Work Practices, such as those outlined by Ramsay et al (2000) designed to encourage greater worker involvement and commitment, could be a key driver for the increased effort. That approach however conceptualizes that HPWS practices, while providing some enhancements to employee commitment do so at the expense of job strain and work intensification. The predicated outcome of this would be that workers subjected to HPWS practices would suffer higher stress levels than other workers. Labour process theory therefore can be used to test how much WI is there in the TBAs. It may, given the literature, offer some compelling reasons for higher levels of productivity and efficiency to deliver better results. If an employee believes that they are working under extremely stressful conditions, it would be expected that this would reduce or decrease OCB / IRB, decrease job satisfaction, increase turnover and intention to quit. Accordingly, the following hypotheses are presented:

H7: There will be a negative association between work intensification and a) extra-role service behaviour b) in-role service behaviour c) OCB-O d) OCB –I and e) IRB and f) a positive association with intention to quit.

H8: Work intensification will mediate the relationship between HRM and a) extra-role service behaviour b) in-role service behaviour c) OCB-O d) OCB –I and e) IRB and f) quit.

### ***2.7.2 Unionisation***

The majority of firms employing less than 25 workers are unlikely to experience union recruitment (Millward et al., 1992; Cully et al., 1998, Machin, 2000; Dundon et al, 2008), as less than 1 per cent of those employed in small (private) sector establishments are members of trade unions (IRS, 1998). Commentators on relations in small firms tend to adopt one of two polarised perspectives (Wilkinson, 1999). The first provides for close, friendly and harmonious relationships between owner-managers and employees and this is facilitated through informal communication flows and greater

flexibility. The second perspective is that small is not necessarily beautiful, and following the metaphor is rather brutal and ugly (Dundon et al, 1999). It is also evident from the literature that there is some unionisation influence that requires attention within small enterprises where union absence as a result of devolved managerial systems provide greater employee involvement (Guest and Hoque, 1994) and could have a more useful and profitable influence than that experienced in larger unionised organisations.

Franchisees or SMEs have a greater ability to change and manipulate their work practices and policies due to the absence of trade unions, and little or no intervention from work councils in most cases, (Mendelsohn, 1992) and also their size (Panayotopouloy, 2003; Lawlor 1997). The attitude of employers in recruiting trade union members takes on a central role in the small firm (Abbott, 1993). In a large firm, possibly due to the 'distance' between the owner(s) and the employees involved it is not difficult for trade union membership to flourish. However, in small firms there is little opportunity for trade unions to approach potential recruits because of the small number of staff involved. This could also be attributed to the reluctance of trade unions to organise small firms because of higher costs and lower returns, e.g. in relation to subscriptions and bargaining power (Curran and Stanworth, 1981). In EBS the majority of staff who transferred over to the TBAs are no longer trade union members and there is no formal recognition of any trade unions within any of the converted outlets. Prior to the conversion however all staff would have paid a union subscription and this continues today for staff in the managed outlets.

It is also possible that, within the small firm, the newer forms of work practices are likely to have a greater impact either positive or negative in relation to jobs, salaries and terms and conditions of employment and therefore have associated impact on unit performance (Curran et al, 1991). However, the literature is, nonetheless, saying that organisations that recognise trade unions can perhaps induce more productive work behaviour by creating an environment of positive peer pressure on output norms in the workplace (Hundley, 1989, Belman, 1992; Ichniowski, 1992). On this basis, one might expect that the company manned branches would be more likely to have greater productivity, lower absenteeism and perhaps higher service quality (Shaw et al, 2005) and staff would be less likely to be absent from work than non-union workers and while there are counter arguments where non- unionised organisations report higher

productivity and organisational effectiveness (Gatherie et al, 2008), a central theme is the impact on performance.

## **2.8 Conclusion Model 1 – Individual level model**

Previous theoretical and empirical research suggests that there is good reason to believe that HRM behaviours influence extra-role or organisational citizenship behaviours. For example, in their '*People and performance*' model, Purcell et al (2003) argue that better performance derives from employees offering discretionary behaviours of benefit to their employer. In examining the literature over the last twenty years, one of the most important elements in trying to predict performance has been in the field of HRM. This element fitted the context for this study where essentially something has changed or happened within the retail organisation where TBAs now manage staff differently or the TBAs are doing something differently themselves. Accordingly, three models are presented.

Model 1 sees HRM directly influencing organisational citizenship behaviours. This is consistent with Smith, Organ, and Near's (1983) findings and with the HRM scholars who propose that HR practices will affect employee and firm performance through their impact on employee attitudes (Becker, Huselid, Pickus and Spratt 1997; Wright and Nishii 2007). As mentioned before, 'high performance' work practices have been widely used in research in this area. As the role of HR practices is to influence employee attitudes and behaviours required by the organisation (Truss 2001), positive effects on attitudinal and behavioural outcomes are expected.

Underpinning this model sees HR practices directly shape individuals' experiences in an organisation, based on personal interpretations and social constructions (Rousseau and Greller, 1994). However, as Wright and Nishii (2007) note it is not the practices as intended in HR policy documents, but how employees experience HR in practice, i.e. to what extent employees experience the HR practices in reality rather than the promises offered in the policy manuals. A further practical explanation of the same process is that employees are paid as individuals, recruited and selected as individuals and leave organisations as individuals. Therefore the reason we research HRM at this level is that this is the manner in which employees experience it.

Beside the direct relationship between HRM and outcomes, Allen, Shore and Griffeth (2003) found that perceived organisational support mediated the relationship between HRM and organisational commitment while Boon et al, (2011) found that job fit partially mediates the relationship between perceptions of HR practices and OCB. Therefore, HRM may influence both directly and indirectly. The total effects may be due to a combination of direct (unmediated) effects, and in-direct effects working through mediators. Therefore this model uses three different theoretical frameworks to elicit what the effect or otherwise of these relationships are with HRM.

In this first framework the literature suggests that employees who believe that they are empowered can take on higher levels of autonomy and it is also saying that empowered workers can deliver greater productivity by working smarter because of increased clarity in their roles and they have a greater sense of job satisfaction (Sprietzer et al; Koberg et al, 1999) which impacts on employee effectiveness (Spreitzer, 1997).

In the social exchange framework the literature emphasises it as being an apt theoretical model for understanding the employment relationship (Cropanzano and Mitchell, 2005). The essence of the theory is reciprocity where employees work 'beyond contract' (cf. Fox, 1974) because of the perceived organisational support provided. Consequently HRM produces sought after employee outcomes that in turn produce higher organizational performance.

Finally, a labour process theory framework of HRM has also been discussed. Here, it is argued that HRM has taken the 'low road' approach (Storey, 1995) rather than the more employee-oriented "high-road" variant outlined in the other two models and in doing so HRM is exerting greater pressure on employees to do more with less, whether they would like it or not.

In summary, Model 1 suggests that through HRM, working through a social exchange capacity or an intrinsic motivation manner envisages the employees reciprocating the employers' supportive treatment, and one form of reciprocation is OCB. Such behaviours potentially benefit the organisation in superior outcomes of performance. In the case of work intensification the labour process theory works in the opposite manner holding that while work practices may in theory provide enhancements in discretion, in practice these often require employees to put in greater effort at work and although

output may increase in the short-term it is questionable if it is sustainable over the longer term.

From the above; Model 1 shows there are three key routes and a summary of the hypotheses is presented for the individual level model for the impact of HRM.

H1: There will be a positive association between HRM and a) extra-role service behaviour b) in-role service behaviour c) OCB-O d) OCB-I and e) IRB and f) a negative association with quit intent.

H2: There will be a positive association between HRM and 1) empowerment 2) pos and 3) work intensification.

H3: There will be a positive association between empowerment and a) extra-role service behaviour b) in-role service behaviour c) OCB-O d) OCB -I and e) IRB and f) a negative association with quit intent.

H4: Empowerment will mediate the relationship between HRM and a) extra-role service behaviour b) in-role service behaviour c) OCB-O d) OCB -I and e) IRB and f) intention to quit.

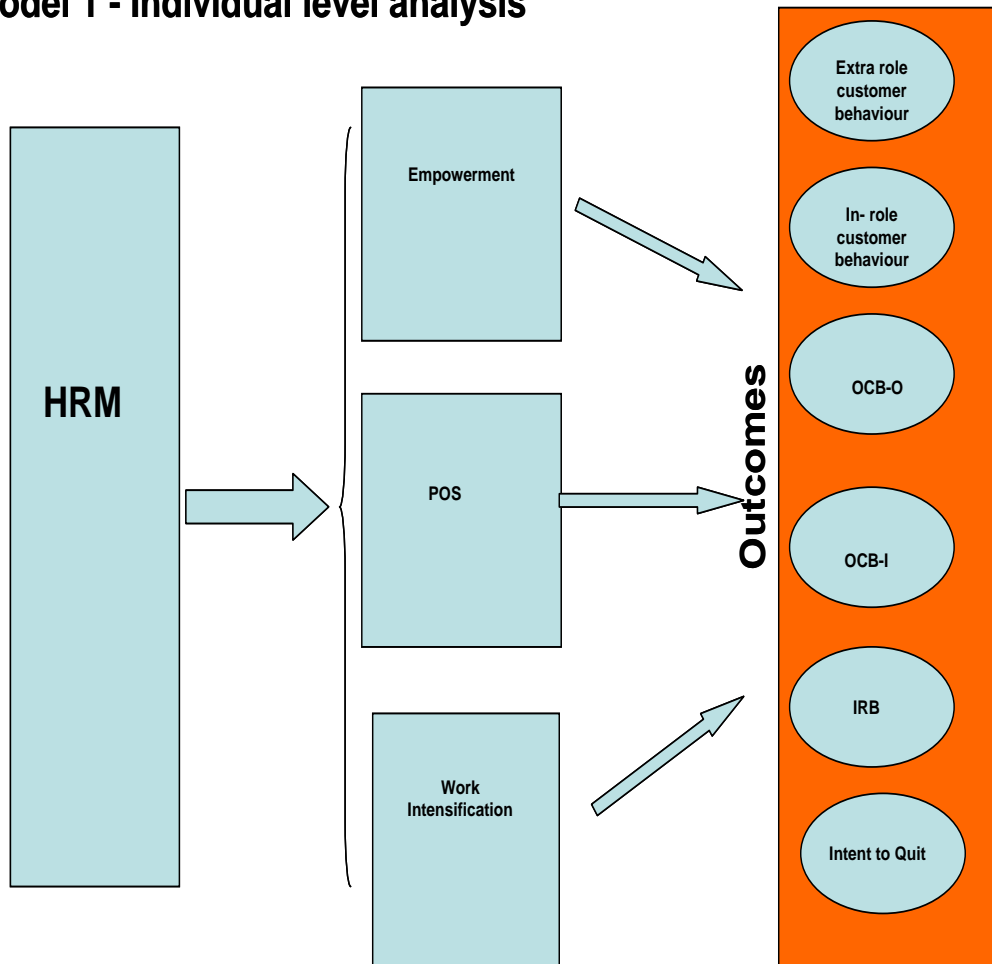
H5: There will be a positive association between POS and a) extra-role customer behaviour b) in-role service behaviour c) OCB-O d) OCB -I and e) IRB and f) a negative association with quit intent.

H6: POS will mediate the relationship between HRM and a) extra-role service behaviour b) in-role service behaviour c) OCB-O d) OCB -I and e) IRB and f) intention to quit.

H7: There will be a negative association between work intensification and a) extra-role customer behaviour b) in-role service behaviour c) OCB-O d) OCB -I and e) IRB and f) a positive association with intention to quit.

H8: Work Intensification will mediate the relationship between HRM and a) extra-role service behaviour b) in-role service behaviour c) OCB-O d) OCB –I and e) IRB and f) intention to quit.

### Model 1 - Individual level analysis



### 2.9 Leadership

Leadership, as a concept, has been with us ever since people have fashioned themselves into groups and is no longer simply described as an individual characteristic or difference, but rather is depicted in various models as dyadic, shared, relational, strategic, global, and a complex social dynamic (Avolio 2007, Yukl, 2006). Different schools propose several theories to explain the dynamics of leadership in the organisational context (e.g. Bass, 1985; Bowers and Seashore, 1966; Conger and Kanungo, 1987; Fiedler, 1967; Graen and Cashman, 1975; Hersey and Blanchard, 1989; House, 1977). Each of these theories purported to extend an earlier work or propose a new framework for understanding leadership. In addition, many studies examining the

general leadership theme compare management with leadership (Zalenick, 1977; Bennis, 1989; Kotter, 2000) ‘often to the latter’s favour’ (Iles and Preece, 2006, p 319.).

This study will focus on differences between two leadership styles known as transactional and transformational leadership (Burns, 1978) and how they influence the organisation. There are other types of leadership styles, for example laissez faire leadership (Hinkin, 2008) where the absence of leadership is seen as important. Servant leadership, a construct proposed by Greenleaf (1979, 1977), and defined as leadership behaviours in which leaders persevere to be ‘servant first’ rather than leader first (Greenleaf, 1977, p.14) have recently become popular. Also, authentic leadership, a construct proposed by Luthans and Avolio (2003), and defined as a “process that draws from both positive psychological capacities and a highly developed organisational context, which results in greater self awareness” (Avolio et al, 2009, p 424) has also been researched more recently. However, consistent with the most influential leadership theories in the management literature (Lee et al, 2010) both transactional because of the exchange nature of the relationship (Lewis, 1987) and transformational because of its consistent impact on performance (Bass, 1985) are seen as the most appropriate theories for this study and will now be discussed.

### ***2.9.1 Transactional Leadership***

Transactional leadership is based on an economic or quasi-economic, means of exchange between the ‘leader and followers to meet their own self interests’ (Bass, 1999, p10). Transactional leadership focuses on behaviours related to basic administrative and management tasks required for groups to function well in the short term. These behaviours include ensuring followers have the knowledge, skills, and resources required to accomplish their tasks (Rosenbach, Sashkin, and Harberg, 1996). According to Bass (1985), transactional leaders focus on maintaining rules, procedures, and norms. A “pure” transactional culture focuses on everything in terms of explicit and implicit contractual relationships. All job assignments are explicitly spelled out along with conditions of employment, disciplinary codes and benefit structures and commitments are as deep as the organisation’s ability to reward its members. Further, it is the style of leadership that is most often exhibited in business and industry today, (Bass, 1985; Yammarino and Bass, 1990; Lowe et al 1996 and Humphreys, 2001) as business leaders are better able to tangibly reward followers in exchange for their efforts (Judge et al, 2004).

In Bass's (1985) conceptualisation, transactional leadership results in followers meeting expectations, upon which their end of the bargain is fulfilled and they are rewarded accordingly. Emergence of transformational leadership depends in part on the context in which the leader and followers interact and to motivate followers to move beyond expectations, according to Bass (1998), transformational leadership is required. Bass's model suggests that without the foundation of transactional leadership however, transformational effects may not be possible and neither might higher performance because transformational augments transactional. Viewed differently, Robbins (2000) argues that a key feature of transformational leadership is that transformational leaders arouse dormant needs unlike transactional leadership that concentrates on fulfilling current needs.

### ***2.9.2 Transformational Leadership***

In contrast, transformational leadership is based on the leader's ability to recognise the followers' needs, demands, and motivation as well as to satisfy the followers' higher-level needs in a way that utilises that full potential of the individual. Research studies have consistently revealed that transformational leadership is positively related to work outcomes, such as employee motivation and performance (Bass, 1985; Fuller et al, 1996; Avolio, Waldman, and Einstein, 1988; Bass, Avolio and Goodheim, 1987; Howell and Avolio, 1993; Seltzer and Bass, 1990; Lowe, Kroeck, and Sivasubramaniam, 1996). Transformational leaders create change in organisations through behaviour patterns that are different than those exhibited by transactional leaders (Conger, 1989; Conger and Kanungo, 1987; Sashkin, 1990). Patterns such as 'setting a personal example or demonstrating high ethical standards' (Kark et al, 2003, p247) ensure that followers want to identify with such leadership. Further, transformational leadership is a systematic process that 'continually searches for change, innovation and entrepreneurship' (Lussier, 2003 p413) and is less concerned with directing and controlling staff. This direction shows more concern with creating conditions conducive for employers to release the potential of individuals who have to contribute to the future development of the organisation.

A review of the existing literature reveals that several researchers have attempted to explore the relationships between transformational leadership and performance outcomes in teams within different contexts. Based on data from a UK chemical



processing plant, Williams et al (2010) found that transformational leadership is related to team proactive performance. Keller (2006) reported that transformational leadership predicts a number of performance outcomes such as technical quality, schedule performance, and cost performance in R&D teams. Kearney and Gebert (2009) also examined R&D teams and offered results to suggest that transformational leadership can foster significant benefits for working from and across diverse set of work locations. The work of Schaubroeck et al (2007), employing data from the financial services teams of a bank found that transformational leadership influenced team performance through the mediating effect of team potency. Also, Geyer and Steyrer (1998) evaluated the leadership of managers heading Austrian branch banks, reporting a stronger positive relationship between transformational leadership and long - versus short-term performance. They argued that a stronger relationship between transformational leadership and long-term performance may have been due to transformational leaders creating a more inspired, committed, and cohesive culture in their banks. This current thesis aims to examine whether leadership matters not just at a corporate level but at local level where managers of banking operations have to pay attention to selecting an appropriate leadership style, thereby enhancing team performance and service quality.

In addition to research by House, Spangler and Woycke (1991), and De Vries (1994) on the types of behaviours exhibited by transformational leaders and Tichy and Devanna's (1986 and 1990) profiling of a number of common characteristics that transformational leadership share, studies by Pearce et al (2003) Kent et al (2001), Harter and Bass (1988) Seltzer and Bass (1999) and Bass (1985) share the common perspective that effective leaders transform and change the basic values, beliefs and attitudes of followers so that they are willing to perform beyond the minimum levels. A particularly influential paper is Podsakoff (1990) who suggests that there are six key transformational behaviours. They are; idealised influence, inspirational leadership, fostering the acceptance of group goals, high performance expectations, intellectual stimulation, and individual consideration, and sample items include "leads by 'doing' rather than simply 'telling'" for providing an appropriate role model and "paints an interesting picture for the future of the group". More detail to the nature of these measures is provided in the methodology chapter.

Studies have shown that transformational leadership is positively related to employee satisfaction and to those in-role behaviours, which constitute job performance (Bass, 1990; Bass and Avolio, 1993). Research has also shown that high quality relationships built on by transformational leadership by managers are related to extra-role behaviour, including OCBs (Deluga, 1995; Farh, Podsakoff and Organ, 1990; Podsakoff, MacKenzie and Bomer, 1996 and Schnake, Dumler and Cochran, 1993). On the basis of social exchange principles and reciprocity norms (e.g. Blau, 1964), exhibiting OCB can be considered as a method of maintaining balance in the relationship between employee and employer and his / her organisation, (Eisenberger, Huntington, Hutchison and Sowa, 1986; Organ 1990). If an employee's perception of support from the manager was reduced, it would be expected that he/she would reduce or withhold OCB, decrease job satisfaction, increase turnover and intention to quit.

According to Bass (1985), transformational leaders motivate their followers to transcend their own self-interest for the sake of the group. As a consequence, such leaders are able to bring a deeper understanding and appreciation of input from each member and encourage them to seek new ways to approach their jobs. Consequently, "true transformational leadership requires employee empowerment, not employee dependence" (Lowe, Kroeck and Sivasubramaniam, 1996, p387).

### ***2.9.3 Transformational / Transactional Leadership***

Within the literature on these two forms of leadership there is often an argument that you cannot have one without the other and that transformational leadership must be built on the foundation of transactional leadership (Judge and Piccolo, 2004). Indeed Bass (1998) argued 'transformational does not substitute for transactional' (Bass, 1998, p21) which suggests according to Avolio (1999) that it is these mutually reinforcing processes that are the basis for transformation. Indeed Judge and Piccolo, (2004) argued that 'transformational and transactional leadership are so highly related that it makes it difficult to separate their unique effects' (Judge and Piccolo, 2004, p765). What we do know is that transformational leaders seek to increase the follower awareness of task outcomes, activate the followers' higher-order needs, and stimulate followers to act in the best interest of the organisational unit (Podsakoff, MacKenzie, Moorman, and Fetter, 1990). We also know that within the management literature, the influences of transformational leadership on different performance outcomes have been well

documented. For instance, transformational leadership has been found to be positively associated with financial performance, Waldman et al (2001).

It can be argued, therefore, that if transformational leadership is effective in banking operations, it is likely to first impact on team performance with respect to team cohesion, team leader job satisfaction and team competence (Lee et al, 2011), which in turn impacts on a range of service quality within the branch. Further, in highly competitive environments, one of the most crucial tenets for success is customer retention (Colgate and Danaher, 2000), and while less attention has been paid to organisational outcomes, (Schneider and White, 2004) there is however a significant amount of service linkage research (Wiley, 1996) that examines the relationship between internal management of service organisations and the external customer outcomes (Hartline and Ferrell, 1996; Heskett, Sasser and Schlesinger, 1997; Johnson, 1996; Liao and Chung, 2004). The foundation of this direction of study is that ‘front-line employees play a pivotal role in translating organisational functioning into desirable customer outcomes’ (Liao and Chung, 2007). Therefore, in the service context, a transformational leader within a TBA may transmit to the staff in the agency a greater emphasis on the value and critical importance of providing exceptional customer service when compared to that in non-franchised outlets.

#### ***2.9.4 Leadership at unit level***

It has become increasingly common for leadership to be analysed at the group or unit level (Yammarino, Dionne, Chun and Dansereau, 2005). This study considers the attitudinal and behavioural process by which unit managers’ transformational leadership, affects unit performance, such as unit level service quality. Whilst employees’ organisational commitment and behaviours have been examined chiefly at the individual level of analysis, more and more studies are assessing unit or organisational-level antecedents of employee attitudes and behaviour (e.g. Liao and Chuang, 2004, 2007). Hausknecht, Hiller, and Vance (2008) argue that it is meaningful to study shared attitudes amongst groups. Social influence theory suggests that members of work units develop common attitudes about their jobs and their organisation, based on common experiences, and regular information and sharing of information (Salancik and Pfeffer, 1978, Hausknecht et al, 2008). The suggestion is that unit-level organisational commitment as “a collective sense of affective or emotional attachment” (Hausknecht et al, 2008 p1225) is an outcome of transformational leadership.

To the extent that collective attitudes grow in a unit, it is anticipated the development of behavioural norms and habits strongly influence service behaviours of employees. These habits are also likely to reflect similarities within and differences across, units. By this it means that where there is a high performing branch with the majority of employees going beyond the call this pushes the performance of the branch upwards and thus creates an environment where under-performing employees feel under pressure to raise their output also. Likewise a high performing employee in a poor performing branch may have their own performance dragged down by group norms. This is seen in research on unit-level absence cultures, whereby social influences give rise to the notion of “appropriate” levels of absence, depending on group norms and customs, (Johns and Nicholson 1982, Hausknecht et al, 2008). Consistent with such an approach, Sun, Aryee and Law (2007) conceptualised service-oriented citizenship behaviours as “an organisational-level characteristic” (Sun, Aryee and Law, 2007, p567), measured by aggregating individual behaviours ratings, and Bettencourt and Brown (1997) conceptualised employee customer service behaviours at the level of bank branch.

It is suggested that branch managers in EBS contribute to the development of shared attitudes and behaviours amongst members of their unit. Social influence theory suggests that unit-level organisational commitment will develop partly in response to common experiences within the unit (Salancik and Pfeffer, 1978; Hausknecht et al, 2008) and a key element of this is the leadership style of the unit leader, experienced by employees as an “ambient stimulus” (Liao and Chuang, 2007). Furthermore, the unit manager’s leadership style and shared attitudes amongst unit members will contribute towards the development of norms and habits concerning service behaviours, which will become a characteristic of the particular unit (Sun et al, 2007; Bettencourt and Brown, 1997). High levels of commitment in particular are likely to be associated with greater effort on behalf of the organisation and its customers, and with greater conformity to service norms. In describing the strength of an HRM system within an organisation Ostroff and Bowen (2000) outline the features that result in a strong organisational climate in which individuals share a common interpretation of what behaviours are expected and rewarded. They suggest that the strength of the HRM system in place can help explain how individual employee attributes accumulate to affect organisational effectiveness (Ostroff and Brown, 2000; Ostroff, 1992). This supports the meta-analytic

findings that group-level effect sizes of the leadership–performance relationship are double those found at the individual level (De Groot et al, 2000).

We can see therefore see from the literature that leadership, like HRM, is a sensible path to take to explore TBA performance. It has been argued that franchised units outperform directly-owned and managed units by providing a better solution to the vertical agency problem as “ownership rights induce the franchise to put forth greater effort in supervision” (Michael, 2002, p329). This suggests that the performance advantage of franchised units derives from a changed, more powerful, motivating and effective leadership. Further, the author contends that simply changing the status of a branch to a franchise does not automatically increase its profit and therefore it is suggested here that the leadership behaviour of the TBA changes to some extent around the notion that managers once employed by the society do not have an incentive to work harder. Franchising cures the agency problem, due to working harder and the form of working harder is effective leadership. This leadership effort is the franchisees investment in the franchise and this is reflected in the following hypothesis:

H9: Agency Status is associated with unit manager transformational leadership.

Also, as unit level management practices and leadership may provide a means within the unit that provides the basis for greater employee participation and accordingly it is suggested that the climate within the outlets needs to be examined.

## **2.10 Service Climate**

Service climate has been defined as “.....employees’ shared perceptions of the policies, practices, and procedures that are rewarded, supported and expected concerning customer service” (Schneider, Salvaggio and Subirats, 2002, p222). Climate reflects ‘key themes in the internal environment’ (Dietz et al, 2004, p81), and a positive service climate means that excellent service is recognised by members as an important theme within their organisation or unit. As such, service climate is concerned with organisational members’ (typically employee) perceptions about how quality is handled and managed within a particular organisation or unit, and such “perceptions are thought to be based on employees’ job experience and their understanding of what management expects of them” (Johnson, 1996, p832).

Organisations, or sub-units of organisations, may be seen as having a “climate” to the extent that organisational members’ have shared perceptions about what is important in their organisation or unit. The literature on climate has tended to take a focussed approach, with climate defined and operationalised in terms of a specific subject or focus, which is then associated with corresponding outcomes. Thus, we have studies of “safety climate” (e.g. Hofmann, Morgeson and Gerras, 2003), “leadership climate” (Gavin and Hofmann 2002), “industrial relations climate” (e.g. Hammer, Currall and Stern, 1991; Dastmalchian, 2008), and “service climate” (e.g. Schneider, White, and Paul, 1998; Liao and Chuang, 2004), each demonstrating a link between the climate construct and related employee and / or organisational / unit outcomes.

Service climate has typically been operationalised at the level of a specific service-delivery unit, a store, branch, or restaurant, for example. A key element of the employee experience within such a unit is the leadership behaviour of the unit manager. Unit-level leadership may provide the basis for employee climate perceptions (Kozlowski and Doherty, 1989), which are inferred in part from the pattern of leader behaviour (Zohar, 2004; Liao et al, 2007). In the case of service climate, the question is whether or not there is internally-consistent and observable leader behaviour which emphasises to employees the importance of good service quality. In this discussion, climate and leadership are seen as distinct constructs, with leadership referring to the behavioural attribute of the leader, generally assessed independently of the specific goals espoused, and climate being concerned with perceptions of the relative emphasis on particular goals, in this case service quality (Zohar, 2000). The emphasis on unit-level leadership and climate reflects the suggestion that organisation-wide policies leave latitude for interpretation at unit-level (Zohar, 2000) so that there is likely to be unit-level variation in leadership style and in the degree of service focus.

Research already provides some evidence that unit-level transformational leadership contributes towards a positive service climate in a unit (e.g. Liao and Chuang, 2007). Furthermore, climate provides cues to help employees make sense of the unit environment, so that a positive service climate may communicate the importance of good service quality and pro-customer behaviours to individual service-delivery employees, helping to build their enthusiasm and confidence, and encouraging them to explore new and perhaps creative ways to provide good service. In this process a key

element provides for the redesign of jobs to facilitate the climate and service quality. Service oriented employees will often redesign their own jobs to provide a better service even without the formal consent of management. Therefore, the need for developing a climate for innovation and support in the context of continuous improvement is important for success. Behaviourally, a positive service climate will therefore be associated with employees' customer-focused behaviours and the delivery of excellent service, as they will come to understand that superior service quality is desired, expected, and perhaps rewarded in this unit. In this sense service climate is suggested as the transmission mechanism, whereby unit-level leadership is linked to employee behaviour. Accordingly the following hypothesis is proposed:

H10: Unit level transformational leadership is positively associated with unit level service climate.

Climate provides cues to help employees make sense of the unit environment, so that a positive service climate communicates the importance of good service quality and pro customer behaviours to employees, encouraging them to explore new ways to provide good service. Behaviourally, a positive service climate will therefore be associated with employees' individual customer-focused behaviours and the delivery of excellent service, as they will come to understand that superior service quality is desired, expected, and perhaps rewarded in this unit. In this sense service climate is suggested as a transmission mechanism, whereby franchised status and unit-level leadership are linked to individual employee behaviour. Accordingly the following hypothesis is presented:

H11: Unit level service climate mediates the relationship between unit manager transformational leadership and individual employee customer focused behaviours.

## **2.11 Employee Behaviour and Service Quality**

Studies have clearly established that employee attitudes and behaviours are mediating variables between leadership, management practices and service climate on the one hand, and customer outcomes on the other. For example, Liao and Chuang (2004) conducted a multi-level study of 257 employees and 1,993 customers of 25 restaurants in a US franchise restaurant chain. They found that unit-level employee involvement

HR practices and service climate were significantly associated with individual employee service performance, and that employee service performance aggregated to the unit level was significantly associated with individual customer-level satisfaction and loyalty. In a study of 420 hair stylists in 110 hairdressing salons, Liao and Chuang (2007) found that unit-level transformational leadership was positively associated with individual-level employee service performance, partially mediated by unit-level service climate, which was in turn positively associated with “customer relationship outcomes” (i.e., customers’ intent to maintain the service relationship and the stylists’ number of long-term customers).

Several studies have examined the relationship between employee attitudes and business outcomes, including service quality measured in terms of service quality outcomes such as how well customers felt they were dealt with and overall customer satisfaction. In a study of 28 restaurants from a US regional chain, Koys (2001) found that employee satisfaction and organisational citizenship behaviour in year 1 were positively associated with customer satisfaction and also with profitability in year 2. In a meta-analysis involving almost eight thousand business units in 36 companies, Harter, Schmidt, and Hayes (2002) found that employee satisfaction and engagement were positively associated with business-unit outcomes including employee turnover, customer satisfaction / loyalty, safety, productivity and profitability. However, whilst the correlations for productivity and profitability were significant, they were smaller than those for the other outcomes, suggesting that these are “downstream” outcomes influenced only indirectly by employee attitudes (Harter et al, 2002, p274).

Based on the above arguments and the corroborating evidence for a link between employee attitudes, behaviours and customer outcomes, it is plausible to hypothesise a link between service climate and actual service quality outcomes, as perceived by customers. However, it is important to note the key role of employee behaviours as mediators between service climate, representing employees’ perceptions of the service context of their unit, and customer perceptions of service quality. For this linkage to be realised, employees must respond to the positive service climate by behaving in ways that contribute to a positive service encounter with the customer (Farrell, Souchon and Durden, 2001). Although OCBs are critical to the performance of all organisations, the nature of a service organisation makes this class of discretionary behaviours particularly important. Schneider et al (1993) argue this importance is a result of services like



banking being more than just services, ‘they are experiences, a way of life, style or manner’, (Schneider et al, 1993, p39) and are therefore based on the quality of the interactions between the customer and banker. If the experience has been good then service can be considered good or even better. Service excellence has become a key competitive advantage in virtually all industries (Albrecht and Zemke, 2001). Based on the above arguments the following hypothesis is presented:

H12: Unit level customer focused behaviours mediate the relationship between unit – level service climate and 1) unit-level service quality 2) residential advances 3) commercial advances 4) cross sales.

## **2.12 Summary Model 2**

In the second model, (Model 2), a unit level study similar to the mediated model linking ‘Unit Level Behaviour to Unit Sales’ in Schneider et al (2005) is outlined. It is set out that there are specific linkages between leadership of the unit, employee attitudes within each unit, customer satisfaction and related outcomes at the unit level, (Ostroff, 1992; Leung, 1997 and Koys, 2001) and focused on the positive impact on unit performance (e.g. Bass, Avolio, Jung and Berson 2003, Geyer and Steyrer, 1998). Research has shown that capable employees who are enthusiastic about delivering great service enhance customer satisfaction (Loveman, 1998; Schneider et al, 1998).

Model 2 conceptualizes that agency status predicts transformational leadership. The literature informs us that the unit leadership style and shared attitudes among unit members will contribute towards development of norms and habits concerning service behaviours and have the biggest impact at unit level (Schneider et al, 2005). Therefore as the behaviour of leaders contributes to the service climate it is suggested that, in turn, service climate engenders service behaviours towards customers on the part of those who experience the climate.

As already outlined, it has become increasingly common for leadership to be analysed at the group or unit level (Yammarino et al, 2005), and given that, it has been suggested that transactional leaders are likely to have less influence on behaviours that cannot be quantitatively measured and accurately rewarded, such as OCBs (MacKenzie, Podsakoff, and Rich, 2001) and since OCBs are extra-role behaviours, they are more

likely to be promoted by transformational leaders who can motivate their followers to perform above and beyond their role description (Rafferty and Griffin, 2004). Meta analysis conducted by Lowe, Kroeck, and Sivasubramaniam (1996) and Patterson, et al, (1995) have confirmed the positive relationship between transformational leadership and performance reported in the literature. In banking, Barling, Weber, and Kelloway (1996) were able to link transformational leadership with organisational performance while Lee et al (2011) found that team performance and service quality were positively related to a key transformational dimension.

It also outlines that the relationship between service climate and customer satisfaction appears to be a robust finding (Schneider et al, 2000) and that customer focused OCBs, as rated by supervisors, were significantly related to the individuals' sales (George, 1991) along with customer satisfaction in bank branches (Bettencourt and Brown, 1997). The author therefore believes the impact of franchise status and transformational leadership on employee customer service behaviours and unit performance, in EBS building society will provide a comprehensible understanding of how franchising within the society delivers results.

Accordingly, it is proposed that there are causal relationships between transformational leadership and service quality (aggregated by the employee survey) and unit level OCB (aggregated from the manager survey) and unit level performance. In previous studies, the linkage between service climate and customer perception has been at the organisational or branch level.

In summary, the following hypotheses are presented for Model 2:

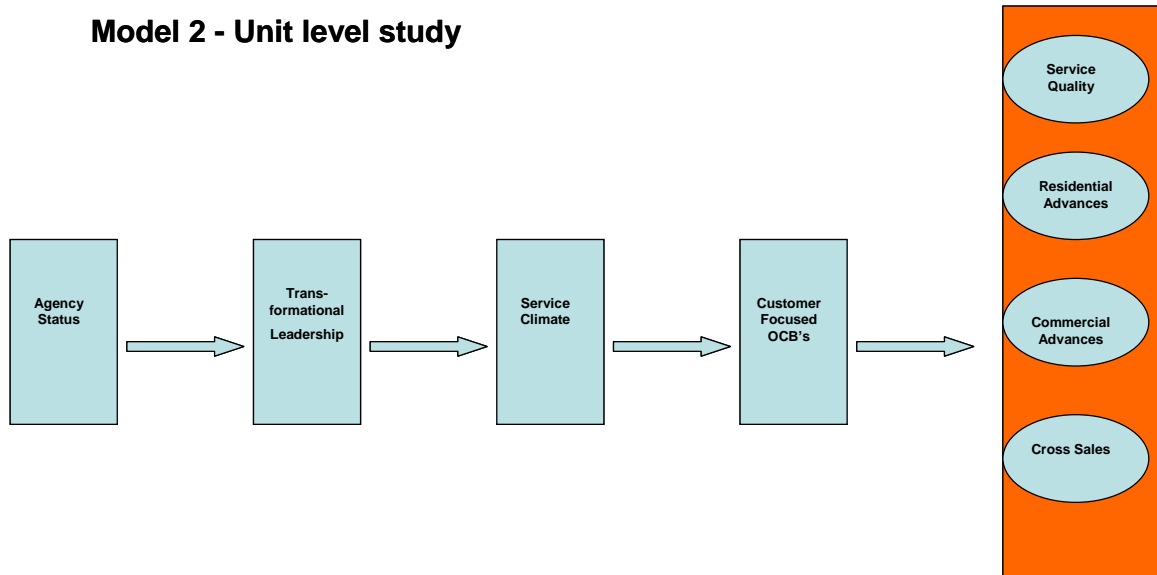
H9: Agency status is associated with unit manager transformational leadership.

H10: Unit manager transformational leadership is positively associated with in unit level service climate.

H11: Unit level service climate mediates the relationship between unit manager transformational leadership and individual employee customer focused behaviours.

H12: Unit level customer focused behaviours mediate the relationship between unit – level service climate and 1) unit-level service quality 2) residential advances 3) commercial advances 4) cross sales.

### Model 2 - Unit level study



### 2.13 Model 3 – Multi Level Analysis

As reflected in both the individual and group level models, prior research on HRM and performance has been mainly focused at either the organisational or individual level of analysis. However, Wright and Boswell (2002) stress the importance of blending research on the individual employee level with research at the organisational level. Multi-level theories seek to explain simultaneous variance at multiple levels of analysis (Bowen and Ostroff, 2004) and therefore this form of analysis is an outcome when looking at the sequence of boxes that reflect the HRM and performance linkage (Guest, 1997; Becker et al, 1997; Appelbaum et al, 2000). Accordingly, if we want to know more about, for example, intended HR practices we have to look at the job or employee group level, according to Wright and Nishii (2004), while if we want to know more about how these practices are perceived by employees we are in need of data at the individual employee level. Employee behaviour (e.g. employee turnover, absence) and organisational performance (e.g. productivity, quality) can be determined at employee group level in some cases and at plant unit level, while financial performance indicators are probably available at sub-unit and unit or company level.

Consequently, in order to understand individual behaviours and outcomes in EBS, it is considered important to analyse not only the characteristics of individuals but also those of the social groups to which they belong. Therefore, it is now deemed appropriate to contribute further to the small number of multi-level studies within the broad HRM and leadership literature and conduct a multi level analysis within this dual distribution system.

As previously outlined, franchisees may free ride on the brand of franchisor, suggesting that franchising is bad for quality. However, it has been argued that this is only significant where customers 'shop around' different units of the chain and that where customers are loyal to the unit, franchisees have an incentive to maintain high quality. It is suggested that whilst this may be a feature of service markets such as retailing and hospitality, it is not necessarily true of all services. Accordingly this study will now test the association between franchise status and service quality performance in a service industry which is characterised by long-term relationships between customers and their particular branch of the chain: retail financial services. The argument is that franchising in such markets is much less likely to be associated with problems of free riding, so that the positive advantages of franchised over directly managed units will dominate.

The multi level analysis will focus on the customer service behaviours of employees within units and ultimately on unit-level service quality, along with the mediating management processes likely to underpin these. The following contributions are made.

First, quality has been identified as being subject to a potential free rider problem in franchises (Kidwell and Bennett, 1993; Michael, 2000). However, it is suggested that this will not be typical in a service industry characterized by unit-level customer loyalty and the author provides a test of this. Second, the effort expended by franchisees in managing their units has been seen as critical to both the vertical and horizontal agency problems, the former anticipating greater management effort relative to directly-managed units due to the franchisee's residual claim status (Rubin, 1978; Michael, 2002), and the latter suggesting shirking in terms of management effort and expense on quality and brand building (Michael, 2000; Kidwell et al, 2007). Free-rider behaviour would be evidenced by a negative impact of franchised status on unit manager leadership behaviours. As explained, the author does not anticipate finding this in the analysis, and instead expects the vertical agency advantages of franchised units to

dominate, with a more energetic leadership approach by the unit leader (franchisee). Third, the author will evaluate the mediating processes through which franchised status and the associated leadership approach is transmitted to employee behaviours and service quality performance, examining unit-level service climate and individual employee empowerment as mediators between franchised status and leadership, and individual employee behaviours. This analysis provides a better understanding of the processes through which franchising influences employee- and unit-level performance, which have been largely neglected in a franchising literature dominated by industry- and chain-level studies (Combs, Michael and Castrogiovanni, 2004). Outlined below is the hypothesized model.

Since this study takes place in the retail financial service sector, with customers strongly associated with a particular unit, it is suggested that the vertical agency problem will dominate as franchisees seek to provide high quality service in order to attract and retain loyal customers. Directly-employed managers, in contrast, will be more likely to shirk, due to the vertical agency problem. This is reflected in the following hypothesis:

H13: Franchised units have more favourable unit-level service quality performance than do directly-managed units.

### ***2.13.1 Mediating processes: leadership and empowerment***

It has been argued that franchised units will outperform directly-owned and managed units, by providing a better solution to the vertical agency problem (Michael, 2002): 329). This suggests that the performance advantage of franchised units comes as a result of more vigorous and effective leadership. As discussed in Model 2, transformational leadership has been associated with enhanced levels of employee performance, as transformational leaders inspire and motivate their subordinates to perform beyond essential job requirements and to transcend their own immediate interests for the sake of the organization (Bass, 1985). Empirical research demonstrates a link between transformational leadership and employee performance (e.g., Bass and Riggio, 2006; Lowe, Kroek, and Sivasubramaniam, 1996; DeGroot, Kiker, and Cross, 2000). Model 3 therefore suggests that franchisees will seek to adopt a more transformational leadership style, aimed at maximising employee motivation and hypothesise as follows:

H14: Leaders of franchised units demonstrate higher levels of transformational leadership behaviours than do leaders of directly-managed units.

As previously outlined in this chapter, the rationale for the hypothesized performance advantages of franchised units rests on the assumption that franchisees more effectively motivate their employees to perform than do directly-employed managers. Bass and Riggio suggest that: “At the heart of transformational leadership is the development of followers, with much of this occurring through effective empowering of followers by leaders” (2006, p193). Consistent with earlier research (Avolio et al, 2004), the author conceptualises empowerment as “psychological empowerment”, assessed at the level of the individual employee. The author suggests that such a sense of psychological empowerment amongst employees in a particular unit is likely to result from the transformational leadership shown by the unit manager, and that this will be high in the case of franchised as opposed to directly-owned units. The following hypothesis is presented.

H15: Transformational leadership mediates the positive relationship between the franchised status of the unit and the psychological empowerment of individual employees.

In addition, employee empowerment has been found to mediate the relationship between transformational leadership and individual outcomes such as job satisfaction and employee performance (Brossoit, 2000; Bass and Riggio, 2006). This model aims to evaluate such a mediating effect for individual employee customer focussed behaviours in a service industry context, something which has not to the authors knowledge been attempted. Thus the following hypothesis is presented:

H16: Individual-level psychological empowerment mediates the positive relationships between franchised status and unit-manager transformational leadership on the one hand and individual employee-customer focused behaviours on the other.

### ***2.13.2 Mediating processes: service climate***

Again, as outlined earlier, service climate has been defined in terms of the extent to which excellent service is recognised by members as an important theme within their organization or unit (Schneider, Salvaggio and Subirats, 2002). Service climate has

typically been operationalised at the level of a specific service-delivery unit, a store, branch, or restaurant, for example. How the unit is managed is a key element of the employee experience, which is likely to be influenced by whether or not the unit is a franchise and by the leadership behavior of the unit manager. Research provides evidence that unit-level transformational leadership contributes towards a positive service climate in a unit (e.g. Liao and Chuang, 2007). The author has suggested that franchised units will have higher levels of transformational leadership and he further suggests that this provides an explanation for a more positive service climate in such units. It is hypothesized as follows, specifying partial mediation because there may be other management practices in addition to leadership style that also may partly account for the more positive service climate in franchised units:

H17: Unit-manager transformational leadership partially mediates the relationship between franchised status and unit-level service climate.

Further, in this multi-level model, it is suggested, based on the literature, that climate provides cues to help employees make sense of the unit environment, so that a positive service climate communicates the importance of good service quality and pro-customer behaviors to employees, encouraging them to explore ways to provide good service. Behaviorally, a positive service climate will therefore be associated with employees' individual customer-focused behaviors and the delivery of excellent service, as they will come to understand that superior service quality is desired, expected, and perhaps rewarded in this unit. In this sense service climate is suggested as a transmission mechanism, whereby franchised status and unit-level leadership are linked to individual employee behavior. The following hypothesis is presented:

H18: Unit-level service climate mediates the relationship between franchised status and unit manager transformational leadership on the one hand and individual-level customer-focused behaviours on the other.

### ***2.13.3 Employee behaviour and service quality***

The author suggests that employee customer focussed behaviour has unit-level properties and may explain unit-level performance outcomes such as service quality. There is a theoretical rationale for the aggregation of employee customer-focused behaviors to the unit level, based on both attraction-selection-attrition (ASA) processes

and on organizational socialization (Grizzle *et al.*, 2009). The former suggests that particular units may attract, select and retain similar individuals, leading ultimately to within-unit similarities, and between unit dissimilarities, in member attitudes and behaviors (Schneider, Goldstein, and Smith, 1995). The latter suggests that, in interacting with other members of their unit, individuals are influenced by unit-level norms in attitudes and behaviors, as socialization, social information processing and learning exert an influence (Salancik and Pfeffer, 1978; Hausknecht, Hiller, and Vance, 2008). This suggests it is meaningful to conceive of unit-level employee customer-focused behaviors, with each unit having a distinctive level of such behavior, emerging through these “bottom-up processes” (Liao and Chuang, 2004; Grizzle *et al.*, 2009). Based on the above arguments and the corroborating evidence for a link between employee behaviours and customer outcomes, the author suggests the following hypothesis:

H19: Unit-level customer focused behaviour is positively associated with unit-level service quality performance.

In conclusion, the author believes that this multi level analysis will provide further significant analysis in understanding the branch and the franchise model within the building society and model 3 joins in a unique way two important avenues within the study.

#### ***2.13.4 Summary Model 3 – A multi level analysis***

H13: Franchised units have more favourable unit-level service quality performance than do directly-managed units.

H14: Leaders of franchised units demonstrate higher levels of transformational leadership behaviours than do leaders of directly-managed units.

H15: Transformational leadership mediates the positive relationship between the franchised status of the unit and the psychological empowerment of individual employees.



H16: Individual-level psychological empowerment mediates the positive relationships between franchised status and unit-manager transformational leadership on the one hand and individual employee-customer focused behaviours on the other.

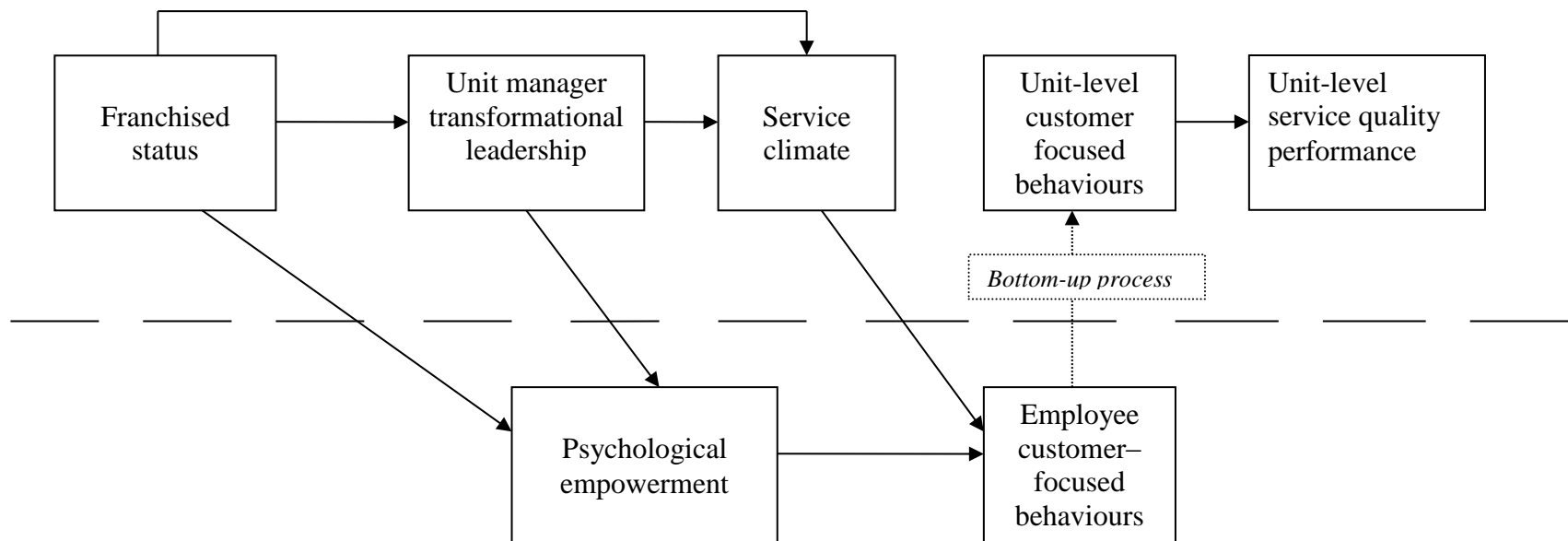
H17: Unit-manager transformational leadership partially mediates the relationship between franchised status and unit-level service climate.

H18: Unit-level service climate mediates the relationship between franchised status and unit manager transformational leadership on the one hand and individual-level customer-focussed behaviours on the other.

H19: Unit-level customer focused behaviour is positively associated with unit-level service quality performance.

### Model 3 – Multi Level Model

*UNIT LEVEL*



*INDIVIDUAL LEVEL*

## **2.14 Conclusion**

This chapter has outlined the extensive literature on the appropriate paths and the strongest links between the paths and the melding of the individual and group level information in seeking to understand performance in EBS retail network. Although other facets of organizational functioning may certainly impact the relationships hypothesized here, the author proposes that the variables captured in the three models represent the major avenues and processes by which the role of HRM and Leadership is created and translated into important organizational outcomes. The study of organisations inherently involves more than one level. Typically however, studies of HRM and Leadership are only conducted at one level but this research is conducted at three levels, in the franchised and non-franchised outlets. This is rare and while it has advantages and disadvantages, it is a significant contribution of the work. In chapter 4, the research methodology chapter, the study will establish the steps required to test the hypotheses, following Chapter 3 which examines the organisational context of EBS.

## **Chapter 3:**

### **The Organisational Context of EBS Building Society**

## Chapter 3: The Organisational Context of EBS Building Society

### 3.1 Introduction

EBS Building Society operates within the Irish Financial Services Sector. In this chapter, an analysis of the financial services sector and general commercial environment in Ireland is provided. This will help to set the scene for the thesis by positioning the business of the Building Society within the Irish Financial Services industry over the last twenty years or so, and the sector within the broader Irish economy. This will assist in showing that EBS is not dissimilar to other financial institutions in Ireland with significant growth and outstanding business performance manifested by record sales and profits. However, within the Building Society, it can be seen that during this period (tables 1 and 2 below) performance was driven predominately by its franchised arm that was established in 1993. Further, all of these franchises were previously underperforming branches of the society and this makes the study all the more interesting and unique. From a review of the performance of the Irish economy we can draw some conclusions about Irish financial services and the EBS building society.

**Table 1: Four year results of EBS retail model 1997 – 2001.**

#### Lending Book: 1997 – 2001

Channel	Lending '97 £M	Lending '01 £M	Growth '97 – '01	% of Total '97	% of Total '01
TBAs	301	603	100%	50%	62%
Branches	300	376	25%	50%	38%

#### Savings Book: 1997 – 2001

Channel	Saving '97 £M	Saving '01 £M	Saving '97 – '01	% of Total 97	% of Total '01
TBAs	999	1,500	50%	48%	54%
Branches	1,101	1,265	15%	52%	46%

**Table 2: Four year results of EBS retail model 2003 – 2007**

**Lending Book: 2003 – 2007**

<b>Channel</b>	<b>Lending '03 £M</b>	<b>Lending '07 £M</b>	<b>Growth '03 – '07</b>	<b>% of Total '03</b>	<b>% of Total '07</b>
TBAs	820	1,4603	82%	67%	75%
Branches	439	705	18%	33%	25%

**Savings Book: 2003 – 2007**

<b>Channel</b>	<b>Saving '03 £M</b>	<b>Saving '07 £M</b>	<b>Saving '03 – '07</b>	<b>% of Total '03</b>	<b>% of Total '07</b>
TBAs	2,019	3,800	53%	51%	54%
Branches	1,881	3,205	47%	48%	46%

The chapter is set out as follows. Firstly, there is an overview of changes that have taken place in Ireland during the time of the Celtic Tiger (commonly believed to be from 1993-2000) through a social economic lens. Secondly, there is a brief examination of the Irish Financial Services sector and its comparison with similar sectors in other European countries before we examine in detail the EBS Building Society. The Study will then review EBS since its establishment in 1935 and explore its business strategy specifically relating to its retail network and the introduction of its Tied Branch Agents model. The chapter concludes with an analysis of the performance of the TBAs compared to the company manned branches. This sequence will allow the reader to understand the history and context within which EBS competes.

## **3.2 Socio- Economic Factors**

### ***3.2.1 Population and Economic Change***

The impact of the so-called 'Celtic Tiger' economic boom of the past two decades is frequently reported as having transformed Ireland. A recent report (Fahey et al, 2007), which brings together the work of social researchers from the Economic Research and Social Institute (ESRI), National University of Ireland (NUI) Maynooth and University College Dublin (UCD), concluded that the social impact of progress has been largely positive, resulting in a decline in poverty rates, increased social mobility and improvements in the health of the nation.

In 2007, the Central Statistics Office, (published the third report in the series *Measuring Ireland's Progress* (Government of Ireland, 2007). The report provides a detailed analysis of Ireland's situation in respect of key economic, social and statistical indicators in comparison to other European countries. The picture that emerges from the report is of a country that has experienced extraordinary growth in population and in the economy in recent years. The following statistics based on Government of Ireland, 2007 and Perspectives on Irish Productivity, (Forfás, 2007) and from the Central Statistic Office paints a picture of a country that has experienced significant changes.

1. In 2005, Ireland had the second highest Gross Domestic Product (GDP) per capita, expressed in terms of purchasing power standards within the EU at 38.9% above the EU average.
2. Based on Gross National Income (GNI), Ireland was in 17th at 18.6% above the EU 25 average. Investment in Ireland in Gross Fixed Capital Formation (GFCF) increased by almost 43% over the period 1995 – 2005. In each year since 1996, Ireland has invested a higher proportion of Gross Domestic Product (GDP) in GFCF than the EU 25 average (Government of Ireland, 2007).
3. Non-capital expenditure on education per student rose by 45.2% between 1995-2005 after allowing for inflation. Most of the increase in expenditure was directed towards primary and secondary education.
4. The population in Ireland increased by 19.2% to almost 4.35 million persons in the period 1997- 2011. This was the second highest rate of increase in Europe behind Cyprus. The fertility rate in Ireland was the second highest in the EU after France in 2005, at a rate of 1.88 compared to the EU average of 1.52. Life expectancy at birth rate was 81.8 years for Irish women and 77.1 years for Irish men in 2005. Life expectancy for men in Ireland was 1.3 years above the EU average of 75.8 years, while that for women was 0.1 years below the EU 25 average of 81.9 years.
5. Non-Irish nationals accounted for one in eight workers in the state and one in three workers in the hotel and restaurant sector in 2006. More than a quarter of the population of large areas of Dublin, including most of the city centre and parts of Blanchardstown, Clondalkin, and Tallaght are immigrants (CSO 2006). Similar patterns emerge in the city centres of Cork and Limerick. There were areas that reported a 53% increase in the immigrant population between 2002 and 2006 and foreign born residents accounted for 14% of the population in 2006, compared to

10% in 2002 (CSO, 2006) and importantly, these were locations where EBS had retail branches.

6. The employment rate in Ireland rose from 56.1% in 1996 – 63.3 % in 2011. The rate for women increased by 14 percentage points over that period, while the rate for men rose by around 10 percentage points. Productivity in Ireland, measured as GDP per person employed, was the second highest in the EU 27 countries in 2005. The unemployment rate in Ireland increased from a low point of 3.6% in 2001 to 4.3 % in 2006. Ireland had the third lowest unemployment rate in the EU in 2006 at just over half of the EU 27 average of 7.9%. The long-term unemployment rate in Ireland was 1.4% in 2005, which was lower than the EU 27 average of 4%.
7. While there was an increase in the number of people in the labour force up-to 2008, the current rate stands at over 14% one of the highest in the EU ( IMF, 2011). Agriculture accounted for less than 6% of total employment in 2011, compared with over 50% in 1926. Female labour force participants increased sharply from 29.7% in 1981 to 46.7% in 2011.

According to the OECD, by 2008, Ireland had outperformed all industrialised economies over the previous decade, with an average annual growth two to three times that of EU and OECD countries. While recent economic issues has considerably reduced economic activity and slowed growth significantly, independent commentators projected in 2007 that the growth at that time would continue over the coming years and exceed that of other OECD countries, maintaining Ireland's position as one of the world's growth leaders. It is against this background that in the 1990s with the ending of the unemployment and immigration crises of the 1980, that the Financial Services sector grew significantly and found a more prosperous customer base for its business.

As a result of the increase in employment and productivity, Ireland became a wealthy country in a relatively short period of time. This growth brought with it an explosion in the spending power of the Irish consumer and saw the construction of housing rising to an annual output of over 93,419 units in 2006 (Dept of Environment, 2007) which outside of wartime re-construction is extraordinary (Fahey, 2007). More importantly for financial institutions and the EBS Building Society, increased housing supply was dominated by private sector construction that required significant commercial and residential lending. In the 1970s and 80's, between a quarter and a third of all new house construction was in the local authority (social) sector. By 2006 because of private



sector demand, owner occupied housing accounted for almost three quarters of all construction, while another fifth belonged to the population who own houses which are held as an investments (O'Toole, 2007, p3).

### **3.2.2 The Irish Financial Services Industry**

During the middle of the 1<sup>st</sup> decade of the new century, Irish Banking had, outside of Finland, been one of the most profitable countries in Europe to operate a retail bank (Competition Authority, 2006). In 2006, banks in Austria and Germany generated pre-tax profits of 11pc and 17pc respectively as a share of gross income but dwindle when compared to pre tax profits in Finland or Ireland where gains of over 40% of total retail banking income was a common occurrence (Competition Authority, 2006). Indeed over the previous decade the volume growth has been pretty spectacular when compared to the Euro area, (Table 1 and 1a below) and whilst this growth has been due, in part, to the rapid expansion of the domestic economy, it has primarily being the result of the international profile that the industry has developed, meaning that funding for Irish domestic banks became more freely available (IBF, 2007) As a result, in mid 1998 there was in excess of £100 billion of funds under management; substantial profits being earned from overseas investments, by Irish headquartered clearing banks and insurance companies, and significant inward investment in the Irish Financial Services Centre (IFSC). Looking at the industry as a whole, it offered a relatively broad range of financial services, given the size of the Irish economy. It had grown in employment terms, by approximately 25%, over a ten year period, to provide, at the end of 2011 just over 77,000 jobs (IBF, 2011).

**Table 3: Growth in Domestic Banking Volumes 1996 – 2005**

	<b>Household Lending</b>	<b>Household Deposits</b>	<b>Business Lending</b>
<b>1996</b>	€18.1b	€20.4b	€23.8b
<b>2005</b>	€115.4b	€63.5b	€138.5b
<b>% change 1996- 2005</b>	538%	211%	482%

**Source:** Central Bank of Ireland.

**Table 3a: Growth in Domestic Business Volumes**

Amounts outstanding	Loans to Households		Loans to Business	
	Ireland	Euro Area	Ireland	Euro Area
<b>Q4 2002 (€ B)</b>	59,958	3,327,041	54,912	2,965,101
<b>Q4 2006 (€ B)</b>	130,866	4,388,658	134,659	3,643,227
<b>Change %</b>	118.3%	31.8%	127%	22.9%

**Source:** Statistical data warehouse, European Central Bank.

### ***3.2.3 Banking Structure – Irish Financial Services Industry***

In terms of its structure, the Irish financial services industry is dominated by licensed banks which, in 1996, represented 94% of the assets of Irish credit institutions, vis-à-vis domestic residents and 95% of total assets (Dept of Finance, 2005, p13), and over the subsequent ten years there has been little change to this profile (Dept of Finance, 2006). The licensed banks are primarily composed of the members of the Irish Bankers Federation, which accounts for approximately 60% of overall services employment. Within the Irish banking industry, the level of banking concentration is high. The commercial clearing banks (Allied Irish Bank, Bank of Ireland, National Irish Bank and Ulster Bank) accounted for, in 2000, 64% of the domestic assets in licensed banks (IBF 2001). Currently, this figure has reduced to just less than 40% (Central Bank, 2009) predominately as a result of a number of foreign banks e.g. Halifax, and Danske Bank entering Ireland. This trend is in line with the domestic banking industry in other European countries. This is indicated in Table 2, for a selection of large and small European economies, by the downward trend in the net interest margin at 2.18%. Thus, despite high growth in the Irish economy over the last decade, Irish bank profits have been partly generated on net interest margins that have fallen by 33% between 1999-2005. The implications for this are twofold, firstly, the data highlights that Ireland was relying too much on one measure (interest from mortgages) making it more volatile within normal business cycles, and secondly outlined the urgent need to diversify and grow income from different sources.

**Table 4: Bank Net Interest Margins in a selection of European Countries 1**

Net Interest income as a % average balance sheet assets						
	1994	1995	1996	2005	2006	2007
<b>France</b>	1.27	1.17	1.01	1.09	1.01	0.90
<b>Germany</b>	2.18	2.02	1.89	1.92	1.47	1.00
<b>Italy</b>	2.67	2.85	2.71	2.37	2.19	2.20
<b>Spain</b>	3.01	2.76	2.61	2.18	2.28	2.27
<b>UK</b>	2.34	2.32	2.20	1.80	1.80	1.40
<b>Ireland</b>	N/A	2.97	2.73	1.70	1.64	1.29

Source: OECD (2009)

Building Societies constitute the smallest traditional sub-sector, with just fewer than 8% financial services activity in the Irish market in 1996 however they did, at that time account for 60% of the total mortgage market in 1996 coinciding with the infancy of the ‘Celtic Tiger’.

### 3.3 EBS Building Society

EBS Building Society was established in 1935 as a cooperative mutual building society to provide financial support to the Irish teacher community in their pursuit of home ownership. From its humble beginnings it has risen to be a fairly significant financial services force in Ireland, predominantly in the residential mortgage arena and savings. As a membership organisation (organisation that is wholly owned by its members (customers) and not institutional shareholders) building societies in Ireland (as in the United Kingdom) have experienced considerable consolidation within the sector due to their conversion to plc bank status. In Ireland, records indicate that since 1867 there has been 40 mutual Building Societies registered in Ireland, by 2000 this number has reduced to 5, four of which have either de-mutualised or have committed to de-mutualise by 2006 (Central Bank, 2008). EBS remains the last. Against this backdrop of consolidation and increased merger activity, it is clear that the issue of economics of scale is extremely important in the context of Irish and indeed UK banking and retail financial services.

While to some extent in the early 1990s the pressure for the EBS building society to change or to de-mutualise were driven internally, with most of the impetus to change

originating as a result of the broader economic and social environment external to the Society. Membership of the European Union meant that new sources of revenue for building roads and other projects came to Ireland at the start of the 1990's and many foreign companies established a base here so that they could do business in and with the European Union. This created new job opportunities and as a result the demographics began to change and emigration declined.

Against this background, the EBS Building Society found it difficult to attract enough savings to meet the demands for loans. At the same time the main banks became more interested in lending than they had been traditionally, partly because they had run into financial difficulty lending to farmers in the 1970s when profits from agriculture were in decline. In 1988 the residential mortgage market was greatly helped, following extensive lobbying, by the banks for the removal of the Building Societies special tax concessions. These tax concessions gave the Societies direct competitive advantage in the savings markets and an indirect advantage in the lending market. The following year the Building Societies Act (1989) recognised that in order for the mutuals to remain competitive they needed to be able to offer a much wider range of services for customers than their traditional home loans and savings. Crucially, however, in order to survive and compete with the mainstream banks, building societies needed new ways of raising funds to expand their activities. The Act was designed to allow building societies to gain access to fresh capital from investors by being able to convert from a mutual Building Society to a Banking institution. The Board of EBS remained steadfast that they would not de-mutualise and pursued an alternative option by cutting costs while seeking to reposition their brand as a membership organisation.

### ***3.3.1 Organisation and Strategy Development EBS***

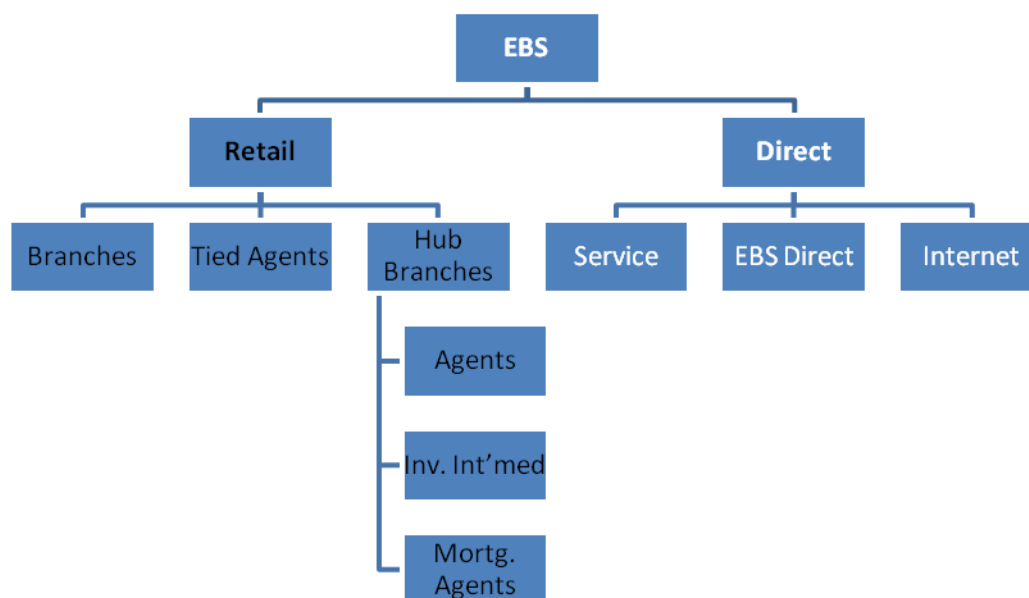
The Board of the EBS Building Society outlined in March 1992 to the then Chief Executive Officer that their sales strategy should be to:

- Grow the business but have a desire to unlock embedded property value within the retail arm.
- To address the rapidly changing nature and increasingly competitive character of the markets in which co-operatives and mutuals were operating at that time.
- And ensure a requirement for a more commercial, flexible, competitive and less restrictive sales structure. (extract from official minutes of EBS Board Meeting, March 1992).

Finding the right balance between centralisation and decentralisation, while ensuring that changed behaviours became a feature of their sales force became a significant issue for EBS as they sought to deliver less administrative and more entrepreneurial behaviours into their distribution strategy. This approach by the Board of the EBS is consistent with the thinking from the franchise literature where it is seen that the escalating ineffectiveness of organisations operating in dynamic markets that used traditional approaches to business performance (Brown and Eisenhardt, 1998; Bettis and Hitt, 1995) discovered the need to use entrepreneurial approaches to enhance their performance, capacity for adaptation, and chances of long-term survival. Zahra (1991) stated that because of this need for entrepreneurial strategies, individual and corporate entrepreneurs assumed a more powerful and prominent role in organisations that wanted to survive and compete.

### ***3.3.2 EBS Structure – Tied Agents and Branches***

According to Mr. John Flanagan, the Director of Sales for EBS in 1994, one way of surviving and keeping their retail distribution slim and focused while at the same time not increasing the risk of losing their corporate identity as a mutual organisation, was to keep the people but sell their brand through a different model - franchising. EBS sought to maintain reach within their distribution channel (see fig 2 below) but one that transferred the cost and risk to a third party. The distribution strategy sought channels that were both direct and indirect. The retail distribution strategy has evolved since 1993 and the development of the direct retail channel is highlighted below. Tied Agents or TBAs are franchises while Branches are company manned. A tied agent can only sell and advise on EBS products. Since 1994 the Building Society has converted 32 Tied branches and in twenty-nine cases the original branch manager and over 84% of the staff remain in place to this day. Three new tied agencies' were opened in the greater Dublin area since 2000. EBS also has licence agreements with agencies that are not 'Tied' but committed to selling a line of EBS products e.g. mortgages, savings, pensions etc. This is an important channel for EBS as it allows them reach into areas that otherwise they would not be in position to penetrate. Finally, EBS Direct was established in 2002 as a direct channel to cross sell to existing customers of the society.



**Fig. 1: Distribution Profile - EBS Building Society Organisational Retail Structure.**

<b>Profile – EBS Distribution</b>			
<b><i>Outlet</i></b>	<b>Value</b>	<b>Business Volume</b>	<b>Customer Service and X Sales</b>
<b><i>*Branch (20)</i></b>	Remains important channel, organisation now controlled by AIB since 1/9/2011 but brand and branch network remains.	High – Largest Sales Outlets 26% sales 2009.	Transaction oriented / Medium sales capability.
<b><i>*Tied Branch Agents (32)</i></b>	Significant channel and grew rapidly to early '09. Still operate as TBAs	61 % of sales in 2009.	Additional customer base and has strong cross sales pipeline.
<b><i>Branch Agents (60)</i></b>	Still remains an important channel in selected areas. Still operate as agents. *not included in study)	11% of sales 2009.	Limited performance potential. Top 20 account for 80% of Branch Agents performance.
<b><i>EBS Direct</i></b>	Small with limited	2% of sales in 2009.	High level of service

	growth due to economy		to customers and proactive seller.
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**Fig. 2: Profile - EBS Distribution as of 1/1/2011**

\* included in the study

<b>Branch</b>	<b>End Q3 Sales 1993 Total Lending</b>	<b>End Q3 Sales 1994 Total Lending</b>
Clontarf	35,000,000	+13%
Drumcondra	17,300,000	+10%
Drogheda	21,000,000	+25%
Sutton	12,900,900	+6%
Whitehall	10,000,000	+5%
Phibsboro	17,600,400	+17%
Rathmines	23,230,230	+11%
Baggot St	38,000,000	+2%
Greystones	11,000,000	+3%
Clondalkin	14,700,800	+19%
Newbridge	18,006,000	+9%
<b>Total lending increase 1993 – 1994 = 10.9%</b>		

**Table 5a: Branch Sales – pre to post franchising 1993-1994**

### **3.4 EBS Franchise Model**

Having pursued a number of different business models over the course of 1991/2 and early 1993, EBS took the decision that franchising offered the best potential opportunity for combining the economies of scale by the franchisor with the flexibility of the franchise to exploit local markets. They believed that empowered local managers would increase revenue, manage costs and provide a consistent branded customer experience that would grow the business organically. EBS provided the brand, the branch network, operating systems, policies, procedures and support from head office functions. The franchise manager added the local knowledge and a limited amount of capital. However, what's really interesting is the selection of which branches would be franchised and the choice of who would run them. EBS selected the worst performing branches and their respective managers to run the new model, safe in the knowledge that if they continued

to under-perform their financial exposure would be small and their risk could be mitigated with the disposal of the high street properties if necessary. The selection also won favour with the local Trade Union as managers and staff in all cases were provided with the option of a voluntary severance package, and a return to a permanent role in EBS that remained open for one year. In mid 1993, eleven branches were converted to Tied Branch status as a test (see table 5 below). These branches were in all cases run by the same individuals who ran the underperforming branch the previous week. The new franchisors were no longer in receipt of the traditional remuneration but rewarded solely on sales of EBS products. Each location that was converted was contractual with a legally binding service level agreement that set out the business obligations on both sides.

<b>Branch</b>	<b>Location</b>
Clontarf	Dublin
Drumcondra	Dublin
Drogheda	Louth
Sutton	Dublin
Whitehall	Dublin
Phibsboro	Dublin
Rathmines	Dublin
Baggot Street	Dublin
Greystones	Wicklow
Clondalkin	Dublin
Newbridge	Kildare

**Table 5b: List of converted branches in EBS in 1993**

An initial pilot turned out very promising with sales increased pre- to post-franchising to an average of 10.9 % for the eleven pilots over late 1993 and 1994 (see table 5a above). Customer satisfaction was found to increase by on average 10% compared to the non-franchised branches, leading EBS to convert another 19 outlets based on the same criteria in early 1995. In the five years from 1993/94 to 96/97 the societies mortgage lending grew by 72% to €1530m and its general reserves grew by 60% from €90m to €140m and this at a time when the other retail banks grew their respective mortgage books on average 17% lower (Central Bank, 2000). From 1997-2001 (see

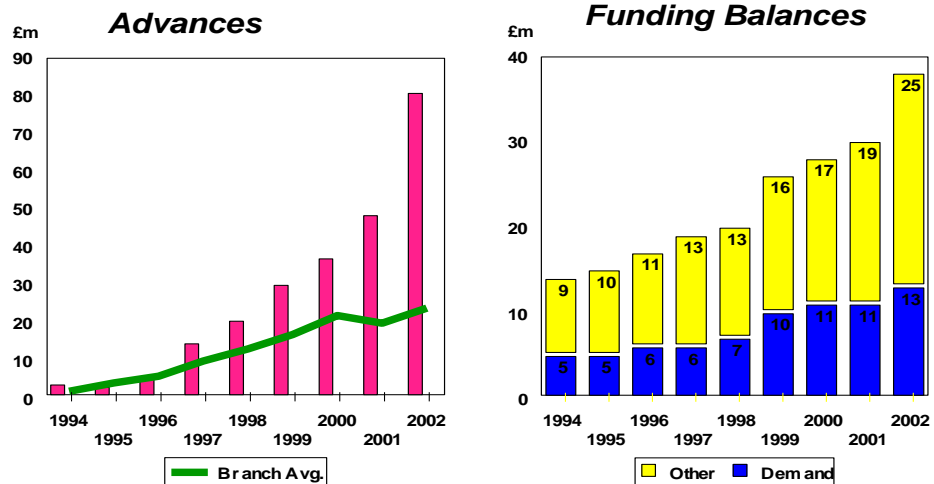


table 1) Tied Branch Agents outperformed their branch colleagues significantly on both lending and savings business, so there was clearly better performance, but why?

With the formation of the franchised model EBS Building Society has performed exceptionally well in the Irish residential mortgage business (Business and Finance 1998), accounting for approximately 14.8% of the Irish Mortgage market in 2004, 53% of which is directly attributed to the TBAs. The case studies of Drogheda branch and Clare Street branch both converted in 1993, Fig. 4 below shows the performance of both outlets since conversion when compared to the branch average. Both outlets have more money advanced by almost 60% than their branch equivalent over the same period.

# Drogheda Agency Performance 94-02

Converted Mid 1996



# Clare St. Agency Performance 94-02

Converted 1998

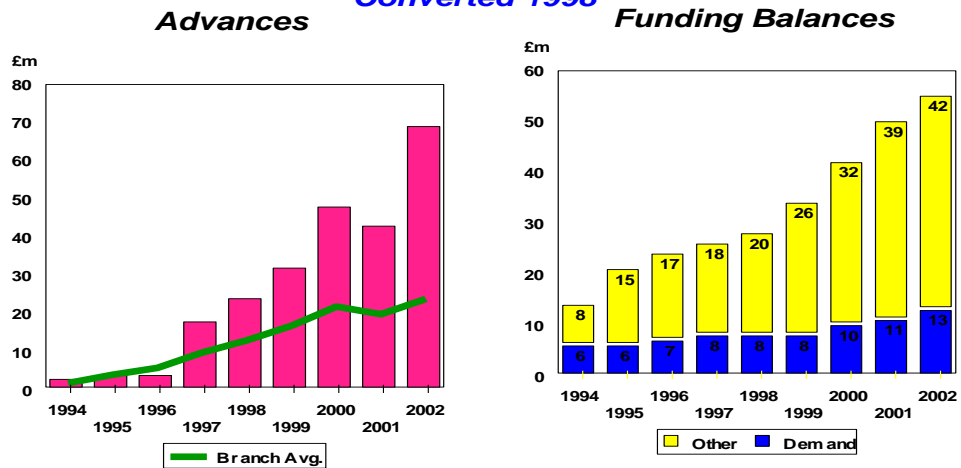


Fig 3: Performance of Outlets

## 3.5 Why the Success?

But how has this success of the Tied Agent concept been delivered? Is it simply being in the right place at the right time relative to the explosion of the housing market in Ireland over the last decade? In light of the fact that TBAs sell exactly the same products, in exactly the same way, in relatively the same locations, for exactly the same price as the branches, this explanation is clearly inadequate. So it has to be something more

fundamental that requires explanation and justification in order that we can more fully appreciate the capability of the managers and their respective practices to deliver sustained improved performance over the longer term. Simply put, how does an underperforming branch manager become suddenly capable of transforming a low performing outlet to that of a higher performing outlet?

It is evident, based on a range of performance indicators, that something has happened and continues to occur within the franchise units that adds positive value and yet, whilst the people employed within these agencies are crucial, their skills and competencies are, in part, only the result of a whole host of other human behaviours that create the conditions for higher performance. Put another way, what are the ingredients that are working stronger in franchisees outlets that create the climate for this higher performance?

## **Chapter 4:**

# **Methodology**

## **Chapter 4: Methodology**

The chapter presents the methodology adopted in the study. The chief aim of this chapter is to discuss and justify the particular research process that is employed by the study. The research design has been guided by a variety of epistemological, theoretical and practical considerations. These considerations will be outlined before the various stages of the research process are explained.

This chapter will provide the following:

- A comprehensive description of the empirical work that was undertaken.
- Justification of the methods adopted in light of the questions / hypotheses formulated.
- Document the methods employed, in sufficient details for any subsequent replication and, or extension to be undertaken.

### **4.1 Selection of Research Approach**

The selection of an approach to research is dependent upon the character of the phenomena to be studied (Sekaran, 2003). There is a need to validate the selected methodology and methods so that conclusions can be seen as valid and reliable.

In doing the research the author endeavours to recognise any partiality within the study and document the data collection and processing techniques, thereby leaving an auditable trail which can be followed by other researchers in the future (Denzin and Lincoln, 1998). An account of the procedures and methods that were employed enables further assessment to be made of the thesis findings. The research may have theoretical value by helping to elucidate or test accepted models (Feyerabend, 1987) while the practical worth of the study can be assessed by the value of the research to EBS Building Society Management.

The research question is why do Tied Branch Agents of EBS building Society outperform Company owned branches of the Society? The description of the object and purpose of the research to be conducted determines the most appropriate research strategy to adopt. Once a research strategy has been adopted the specific methods to be employed that are most appropriate will then become more apparent.

## **4.2 Research Design**

There is a need at the outset to outline the philosophical assumptions that underpin this research. Crotty (1998) sets out four elements as the starting point of any research process, there are:

1. Epistemology;
2. Methods;
3. Theoretical perspective;
4. Research Methodology.

### ***4.2.1 Epistemology***

Epistemology deals with ‘the nature of the knowledge and its possibility, scope and general basis’ (Hamlyn, 1995, p242) and is concerned with the general set of assumptions into the best way of enquiring into ‘how do we know what we know’. There are a variety of epistemologies but it is typical in social sciences to draw a distinction between objectivist e.g. positivist, empiricist and subjective, e.g. anti-positivist, idealist epistemologies, (Burrell and Morgan, 1979).

Objectivism is the epistemology view that things exist as meaningful entities independently of consciousness and experience and that they have truth and meaning residing in them as objects (Crotty, 1998). Constructivism, another form of epistemology, takes the view that all knowledge and therefore all meaningful reality as such, is contingent upon human practices which have been constructed by human beings. From the constructionist viewpoint “meaning cannot be described as objective” (Crotty, 1998, p43). A third epistemology stance, subjectivism, comes to the fore in post-modernist forms of thought (Hamlyn, 1995) and here “meaning is created out of nothing”, (Crotty, 1998, p9).

Ontology is the study of the nature of being and is concerned with ‘what is’, with the nature of existence and relationships that can exist as a result (Garshol, 2004). Ontological considerations or the ‘study of being’ (Crotty, 1995; p10) also inform the theoretical debate and sitting alongside epistemology, addresses whether it is believed that social entities can be considered objective entities and “have a reality external to social actors” (Bryman, 2004, p16).

#### ***4.2.2 Theoretical Perspective***

Inherent in the methodologies guiding research efforts are a number of theoretical perspectives and there are a number of epistemological positions informing the theoretical perspectives. Positivist research is built on the belief that one can only know something through independent observations and an understanding that the world exists independent of our knowledge of it. It sees knowledge as stable because the essential properties of objects are relatively unchanging and thus findings are objective and cannot be refuted (Guba and Lincoln, 1994). This logic states that science should be concerned with the isolation of universal laws, which are cause and event sequences that persist during time. In doing so scientists are trying to locate universally occurring regularities of events such that the occurrence of event A is always followed by event B (Kemp, 2003). This draws from science according to Locke, the real method of knowing and philosophy is what prepares this knowledge for all, (Friedman, 1991). More importantly “science ascribes no meaning but discovers it, for it is able to grasp meaning” (Crotty, 1998; p27). Donaldson (1996) argues for positivism as the best approach for organisational analysis and “while positivism sees material factors as important, it sees other, non material factors as causes” (Westwood and Clegg, 2002; p26). It seeks to explain human action within organisations as being caused by objective factors that are external constraints of the situations in which people find themselves. Therefore causation is the central means by which we are able to order and make sense of the humanly constructed world. It is the central explanatory trope by which relationships among people and things are established. Careful scientific research can obtain objective truth and meaning and this is the epistemology underpinning the positivism stance.

A different outlook is constructionist, which can be characterised by the interpretive paradigm. It is highly subjective and the methodology consists in gathering unstructured materials to create a database etc. According to this perspective the main purpose of theory is to provide a meaningful interpretation of the process of social construction in a different context Strauss et al, (1973). Meaning is not discovered but constructed and does not inhere in the object, merely waiting for someone to come upon it, Gergen (1999) and therefore from this viewpoint, meaning cannot be described simply as ‘objective’, or indeed ‘subjective’.

### **4.2.3 Methods**

In considering appropriate methodology, it is crucial that the research methodology is harmonised with the philosophical paradigm in order to avoid contradictions in the research (Silverman, 2001). The literature has presented a set of concepts and issues that are a focus of this study, the quantification of which is concerned with people's behaviours. Although there is a wide debate on the quantification of people's behaviours, this is a common approach in the behavioural literature. Previous research exploring key behavioural activities and performance outcomes has typically relied on the survey method e.g. (Angur et al, 1999; Athanassopoulos et al, 2001 and Yavas et al, 1997). The survey approach has value in that it allows comparisons with published research in other occupational settings (Guest and Conway, 1997) where a random sample of 1,000 UK employees paid particular attention HRM practice such as job security. It also provides for the collection of standardised data from a sufficient population in order to allow comparisons to be made and theories to be tested (Oppenheim, 1992). The data collection can represent a useful snapshot taken from a larger group not possible to conduct with face-to-face interviews and allows us to explore some complex relationships. In this study, survey research will be used as the main methodology.

The techniques or procedures used to gather and analyse the data related is statistical analysis of the questionnaires and organisational performance data. This analysis assisted in determining whether a relationship exists between organisational outcomes and the, independent variables of the study.

### **4.2.4 Research Methodology**

Crotty (1998) in his book *'The Foundations of Social Research'* remarks on the difference between qualitative and quantitative research and argues that this difference occurs at the level of method rather than the level of epistemology or theoretical perspective, believing that research can be "both qualitative and quantitative without this being in any way problematic" (Crotty, 1998, p15).

Qualitative research is often associated within the interpretative frame in which the concern is with the production of meaning. The process involved in this type of research allows for elaborated description, which both develops and makes visible the operationalisation of the theoretical problem. There is now a wide range of literature on



different perspectives in qualitative research such as Atkinson (1990), Holstein and Gubrium (1995), Greatbatch and Clark (2003), Silverman (1997, 2000, 2009), Bryman (2006), Denzin and Lincoln (1998), Stanley and Wise (1993) and Alvesson and Sandberg, (2011) and they provided material for the author to explore this research avenue. Qualitative methods can usefully be seen as “an umbrella term covering an array of interpretative techniques” which seeks to get to the meaning of a phenomenon (Van Maanen 1997: p520).

Quantitative research on the other hand entails a deductive approach to the relationship between theory and research, in which the emphasis is placed on a set of concerns in relation to which the researcher collects data (Hair et al, 2011, Bryman, 2004). It also establishes that the employment of some form of measurement is undertaken and once measured, concepts in the form of independent variable and dependent variables can be formed. A concept like TBA performance may be used in either capacity, as a possible explanation of certain attitudes, e.g. Are their differences between attitudes of staff in TBA vis-a-vis company manned branches, or as something to be explained e.g., what are the causes of variations in performance? Measurement in this research is very important as it allows the researcher a consistent device or yardstick for making distinctions and an instrument for gauging differences (Cramer, 1998). More importantly, a quantitative approach allows for the delineation of fine differences between people’s characteristics (Hair et al, 2011). This is very useful, as it will provide the author with an authoritative response when presenting his findings to the executives in the EBS Building Society because of the ability to generalise quantitative findings.

Having reviewed the different types of research, it’s clear from the literature that the dominant paradigm in organisational performance research is quantitative and given the research questions of this study, a positivist approach will be adopted. Given this emphasis on performance, it provides the author with the opportunity to test various hypotheses in understanding corporate performance via statistical generalisation. A deductive approach will bring out the links between change in the organisation structure and economic performance through quantitative analysis. Others have adopted this approach (Donaldson, 2005) and have shown that by a careful consideration of the theory and empirical evidence, “where fit –performance link is the key to the whole functionalist explanation” (Donaldson, 2005, p1081). Moreover, “to test fairly for the presence of performance benefits, it is necessary to follow the functionalist programme”

(Donaldson, 2005, p1081). This approach is also favoured by EBS Building Society as they requested more objective data from the research to link in with the performance outcomes from the individual branches.

### **4.3 Sample**

The ability of the study to make unbiased inferences about populations depends on having complete information about all selected sample units or establishing that the non-respondents do not differ from respondents in an important way (Fowler, 1984). Since it is difficult to rule out biased non-respondents who might use the process to protest against a particular issue it is desirable to obtain high response rates. This can be difficult with some populations, (Sudman, 1985; Weber, Wycoff and Adamson, 1982) and indeed, small monetary incentives both prepaid and promised, have been shown to be useful in improving survey returning rates in general populations (Armstrong, 1975; Baumgartner and Heberlein, 1984; King, 1979; Sudman and Ferber, 1974). Surveying the entire population within the EBS retail network was seen as a realistic goal for the researcher, (total sample size 384 employees) and as a result did not require compromise between theoretical requirements and practical implications (Oppenheim, 1992). It was assumed that staff numbers within the overall retail outlets change from time to time so a more definite headcount, number and names, was determined a week prior to full rollout of the questionnaires to the network. The participants for all surveys were located across the Republic of Ireland, but the majority are located in the greater Dublin area. All questionnaires had a workplace identifier (numbered 1 to 50) for the unit (Branch / TBA), with participation being voluntary.

The researcher wrote to all of the outlet managers seeking their support and outlining the purpose and range of the research being undertaken, (Appendix 1). The employees within the retail workforce had never been through a process of research nor received company attitude surveys since the TBA model was first created in 1994. In addition, the process of research did have significant management support at all levels and with the support and assistance negotiated from the Executive Directors of EBS, individual Tied Branch Agents, Regional and Branch Managers and Trade Unions Representatives, a general air of enthusiasm was created given the previous professional position of the researcher within the company.

In all, four sets of surveys to test the two models (Appendix 2) were distributed, they were:

1. **Employee Survey:** This survey had a total of 160 questions that covered fourteen different areas such as the employee assessment of leadership, perceptions of HRM and service climate in their respective outlet. The survey was for all retail staff in the entire sales outlets of EBS Building Society.
2. **Branch Manager / TBA Survey (1):** This survey had a total of 130 questions, which was to be completed by the respective Branch / TBA managers and included their assessment of HRM at unit level, a self assessment of their own leadership style, performance of the branch and a measurement of service climate and group potency etc. within their respective outlets.
3. **Branch Manager / TBA Survey (2):** This was the third survey and the second to be completed by the branch/TBA manager. Despite the appropriateness of using self-report OCB measures, this approach introduces potential problems with common method bias because the predictor measures were gathered from the same source. Accordingly, by including an assessment of each individual, by their respective branch manager, based on 32 questions in order to understand how the managers thought their respective employees performed and behaved at work, this issue was resolved and indeed gave an additional source of OCB.
4. **Regional Managers Survey:** This final survey was a short subjective assessment of the individual branch manager / TBAs by the five regional managers and the questions for the regional managers replicated the performance measures in branch managers / TBA survey (1). The survey essentially provided the regional managers views on how well individual branches performed.

The first two self-administered surveys were distributed personally by the researcher to each of the 50 outlets over a three week period from the 9<sup>th</sup> to the 27<sup>th</sup> April in 2007. The surveys included the employee survey, 384 questionnaires in total and the manager survey for 50 branch managers (20 EBS and 30 TBA). One outlet, Marino, which is a franchised outlet was not surveyed because at the time of the survey the branch was the subject of a criminal investigation.

#### **4.4 Ethical Considerations**

Ethics are a critical aspect for the conduct of research and refer to the appropriateness of research behaviour in relation to the rights of those who become the subject of the work, or are affected by it (Wells, 1994). The study recognises that the norms of behaviour, which prevail within the Building Society, may create a number of ethical positions that will require to be carefully considered, such as reporting relationships and presentation of commercially sensitive information. Approval for the research was cleared in 2005 by the then Chief Executive Officer of the EBS Building Society, Mr Ted McGovern. The Society did not seek a formal research application or other illustrations or samples such as 'informed consent forms' from the author as required by many institutions today (Arksey and Knight, 1999). However, in pursuing the objectives of the research, it was important to proceed with sensitivity and respect for participants.

First, an important dimension to the ethical conduct of this study is the question of the relationship between the researcher and the participant. This can be particularly difficult when they are peers, colleagues or known to one another through work. This required a high degree of sensitivity on the part of the researcher not to use the existence of such a relationship or the nature of a 'power relationship' (Saunders et al, 1997) to compromise the participant in any way. Careful planning of survey rollout was also necessary given the previous position of the researcher and this required the researcher to remain as detached and objective as possible.

Second, absolute assurances about the use of the data collected, coupled with an unqualified confidentiality and anonymity was critical to gain trust, especially from the staff of the retail network. The author sought the assistance of the five regional managers and trade unions representatives, to assist in the rollout of the questionnaire and importantly, in the almost daily follow up that was required to achieve a high response rate. This, on the ground support by both groups, especially the trade unions representatives, provided the participants with sufficient information that the survey was to better the purpose of the retail organisation as a whole, and that consistent and continuous reinforcement of the confidential treatment of the information given by the respondents, was seen as a critical success factor within the study.

No commission rates that the EBS paid to the TBAs for the sales of loans, insurance or deposits was solicited by the researcher from the company. Given that this research forms such an important input to future network distribution strategy of the organisation this was seen as an important element in gaining support from the retail network for the study.

Finally, as previously mentioned a letter was sent to all managers (Appendix 1) seeking participation of all their staff, notwithstanding an option to decline was a key feature of this correspondence thus ensuring self-determination for all.

#### **4.5 Surveys**

A pilot of the survey was done on a small scale with two branches to test the effectiveness of the methodology and to gauge the length of time it would take to conduct the survey. No issues materialised from this pilot. Following this, correspondence regarding the initial survey was circulated to the retail network by the Executive Director for Sales and Marketing and this was followed up by a personal visit by the researcher to each of the outlets. Each visit was arranged in advance with the respective branch or TBA manager. On the researcher visits, a brief overview of the research was presented to those staff present and their cooperation was sought to complete the survey in order that we could begin to use their feedback. The confidentiality of the process was also outlined, that the analysis was to be carried out away from EBS and information will find its way back to both the Management and trade union jointly when complete. To support anonymity, a sealed box was left in each location so that the staff member could 'post' the survey back. Access to this box could only be achieved by breaking it. The post box was placed in each of the respective branches tearooms and was therefore a continuous daily feature over the three week period. The purpose and aims of the research were also outlined and reinforced in a letter that accompanied each of the surveys (Appendix 3). In the instances where some staff were not present, the researcher took note of who was absent and made a follow up telephone call to each of them. The researcher spoke to all members over this period.

The first of two surveys for the branch managers was also distributed at this time and all the managers committed to having these surveys completed within the three week timeframe.

Over the three week period there was continuous engagement, reinforcement of completion requirements and promotion by the Senior Executives Team, regional sales managers, trade unions and by the researcher who maintained almost direct daily contact with the franchised managers and the EBS HR Dept. Following the closing date of 27<sup>th</sup> April, the author personally revisited each of the outlets over a five-day period and retrieved the boxes from each of the outlets. A response rate of 96 % was achieved. The Manager survey was also included in the collections, however in four incidences the researcher had to personally follow up with the Managers to retrieve them almost over a month past the completion date. A 100% response rate was achieved in this survey.

#### ***4.5.1 Second Set of Surveys***

The second set of questionnaires was distributed to the branch managers and regional managers on the 7<sup>th</sup> May 2007. The five Regional Managers, all who had previously reported to the researcher, were asked to fill out a short subjective questionnaire, the questions replicating the performance measures in the branch managers' survey. These questionnaires were e-mailed to the Executive Director of Sales and Marketing who distributed them by e-mail to each of the five regional managers who reported to him. The executive director returned the completed questionnaires to the author in early June 2007 and again a 100% response rate was achieved. This survey was included as a plan B in the overall study and the detail was not used in the findings given the range of available data.

The final survey, the second branch manager survey, was distributed by the regional managers following a teleconference by the researcher and the researcher's former superiors, (Executive Director for Sales and Marketing and the Executive Director for Human Resources and Corporate Communications) with all of the branch managers. The purpose of the call was to provide them with a general update regarding progress and to again seek their continued cooperation for the final survey. The author found this to be the most difficult questionnaire to complete as holidays and 'questionnaire fatigue' (Dillman, 2000) weighed down the smooth collection of the surveys in a reasonable timeframe. The last survey was not collected until November 2007 but a response rate of 100% was achieved.

## **4.6 Staff Participation - High Response rate**

Baruch, (1999) in a review of 175 different studies found that the average response rate was 55.6% (Baruch, 1999, p 421) and suggests that no one should expect 100% response rate. In achieving a 96% response rate and almost 100% across the other three, the approach taken in this study needs to be fully understood to ensure that it's not interpreted as a forced approach and thus might distort the responses.

### ***4.6.1 Incentives***

Incentives are a common way to increase response rates and it's recognised their impact is both statistically and substantively significant (Warriner et al, 1996) on survey response rates. Numerous experiments and meta-analysis demonstrate the impact of incentives (Church, 1993; Fox et al, 1998; Willimack, Schuman, Pennell and Lepkowski, 1995; Yammarino, Skinner, and Childers, 1991), especially those prepaid (Herberlein and Baumgartner, 1978). Similarly, numerous studies demonstrated that post-paid incentives have no impact on response rates (Berk, et al, 1987, Church, 1993), however a difference can be made in how the payment is viewed by participants (Porter, 2004). The author had agreed with the Executive team in EBS that the organisation would commit to supporting SIMON, a charity for homelessness, to the value of €10 for every completed questionnaire. It was felt that this incentive was sufficiently large for staff members to compensate for their time and efforts in completing the surveys. Notification of this incentive was communicated to all within the organisation prior to the survey commencement and an update was provided after one week showing the numbers who had completed and the money raised.

### ***4.6.2 Timing***

The timing to 'administer' any survey is seen as an important consideration and with careful planning of the research, issues such as annual leave or school holidays the possible low non-response rate can be significantly reduced (Baruch, 1999). The author administered the surveys from April to late May 2007, following the Easter vacation period thus ensuring that the maximum number of people would be at work at the time of seeking participation. Equally the staff and managers were never before engaged or asked to participate in surveys of their branch or their managers.

To further encourage a high response rate, the author also got the support of the senior trade union officials who greatly assisted in the reinforcement of the message of survey completion. The trade unions believed that by having research that compared branches with franchised outlets in such a comprehensive study could present opportunities for them to use this information for better terms for staff in the future. This, coupled with the fact that the researcher had been the senior director responsible for the total sales activities within the retail network over the previous two years and had a very good professional relationship with most of the franchised managers, provided the platform for a high return rate.

It is possible to underestimate the extent and the nature of the access required and the ability to gain sufficient access to realise the objectives of the research. It is important to be realistic in designing and conducting fieldwork and that which is theoretically desirable will be a long way from what is practical and feasible (Buchanan et al 1988: 53-4). In light of these feasibility issues it was often necessary for the researcher to adapt an approach to take account of these issues. For example, while access to complete the managers' assessment survey in one franchised unit was initially agreed to be ready on a particular week it was not forthcoming until some weeks later. The researcher set out to achieve a high response rate and invested considerable personal time into achieving this. The roll out and execution of the surveys in the research sites were planned carefully with the researcher taking three weeks holidays from his position as Executive Director in National Irish Bank to travel to all the outlets across the country communicating with outlet managers and urging them to complete the questionnaires. Parallel to this, regional and national union leaders were personally calling staff in both settings urging their members to complete the surveys as it was in their interest to do so.

#### **4.7 Questionnaire Design**

Sound questionnaire design principles typically focus on a number of specific areas. The first relates to the wording of the questions, the second as to how the variables will be categorised and the third relates to the general appearance (Sekaran, 2003). The measures within the questionnaires were deliberately devised so that scores for the branch network are normally distributed and the method for conducting or measuring the operationalisation of the research was based on the Likert scale. This scale was



chosen for this survey because it has offered over time a reliable, rough ordering of people with regard to a particular attitude, and because it can give some indication of the intensity of the agreement or disagreement with questions (Oppenheim, 1966, Easterby-Smith et al, 1997). In its most common format it comprises of a series of statements which focus on a certain issue or theme. Each member of staff was asked to indicate his or her level of agreement with the statement as outlined. Usually the format for indicating the level of agreement is a five-point scale going from 'strongly agree' to 'strongly disagree' but a seven-point format can also be used, and the higher scale will be the layout used by the author for the majority of statements when appropriate. Moreover, given the literature that was used, the questions that were asked as part of the questionnaire were in most cases selected from those leading researchers in the particular fields e.g. empowerment Spreitzer (1995); POS Eisenberger et al (1986); service climate Schneider (1998). A full breakdown of the questions and researchers is outlined in the next section. Finally, the presentation of the questionnaire was in booklet form and anecdotally was considered by staff in EBS as neat and attractive with neat alignment of the questions throughout, and also reduced missing data because people did not miss pages.

#### **4.8 Measures for 1st Study - Individual Level Study**

Recent attempts to identify more robust measures of HRM practices have proved to be problematic (Truss et al 2001). Thus far there is no universal agreement as to what the common HRM practices are in the literature, (Boselie et al, 2005). The research used items from Gould-Williams and Davies (2005) who identified individual HRM practices advocated from the 'high commitment' approach (Wood and Albanese, 1995; Guest, 1997; Guest and Conway, 1997; Pfeffer, 1998). Additional items such as "I have the opportunities I want to be promoted" and "if I have a problem there are formal procedures for resolving personal grievances" were taken from Truss (1999). Respondents were asked to indicate the extent to which they strongly agreed or disagreed with seven statements relating to HRM practices using a seven-point Likert scale. As noted by Guzzo and Noonan (1994) and Meyer and Allen (1997) employees' perceptions of 'reality' are likely to influence their performance more so than formal policy documentation because this is the manner in which they experience it. Therefore individual perceptions of HRM practices were collected. Furthermore, it was anticipated, as outlined in the literature, that HRM practice would vary from one branch

to another depending on the direct supervisor or manager responsible for each branch. This is consistent with HRM theory where it is proposed that managers should recognize the importance of employees and behave in ways consistent with such beliefs (Guest 1987). Questions ranged from “I am provided with sufficient opportunities for training and development” to “I feel my job is secure” to “I feel fairly rewarded for the amount of effort I put into my job” were asked and scored on a scale from Strongly Disagree (=1) to Strongly Agree (=7). Additional items from Truss (1999) were also added so that an overall scale covering the main areas of HRM was achieved. In all, four extra questions touching on the areas of reward, advancement and performance and career management were used. Cronbach’s Alpha = .97.

*Empowerment* is set out in the survey as an empowered worker who can say that “(a) I have control over my work and work context (b) I have the necessary competence to do my work and (c) the work that I do is meaningful to me” (d) “I am confident about the ability to do my job”, (Menon, 2001, p 161). Spreitzer’ (1995, p1464) 12 item psychological *empowerment* scale was used with sample items such as “the work that I do is very important to me”, “my job activities are personally meaningful to me”, to “my impact on what happens in my branch is large”. The many studies that used the Spreitzer measures demonstrate that the conceptual definition of empowerment by Thomas and Velthouse (1990) is a widely accepted understanding of the concept of psychological empowerment in the organizations (Scott et al 2011; Boxall, et al, 2011; Selbert, 2001; Kirkman, 1999). The Spreitzer measures have been tested in many different studies and with many different samples. They also provide tests of reliability, content validity and convergent/discriminate validity for Thomas and Velthouse (1990) construct. The Spreitzer measures had a Cronbach’s Alpha = .93 in this study.

*Perceived organisational support (POS)* was measured with an eight item, short form, taken from Eisenberger, Huntington, Hutchison and Sowa (1986), for example: “My organisation really cares about my well-being” and “My organisation strongly considers my goals and values” again responding on a seven-point scale from strongly disagree (=1) to “strongly agree” (=7). Cronbach’s Alpha = .93.

Two sections in the questionnaire were devoted to capturing insights into whether *Work Intensification* is the origin for TBA success. The ‘Employment in Britain Survey in 1992’ (Zhou, 2002) and the ‘2001 skills survey’ (Green, 2004) designed a number of

questions that inquired into an employee's view of working hard, however the UK Health and Safety Executive's 11-item scale for work intensification was adopted. Questions such as "How often do you experience having to work at high speed?" to "How often do you experience unrealistic work objectives?" were asked on a seven point frequency scale. Another feature of this section was for retrospective focus that allowed the employee to look back on their respective working conditions in the last two years and assess whether there have been changes that influence their work tasks. Key questions in section eleven were sought to determine the degree of *stress* that may be attributed to this new work environment. These questions ranged from strongly disagree (=1) to strongly agree (=7), were taken from Spreitzer, (2007) and had a Cronbach's Alpha = .89. Finally, section 13 had 12-items from Costa and MacRae (1992) to measure conscientiousness.

The dependent variables or *outcomes* were measured as follows. *Organisational Citizenship Behaviours (OCBs)* and *in-role behaviours (IRB)* were assessed with a total of twenty-four questions, seventeen representing OCBs and three based on Williams and Anderson's (1991) in-role behaviours (e.g. "Perform all tasks that are expected of you"). Consistent with prior research (Smith et al, 1990), OCBs were measured as a response to the question: "Think about how you behave at work, how often do you do each of the following?" with nine items responded to on a 5-point scale from "not at all" (1) to "at every available opportunity" (5). Items represented both OCBs directed towards individual colleagues (*OCBI*) and toward the organisation (*OCBO*). Importantly, *Extra-Role Customer Service*, those discretionary behaviours of contact employees in servicing customers and *Role-Prescribed Customer Service*, those behaviours that are expected of employees in "servicing the firm's customers" (Katz and Kahn, 1978), were based on Bettencourt and Brown (1997) factor analysis on prosocial service behaviours.

While self-reporting OCBs and IRBs are quite common in the literature (Podsakoff et al, 2000; MacKenzie et al, 1993), it is most usual to use supervisory reports to reduce common – method bias because the predictor measures were gathered from the same source. Accordingly, the second survey drawn up for all branch managers had questions that varied from asking the manager to "think how he/she behaves at work and how often they do the following" to asking the manager to rate the employee on a scale from 1-5. This non-common method gave another source of *OCB* and covered five areas,

*OCB-I*, Cronbach's Alpha = .984. *OCB-O*, Cronbach's Alpha = .887. and *IRB* all from Williams and Anderson (1991) and *Extra-Role Customer Service*, Cronbach's Alpha = .995 and *Role Prescribed Customer Service*, Cronbach's Alpha = .996 from Bettencourt and Brown (1997), thus replicating the measures in the employee survey. The final question in this survey asked the manager to rate the overall performance of the employee on a scale 1- 7 from "one of the worst I have known" to "one of the best I have known".

Finally, *Intent to quit* was measured with four items: a sample item being "I often think about quitting this job". These four questions reflect key questions from the literature (McEvoy and Cascio, 1985; Porter and Steers, 1973 and Price, 1997). Means, Standard Deviations, Reliabilities and Correlations among the study variables are set out in Table 6 below.

**Table 6: Means, standard deviations, reliabilities and correlations among the study variables – Model 1**

Variable	Mean	Standard deviation	1	2	3	4	5	6	7	8	9	10	11	12
1. Org tenure	8.67	8.02												
2. Gender	.75	.44	.16**	--										
3. Age	33.34	11.73	.82***	.17**	--									
4. Cservexr	3.81	.89	.19***	.88	.23***	.99								
5. Cservinr	3.83	.88	.18**	.85	.23***	.99***	.99							
6. OCBO	3.72	.76	.21***	.79	.19***	.84***	.83***	.88						
7. OCBI	3.78	.88	.17**	.07	.22***	.96***	.96***	.82***	.98					
8. Inrolbeh	3.72	.80	.17**	.07	.19***	.92***	.91***	.87***	.91***	.94				
9. Quit intent	3.19	1.22	-.28***	-.18***	-.30***	-.36***	-.40***	-.35***	.38***	-.36***	.89			
10. Empower	5.10	.97	.30***	.10	.40***	.45***	.46***	.39***	.45***	.43***	-.50***	.93		
11. Pos	5.04	1.08	.21***	.12*	.24***	-.14*	.44***	.38***	.41***	.41***	-.67***	.69***	.93	
12. Workintent	3.64	.94	.19***	-.16**	.19***	-.07	-.07	-.10	-.08	-.10	.13*	.08	-.08	.89

\*  $p < 0.05$ ; \*\*  $p < 0.01$ ; \*\*\*  $p < 0.001$ .

$N = 365$

Note. Scale reliabilities are on the diagonal.

#### 4.9 Measures for 2nd Study - Unit Level study

As noted within the literature review, every leader displays behaviour that can be characterized as transformational and transactional,; however, effective leaders more often display transformational leadership behaviour and less frequently display more passive and ineffective behaviours. While each of these approaches differs somewhat in the specific behaviours they associate with transformational leadership, all of them share the common perspective that effective leaders transform or change the basic values, beliefs, and attitudes of followers so that they are willing to perform beyond the minimum levels specified by the organization.

Leadership is measured by the full Podsakoff et al (1990) *transformational leadership* inventory, to assess transformational style leadership behaviour. Podsakoff and colleagues' measure of transformational leadership has six dimensions: articulating a vision of the future, fostering group-oriented work, setting high expectations, challenging followers' thinking, supporting followers' individual needs, and acting as a role model.

This scale is designed to measure six key dimensions of transformational leadership and is outlined in the survey (Appendix 2, p 266) and has 23 items. Responses were on a seven-point scale from "strongly disagree" (=1) to "strongly agree" (=7) and sample items include "leads by 'doing' rather simply 'telling,'" "for providing an appropriate role model". Transactional leadership behaviour was measured with a five item scale from Podsakoff, Todor, Grover and Huber's (1984) contingent reward behaviour scale. These factors encapsulate Bass's (1985) description of the transactional leaders' prototype (Lowe, Kroeck and Sivasubramaniam, 1996) and assisted the author in getting over the factor structure that has been problematic (Bycio, Hackett, and Allen, 1995; Tepper and Percy, 1994) in the Multifactor Leadership Questionnaire (MLQ), (Bass and Avolio, 1990) and indeed inconsistent (Bass and Avolio, 1993; Howell and Avolio, 1993). As this is a unit level study, the measures for *transformational leadership* was assessed by aggregating the reports of the employee at branch level to have a single transformational leadership construct for each location. Cronbach's Alpha = .89.

This model draws on the measures for *service climate* from the employee survey, aggregated at unit level and was assessed with the seven items measure developed by Schneider et al. (1998). The items in the survey refer to a collection of behaviour features or activities of the branches all focusing explicitly on service quality. Sample item (rated from 1, “poor,” to 5, “excellent”) are, “How would you rate the effectiveness of the communications efforts to both employees and customers?” to “How would you rate the tools, technology, and the other resources provided to employees to support the delivery of superior quality work and services?” Cronbach’s Alpha = .87.

*Unit level customer focused OCBs* was taken from the Managers survey and the measures, such as Extra-Role Customer Service, include those discretionary behaviours of contact employees in servicing customers ranging from questions such as “voluntarily assists customers even if it means going beyond job requirements” to “frequently goes out of the way to help customers”. Role-Prescribed Customer Service, those behaviours that are expected of employees in “servicing the firm’s customers” (Katz and Kahn, 1978), such as “performs all those tasks for customers that are required of him/her” to “helps customers with those things which are required of him/her” were based on Bettencourt and Brown’s (1997) factor analysis on pro-social service behaviours. This includes five items for in-role and extra-role behaviours. Cronbach’s Alpha = .99. Means, standard deviations, correlations and reliabilities for Model 2 are set out below (table 7).

*Unit level performance* was assessed by 6 key performance indicators (KPI) provided from company records. Each KPI was recorded either on a monthly or quarterly basis, and the collection for this study commenced January 2005 for a four-year period to end 2008. These measures represented the major performance metrics that are tracked by the corporate headquarters as indicators of business success. Data on savings or deposits performance was not provided as this data is not collected on a monthly basis. The first KPI, residential approvals are approvals in principle that branches incur during the residential mortgage sales process. Residential approvals typically give a high level of certainty of ‘pipeline’ activity and are a good indicator within the retail banking sector of potential cheque advancement or residential ‘sales’. The second KPI was residential sales, while similar data was provided for commercial business, both approvals and sales, (KPI 4 and 5). Commercial business is typically recognised in retail banking as

loans over a certain monetary value and number. In total there were six different measures, one related to service quality and the other five are financial.

Service quality data was obtained by using the scores generated by a 3<sup>rd</sup> party ‘Mystery Shopping’ organisation in each branch of the 48 branches. The building society used mystery shopping as a tool for customer service evaluation data to check adherence to procedures, tailor training, identify areas for improvement and provide a measure of service quality. A professional agency was contracted to conduct two mystery shopper visits per branch per month, an “investment visit”, for example to open a savings account, and a “mortgage visit”, to apply for a mortgage. The service encounter was rated on a service score card covering 9 core service competences: compliance with financial regulations, customer engagement, business priorities, knowing the customer, professionalism, sales effectiveness, service standards, fair treatment of the customer, and technical knowledge. Each visit was scored out of 50 with customer engagement and service standards more highly weighted than the other competencies to produce a branch service quality score on a range from zero to 100. These were aggregated for each branch to form a 3-month aggregated score as a measure of unit-level service quality. In the unit-level analysis (table 8), the author used the score for the 12 months leading up to and including the survey administration period as a base-level service quality assessment (period  $t$ ), and the score for the 12 months following survey administration as the service quality outcome measure (period  $t+1$ ). Appendix 4 outlines the scorecards that were used in the mystery shop. Finally, the % of cross sales achieved per outlet is the last KPI. Cross sales refers to the sales of additional products, i.e., life and home insurance that would have been sold at the time of the residential mortgage closure. The higher the % returned of cross sales, the higher the income that can be generated and increases the value to the organisation.



**Table 7: Means, standard deviations, correlations and reliabilities Model 2**

	Mean	Standard deviation	1	2	3	4	5	6	7	8
<i>Individual-level variables (N=342).</i>										
1. Gender	.76	.43								
2. Team Leader	.16	.37	-.11*							
3. Dyad tenure	6.10	4.44	.24**	.22***						
4. Transformational leadership	5.30	1.03	.09	.19***	.21***	.44***	.97			
5. Service climate	3.94	.71	.16**	.13*	.11*	.50***	.72***	.68***	.87	
6. Customer-focussed OCB. <sup>a</sup>	3.81	.88	.12*	.22***	.19***	.35***	.51***	.44***	.51***	.99
<i>Unit-level variables (N=48)</i>										
1. Unit size (employment)	8.19	3.53								
2. Agency status	.58	.50	-.28							
3. Transformational leadership	5.33	.80	-.24	.89***						
4. Service climate	3.96	.58	-.24	.91***	.90***					
5. Unit level OCBs	3.85	.63	-.25	.63***	.61***	.69***				

*Note.* Reliability coefficients are shown on the diagonal. a OCB = organizational citizenship behavior.

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

**Table 8: Unit-level path analysis Model 2**

Independent variable	Dependent variable:	Service Climate	Customer-focussed OCB	Service quality	Commercial advances	Residential advances	Cross sales
Agency Status	Transformational leadership	.54***	.16	-.19	.44***	.53***	.28
Transformational leadership	Service climate	.42***	-.05				
Service climate	Customer-focussed OCB		.59*				
Customer-focussed OCB	R <sup>2</sup>			.48***	.14	.09	.02
R <sup>2</sup>		.79	.87	.47	.15	.29	.35
							.09

*Note.* N=48. Standardised regression coefficients.

<sup>†</sup>  $p < .10$ ; \*  $p < .05$ ; \*\*  $p < .01$ ; \*\*\*  $p < .001$ .

#### **4.10 Measures for 3rd Study - Multi level Model**

All the measures for this model are derived from models 1 and 2.

In conclusion, the measures that are outlined for all three models are those that are very widely used in the literature with alphas in line with past studies, (Eisenberger, 2002); and Vadenberghe et al, 2007). Accordingly, given the support in the literature for these measures and the fact that they have statistically significant correlations with the individual constructs, it is argued that they are appropriate and valid for this study.

#### **4.11 Control Variables**

Controls serve to segregate the impact of the main independent variables, in these cases, HRM and Leadership, from other variables derived from theory. Several control variables were included in both models to avoid potential confounds and to reduce the possibility that unmeasured variables could account for the results. Thus the selection of the control variables has focused on those variables that are most likely to relate to the dependant variables and ideally they should be explicitly specified as they “could provide explanation of differences in results” (Guest, 2001, p1103). Employee gender, age, and tenure are commonly specified control variables in studies of POS and OCB role definition (Rhoades and Eisenberger, 2002; Hofmann et al, 2003; Turner, Chmiel, and Walls, 2005). Prior research has shown employee citizenship behaviour varying with employment status (Van Dyne and Ang, 1998; Wang, 2009).

This study therefore controlled, at both the individual and branch level of analysis, for organisational tenure (measured in years) and gender (male = 0; female = 1), and age measured in years because previous studies suggest that these linked theoretical influencing outcomes and thus need to be controlled (Mason, 1995). If an employee worked less than the full year, his or her tenure was rounded to the nearest whole number. Also, given the focus on individual behaviour, model 3 also controlled for the conscientiousness personality factor (Costa and McCrae, 1992), which reflects traits such as dependability, self-discipline, perseverance, and a tendency to plan rather than to act spontaneously. Evidence suggests that conscientiousness is the “big five” personality factor with the strongest and most consistent positive association with performance and organizational citizenship behaviours (Barrick and Mount, 1991;

Salgado, 1997; Organ, Podsakoff and MacKenzie, 2006), and it is positively associated with customer service orientation (Frei and McDaniel, 1989).

Some studies that have previously examined processes linking high performance HRM work practices and performance have typically included size of an establishment as a control variable (Sun et al, 2007; Jackson and Schuler, 1995) because larger organisations may be likely to have more developed or sophisticated HR practices. This was not done here, as the size of the establishments is small and similar in numbers, ranging from between 5 and 10 staff in each outlet, however for model 3 at the branch level, the study controlled for branch size, measured as the number of employees as done by Sun et al (2007) in their multi level study.

#### **4.12 Analysis Strategy**

In this study, in addition to the three models that are being tested, a number of tests for significance of differences in means were carried out to support the claims that differences between the managed branches and the franchised branches exist. This will assist in answering the underlying question: do the two groups come from the same population, and only appear different because of chance errors, or is there some significant difference between these two groups, such that we can say that they're really entirely different.

Of the three models, the first being tested is at the level of the employee with the theoretical model involving employee outcomes with constructs spanning a single level of analysis. Specifically, employee empowerment, perceived organisation support and work intensification are conceptualised at this individual level of analysis. The second is a unit level model which calculates various indicators of within – department homogeneity to 'gross-up' the data in order to assess what is the path that is delivering results, while the third is multilevel, consisting of constructs spanning two levels, the individual – employee level and branch level of analysis.

##### ***4.12.1 Individual level Analysis***

In any quantification research or project that includes several variables, there is a requirement to know and understand how one variable relates to another. Importantly, the testing of the goodness of fit for the data collected for this purpose will give

preliminary ideas of how appropriate the scales are, how well the coding and entering of the data has been done, coupled with how the respondents have reacted to the items in the questionnaire (Hair et al, 2011). Crucially in this study, correlations, using Pearson's  $r$ , will be computed to explore the relationship between factors e.g. HRM and OCBs. Further the mean, standard deviations and reliabilities will be shown. In addition correlations which are statistical techniques that can show whether and how strongly pairs of variables (Hair et al, 2011) among all the study variables are related will be outlined.

To judge the internal reliability of the psychometric properties of a measure Cronbach's Alphas will also be computed. Importantly, the higher the score the more reliable is the scale that is being used. A Cronbach Alpha score of 1.00 would indicate perfect internal reliability while a score of 0.00 would indicate no internal reliability and the items are not fitting together well. Nunnally (1978) suggests that a score of 0.70 and over is an acceptable reliability coefficient. Short scales may result in alpha values below 0.70 and in such cases the mean inter-item correlation is a more appropriate figure. The higher the number of items in a scale the easier it is to obtain a higher alpha and the scale in the employee survey includes 14 different measures.

In statistics the correlation coefficients indicate the strength of relationship between two variables, but it gives little explanation of how much of the variance in the dependent variable will be explained when several independent variables are theorised (Hair et al, 2011), to simultaneously influence it. Therefore when the focus is on the relationship between a dependant variable and one or more independent variables, regression analysis is a technique for modelling and analysing several variables. More specifically, regression analysis will be used in this research to assist in understanding how the typical value of the dependent variable changes when any one of the independent variables is varied, while the other independent variables are held fixed. Most commonly, regression analysis estimates the average value of the dependent variable thus allowing an explanation of the relative importance of a range of independent variables. The beta weights give an appropriate indication of the strength of the association between each of these factors, after all the other variables have been taken into account. Accordingly, a higher beta weight indicates a stronger association. The level of statistical significance is indicated by the asterisks. Only those items with a

statistical significance of less than 5% are included as this represents a risk of less than 1 in 20 that the association is not significant.

Therefore, regression analysis is required to allow the researcher to examine the extent that the regression coefficients vary across different sub populations while borrowing strength from the full sample. Hierarchical regressions add collected data, based on theory to the regression model in steps (Hair et al, 2011). At each step, an additional term or terms are added to the model and the change in  $R^2$  calculated with  $R^2$  measuring the unique contribution of the new predictor to explain the variance in the outcome. For example, in step 1, the study controlled for organisational tenure, gender and age. The adjusted R-square number is a measure of the extent to which the underlying factors explain the variation in response. In some cases these may not be high. They are inevitably a complex range of influences on any outcome and the aim of the regression is to develop a model that captures only those that have a statistically significant effect. Multiple regressions enable an assessment of mediation to take place.

#### ***4.12.2 Mediation effects***

In testing the hypotheses outlined in this model, a number of conditions must be met to demonstrate mediation (Baron and Kenny, 1986). Importantly, a variable may be considered a mediator to the extent to which it carries the influence of a given independent variable (IV) to a given dependent variable (DV). In the literature there are two prominent approaches; the structural equation modelling (SEM) approach (James and Brett, 1984) and the Baron and Kenny (1986) approach. Although these approaches have similarities, Schneider et al, (2005) identified some important differences. Generally speaking, in the Baron and Kenny (1986) approach, mediation can be said to occur when four conditions are met (1) the IV significantly affects the mediator, (2) the IV significantly affects the DV in the absence of the mediator (3) the mediator has a significant unique effect on the DV, and (4) the effect of the IV on the DV shrinks upon the addition of the mediator to the model (Preacher and Leonardelli, 2001, p1). If all four of these steps are met, then the data is consistent with the hypothesis that the variable *completely* mediates the relationship, and if the first three steps are met but Step 4 is not, then *partial* mediation is indicated (James et al, 2006). In the structured equation approach, step one as outlined does not appear. In fact a number of scholars have questioned whether it is necessary to provide evidence for the first step to establish mediation (Collins, Graham, and Flaherty, 1998; MacKinnon, 2000; MacKinnon, Krull,

and Lockwood, 2000; Shout and Bolger, 2002). Drawing on the review of the literature, recommendations by Baron and Kenny (1986) and colleagues, (Chen, 2004; Johnson, Holladay and Quinones; 2009 and Whitman et al, 2010) the Baron and Kenny approach is utilised for this study for testing the mediation model in Model 1. This analysis was supplemented by testing the significance of the differences in parameter estimates using Sobel's formula (1982). This test is a statistically based method by which mediation can be properly assessed. To conduct the test, Barron and Kenny (1986) suggest that it "provides an approximate significance test for the indirect effect of the independent variable in the dependant via the mediator" (Barron and Kenny, 1986, p1177). Mathieu and Taylor (2006) outline that the lack of a direct relationship between independent and dependent variables rules out mediation.

#### ***4.12.3 Model 2 – Path Analysis***

In the second model, path analysis is used to describe the directed dependencies among a set of variables and is defined by Ullman as "allowing examination of a set of relationships between one or more independent variables, either continuous or discrete, and one or more dependent variables, either continuous or discrete." (Ullman, 1996, p714). Essentially, the research is seeking to understand 'does franchising deliver results' and the impact of franchise status and leadership on employee customer service behaviours and subsequent unit performance has been set out as the path to understand if this is the case.

As in Model 1, there is a requirement to know and understand how one variable relates to another. There is also a necessity to ensure that the measures for reliability are tested and therefore outlined in table 7 are means, standard deviations, correlations and reliabilities for this model. Secondly, as a unit level study, the appropriate data collected from the survey needs to be aggregated using grouping numbers so that all the scores for staff pertaining to a particular branch are grouped together. Scores for *transformational leadership*, *service climate* were collected from the employees' survey while *unit level OCBs* were taken from the branch manager survey. *Unit level Performance data* was collected from the retail branches of EBS Building Society. To produce the unit level data set for this thesis, employee and customer data was aggregated to the sales unit level and matched the data by unit. Units with missing values were deleted, to provide a meaningful sample. This resulted in a final sample of 48 branches with complete data.

#### **4.12.4 Aggregation**

Based on our hypothesised model, transformational leadership, service climate and customer focused behaviour was analysed as branch–level variables. Each of these constructs was measured using individual employee reports, so that it is necessary to provide justification for aggregation.

The transformational leadership behaviour of branch managers was assessed by individual employees in each branch, referring to their particular manager. Similarly, the service climate of each branch was rated by employees working in that branch. The customer-focused behaviours of each employee were rated by branch managers, for each individual employee within their particular branch. In aggregating these constructs to the branch level, a degree of consensus amongst raters is required, if their ratings are to be meaningfully interpreted as representing a branch–level characteristic. Therefore the most common statistic to justify data aggregation to ensure its appropriateness is within-group inter-rater reliability,  $r_{wg}$ , and this is assessed for each branch (James, Demaree and Wolf, 1984), along with inter-class correlation coefficients, ICC (1) and ICC (2) (Bliese and Halverson 1998).

Median  $r_{wg}$  was 0.95 for transformational leadership, 0.96 for service climate, and 0.97 for employee customer-focused behaviours, all comfortably exceeding the 0.6 level suggested by James (1982). This suggests that there was high level within-group agreement on each of these constructs. The ICC (1) values were 0.52 for transformational leadership, 0.60 for service climate, and 0.36 for employee customer-focused behaviours, all of which compare well with the median value of 0.12 reported in the literature (Schneider et al., 1998). This suggests that a significant amount of variance resides at the group level for each of these constructs. Finally, ICC (2) was 0.89 for transformational leadership, 0.91 for service climate, and 0.80 for employee customer-focused behaviours, all higher than the 0.6 minimum suggested in the literature (Schneider et al, 1998). Although there is no strict standard for acceptability of either ICC (1) or ICC (2) values, they are moderate values for these statistics and are not low enough to prohibit aggregation. These ICC (2) values suggest that branches can be differentiated on all three constructs. Overall, there is strong statistical support for aggregation in each case.

#### 4.13 Multi Level Analysis

The study conducted the multi-level analysis using hierarchical linear regression and the author tested the hypotheses on the antecedents of individual employee customer service behaviours using hierarchical linear modelling software (HLM). The study used HLM for the latter because individual employees were nested in branches. This violates the basic assumptions of independence underlying OLS regression, producing biased estimates of standard errors and increasing the chance of type 1 error (Luke, 2004). As explained in Chapter 6, the study adopted a sequential approach to the HLM analysis (Hofmann, 1997). The author grand mean-centered the level 1 constructs, as is appropriate when assessing the incremental contribution of level 2 variables over and above level 1 predictors (Hofmann and Gavin, 1998).

The author estimated a measurement model of the attitudinal constructs at the individual level of analysis. This was a six-latent factor model, with transformational leadership (indicators were the six dimensions), psychological empowerment (indicators were the four dimensions), conscientiousness (three indicators were produced by averaging the 12 items into three parcels), service climate (indicators were the seven items), and both in-role and extra-role employee customer-focused behaviours (using the five items as indicators for each construct). The six-factor confirmatory factor analysis provided an acceptable fit ( $\chi^2=1678.835$ ,  $df=390$ ,  $CFI=.931$ ,  $NNFI=.923$ ,  $RMSEA=.079$ ), superior to that provided by a model with all indicators loading on a single factor ( $\chi^2=6456.262$ ,  $df=405$ ,  $CFI=.676$ ,  $NNFI=.652$ ,  $RMSEA=.205$ ). In the hypothesized six-factor model, all items loaded significantly on their hypothesized latent variable ( $p < .001$ ). This provided support for the hypothesized measurement model.

The author also evaluated a model which combined the two employee customer-focused behaviours dimensions into a single factor. This five-factor model provided an inferior fit compared to the six-factor model ( $\chi^2=1820.783$ ,  $df=395$ ,  $CFI=.924$ ,  $NNFI=.916$ ,  $RMSEA=.101$ ), suggesting that in-role and extra-role employee customer-focused behaviours are distinct dimensions. However, the correlation between these two dimensions was very high (.994 in the hypothesized six-factor measurement model), so the author decided to combine them into a single employee customer-focused behaviour construct in the remainder of the analysis providing a more parsimonious model.



#### **4.14 Summary**

The chapter presented the methodology adopted in the study and the chief aim is to discuss and justify the particular research process that is employed by the study. The research design has been guided by a variety of epistemological, theoretical and practical considerations. This chapter also provided a comprehensive description of the empirical work that was undertaken, justification of the methods adopted in light of the questions/hypotheses formulated and a detailed understanding of the methods employed, for the models in sufficient details for any subsequent replication and / or extension to be undertaken. The next chapter presents the findings from the empirical study.

## **Chapter 5:**

### **Analysis and Results**

## **Chapter 5: Analysis and Results**

### **5.1 Introduction**

In this chapter the results of the responses to the surveys are analysed in order to address the research questions. The chapter sets out the details of each of the three models which have been tested. A discussion on the findings is set out in Chapter 6.

### **5.2 Profile of Respondents**

The profile of the respondents is drawn from an analysis of the responses to Q1, Q2 and Q14 in the employee survey. In the employee sample, mean organisation tenure was 6.06 years, average age was 31 years, 73% were female, 45 % were married or living as married, 18 % were in managerial or supervisory positions other than the principle manager in the outlet.

The means, standard deviations, reliabilities, and correlations among all the study variables are shown in table 7 for individual level study and table 8 for unit level study with the Cronbach Alpha reliability coefficients on the diagonal. All of the Cronbach Alpha fell above the typically accepted 0.70 level.

### **5.3 Hypotheses Model 1- Individual Level Analysis**

Tables 10-21 report the regression results for the individual level analysis. These are set out in three sets of tables for each individual mediator. H1 suggests that there will be a positive association between HRM and a) extra-role customer behaviour b) In-role customer behaviour c) OCB-O d) OCB –I and e) IRB and f) a negative association with quit intent. The findings show a positive effect for HRM on a) extra-role service behaviour ( $\beta = .46^{***}$ ,  $\Delta R^2 = .19^{***}$ ), b) In-role customer behaviour ( $\beta = .47^{***}$ ,  $R\Delta^2 = .21^{***}$ ), c) OCB-O ( $\beta = .43^{***}$ ,  $R\Delta^2 = .17^{***}$ ), d) OCB –I ( $\beta = .47^{***}$ ,  $R\Delta^2 = .21^{***}$ ), and e) IRB ( $\beta = .48^{***}$ ,  $R\Delta^2 = .22^{***}$ ), and f) a negative association with quit intent ( $\beta = -.58^{***}$ ,  $\Delta R^2 = .24^{***}$ ). The findings provide full support for Hypothesis 1.

H2 argued that there will be a positive association between HRM and 1) Empowerment 2) POS and 3) Work Intensification. The findings in table 13 show a positive

association between HRM and Empowerment, ( $\beta = .60^{***}$ ,  $\Delta R^2 = .33^{***}$ ), table 17 shows a positive relationship between HRM and POS ( $\beta = .68^{***}$ ,  $\Delta R^2 = .42^{***}$ ), and table 21 reports a negative association with WI ( $\beta = -.23^{***}$ ,  $\Delta R^2 = .05^{***}$ ). Accordingly H2 is partially supported given the relationship to work intensification and HRM, but is to the opposite sign to what was hypothesised.

H3 stated that there will be a positive association between empowerment a) extra-role customer behaviour ( $\beta = .20^{***}$ ,  $\Delta R^2 = .02^{**}$ ) b) In-role customer behaviour ( $\beta = .21^{***}$ ,  $\Delta R^2 = .02^{***}$ ) c) OCB-O ( $\beta = .15^*$ ,  $\Delta R^2 = .01^*$ ) d) OCB -I ( $\beta = .19^{***}$ ,  $\Delta R^2 = .02^{**}$ ) and e) IRB ( $\beta = .18^{**}$ ,  $\Delta R^2 = .0^{***}$ ) and f) a negative association with quit intent ( $\beta = -.20^{**}$ ,  $\Delta R^2 = .02^{**}$ ). H3 is fully supported from these results and the results of the hierarchical regression for the effects are outlined in tables 10 - 12.

H4 predicted that empowerment would mediate the relationship between HRM and a) extra-role service behaviour b) In-role Service Behaviour c) OCB-O d) OCB -I and e) IRB and f) quit. The results are fully consistent with this prediction. In each case when empowerment was added at step 3 the size of the  $\beta$  for HRM and the significance of this was then evaluated by the Sobel test. With respect to a) Extra-role customer behaviour,  $\beta$  went from  $.46^{***}$  to  $.34^{***}$  and Sobel = (3.1392,  $p=0.002^{***}$ ) b) In-Role customer behaviour  $\beta$  values were  $.47^{***}$  to  $.35^{***}$  and the Sobel test was (3.3431,  $p=0.001^{**}$ ) table 11 refers. For OCB-O the  $\beta$  values were  $.43^{***}$  to  $.34^{***}$  and the Sobel test was (2.2916,  $p=0.02^{**}$ ) and for OCB-I the  $\beta$  values were  $.47^{***}$  to  $.36^{***}$  and Sobel test results were (3.0756,  $p=0.002^{***}$ , (table 11 refers). Finally, table 12 outlines the data for IRB with the  $\beta$  values were  $.48^{***}$  to  $.37^{***}$  with the results for the Sobel test = (2.8675,  $p = 0.004^*$ ) and for quit intent where  $\beta$  value is  $.51^{***}$  to  $-.39^{***}$  with the results for the Sobel test = (3.3311,  $p=0.001^{**}$ ). Therefore H4 is partially supported.

H5 hypothesised that there will be a positive association between POS and a) extra-role customer behaviour ( $\beta = .14^*$ ,  $\Delta R^2 = .01^*$ ) b) In-role customer behaviour ( $\beta = .17^*$ ,  $\Delta R^2 = .01^{**}$ ) c) OCB-O ( $\beta = .13$ ,  $\Delta R^2 = .01$  and ns) d) OCB -I ( $\beta = .12$ ,  $\Delta R^2 = .01$  and ns) and e) IRB ( $\beta = .12$ ,  $\Delta R^2 = .01$  and ns) and f) a negative association with quit intent ( $\beta = -.53^{***}$ ,  $\Delta R^2 = .14^{***}$ ). With, OCB-O, OCB-I and IRB failing to reach significance this hypothesis is partially supported and the results are set out in tables 14-17.

H6 outlined that POS will mediate the relationship between HRM and a) extra-role service behaviour b) In-role Service Behaviour c) OCB-O d) OCB -I and e) IRB and f)

quit. Similar to the case in H4, a) Extra-role customer behaviour, 14% of the variance is explained by POS while in b). In-role customer behaviour 17% of the variance was explained (table 14). As table 15 shows with the introduction of POS at step two the  $\beta$  values of both OCBI- OCB-O declined, but they remained significant ( $\beta = .34, p < .001$ ) and ( $\beta = .39 < .001$ ). Finally, table 16 outlines the data for IRB with the  $\beta$  values was .40,  $p < .001$  and Quit Intent where  $\beta$  value is .51\*\*\* to -.15\*\* with the results for the Sobel test = (8.5551,  $p = 0.000$ \*\*\*). As step 3 both OCBI and OCB-O failed to predict the mediating effect between HRM and OCBs providing partial support for H6.

H7 outlined that there will be a negative association between Work Intensification and a) extra-role customer behaviour ( $\beta = .01, \Delta R^2 = .0, ns$ ) b) In-role customer behaviour ( $\beta = -.01, \Delta R^2 = .00, ns$ ). c) OCB-O ( $\beta = -.05, \Delta R^2 = .00, ns$ ). d) OCB -I ( $\beta = -.02, \Delta R^2 = .00$ ) and e) IRB ( $\beta = -.03, \Delta R^2 = .0$  and ns., and f) a positive association with intention to quit ( $\beta = .06, \Delta R^2 = .00$  and ns). None of the relationship reaches standard levels of significance and therefore Hypothesis 5 is rejected, details of which are set out in tables 18-21.

For hypothesis 8, it was hypothesised that WI will mediate the relationship between HRM and a) extra-role service behaviour b) In-role Service Behaviour c) OCB-O d) OCB -I and e) IRB and f) quit. Examination of the regressions in tables, 19,20 and 21 indicates that work intensification failed to reach significance when entered into the regression at step 3 ( $\beta = .01, n.s.$ ;  $\beta = -.01, ns$ ;  $\beta = -.05, ns$ ;  $\beta = -.02, ns$ ;  $\beta = -.03, ns$ ; and  $\beta = .06 ns$ ). When WI is added in step 3 no evidence for any mediation is evident. All of the Sobel tests failed to reach significance. The results did show that WI and HRM were significant but the result was negative and accordingly, hypothesis 8 is rejected. Table 9 below provides a summary of the findings.

Finally, to test this model and address the research question 'How does HRM work within a franchise outlet when compared to the wholly owned outlets of the EBS?', further analysis was conducted of the difference between employee's perceptions of HRM practices between the franchised outlets and those that are run by the company. This analysis produced a dummy variable agency = 1, branch = 0 and used this to predict HRM practices. The analysis also controlled for the size of the unit (measure in full time staff equivalents) and found that Agency status strongly predicted employees stronger perceptions of HRM practices ( $\beta = .92$ \*\*\*,  $\Delta R^2 = .79$ \*\*\*).

**Table 9: Summary of findings Model 1**

H1 = there will be a positive association between HRM and a) extra-role customer behaviour b) In-role customer behaviour c) OCB-O d) OCB –I and e) IRB and f) a negative association with quit intent.	Fully Supported
H2 = that there will be a positive association between HRM and 1) Empowerment 2) POS and with 3) Work Intensification.	Partially Supported
H3 = there will be a positive association between empowerment a) extra-role customer behaviour b) In-role customer behaviour c) OCB-O d) OCB –I e) IRB and f) a negative association with quit intent	Fully Supported
H4 = Empowerment will mediate the relationship between HRM and a) extra-role service behaviour b) In-role Service Behaviour c) OCB-O d) OCB –I and e) IRB and f) quit.	Partially supported
H5 = there will be a positive association between POS and a) extra-role customer behaviour b) In-role customer behaviour c) OCB-O d) OCB –I e) IRB and f) a negative association with quit intent.	Partially Supported
H6 = POS will mediate the relationship between HRM and a) extra-role service behaviour b) In-role Service Behaviour c) OCB-O d) OCB –I and e) IRB and f) quit.	Partially Supported
H7 = There will be a negative association between Work Intensification and a) extra-role customer behaviour, b) In-role customer behaviour. c) OCB-O d) OCB –I e) IRB and f) a positive association with intention to quit.	Rejected
H8 = Work Intensification will mediate the relationship between HRM and a) extra-role service behaviour b) In-role Service Behaviour c) OCB-O d) OCB –I and e) IRB and f) quit intent.	Rejected

**Table 10: Results of Hierarchical Regression for the Effects of HRM Mediated by Empowerment**

Variable	Extra-role customer behaviour			In-role customer behaviour		
	□	□	□	□	□	□
<i>Step 1</i>						
Org tenure	-.02*	-.02	-.02	-.05	-.04	-.04
Gender	.05	.03	.03	.05	.03	.03
Age	.25**	.13	.09	.26**	.14	.09
$\Delta R^2$	.06***			.06***		
<i>Step 2</i>						
HRM		.46***	.34***		.47***	.35***
$\Delta R^2$		.19***			.21***	
<i>Step 3</i>						
Empower			.20***			.21**
$\Delta R^2$			.02**			.02**
Final $R^2$			.28			.29
F	7.77***	30.48***	27.05***	7.4***	32.19***	28.90***

\*  $p < 0.05$ ; \*\*  $p < 0.01$ ; \*\*\*  $p < 0.001$ .

$N = 358$  Note Standardised regression coefficients are shown

Sobel test (3.1392,  $p = 0.002^{**}$ )

(3.3431,  $p = 0.001^{**}$ )

(table continues)

**Table 11: Results of Hierarchical Regression for the Effects of HRM Mediated by Empowerment**

Variable	OCB-O			OCB-I		
	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$
<i>Step 1</i>						
Org tenure	.16	.17*	.17*	-.04	-.03	-.03
Gender	.05	.02	.02	.04	.01	.01
Age	.04	-.07	-.10	.24**	.12	.08
$\Delta R^2$	.05**			.05***		
<i>Step 2</i>						
HRM		.43***	.34***		.47***	.36***
$\Delta R^2$		.17***			.21***	
<i>Step 3</i>						
Empower			.15*			.19**
$\Delta R^2$			.01*			.02**
Final $R^2$			.23			.28
F	5.73**	24.38***	20.80***	6.20***	30.82***	27.21***

\*  $p < 0.05$ ; \*\*  $p < 0.01$ ; \*\*\*  $p < 0.001$ .

$N = 358$  Note Standardised regression coefficients are shown

Sobel test (2.2926,  $p = 0.022^*$ )

(3.0758,  $p = 0.002^{**}$ )

(table continues)



**Table 12: Results of Hierarchical Regression for the Effects of HRM Mediated by Empowerment**

Variable	IRB			Quit intent		
	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$
<i>Step 1</i>						
Org tenure	.04	.04	.04	-.11	-.11	-.12
Gender	.04	.01	.01	-.14**	-.11*	-.11*
Age	.15	.02	-.02	-.18*	.04	.00
$\Delta R^2$	.04*			.11***		
<i>Step 2</i>						
HRM		.48***	.37***	.	-.51***	-.39***
$\Delta R^2$		.22***			.24***	
<i>Step 3</i>						
Empower			.18**			-.20**
$\Delta R^2$			.02**			.02**
Final $R^2$			.27			.37
F	4.57**	30.44***	26.55***	14.59***	47.59***	41.50***

\*  $p < 0.05$ ; \*\*  $p < 0.01$ ; \*\*\*  $p < 0.001$ .

$N = 358$  Note Standardised regression coefficients are shown

Sobel test (2.8675,  $p = 0.004^{**}$ )

Sobel test

(3.3311,  $p = 0.001^{**}$ )

(table continues)

**Table 13: Results of Hierarchical Regression for the Effects of HRM Mediated by Empowerment**

Variable	Empower	
	$\beta$	$\beta$
<i>Step 1</i>		
Org tenure	.	-.05
Gender	.04	.01
Age	.37***	.21**
$\Delta R^2$	.14***	
<i>Step 2</i>		
HRM	.	.60***
$\Delta R^2$		.33***
Final $R^2$	.	.47
F	18.81***	78.41***

\*  $p < 0.05$ ; \*\*  $p < 0.01$ ; \*\*\*  $p < 0.001$ .  
regression coefficients are shown

$N = 358$  Note Standardised

**Table 14: Results of Hierarchical Regression for the Effects of HRM Mediated by Perceived Organisational Support**

Variable	Extra-role customer behaviour			In-role customer behaviour		
	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$
<i>Step 1</i>						
Org tenure	-.02	-.02	-.03	-.05	-.04	-.04
Gender	.05	.03	.012	.05	.03	.03
Age	.25**	.13	.13	.26**	.14	.09
$\Delta R^2$	.06***			.06***		
<i>Step 2</i>						
HRM		.46***	.36***		.47***	.36***
$\Delta R^2$		.19***			.21***	
<i>Step 3</i>						
POS			.14*			.17**
$\Delta R^2$			.01*			.01**
Final $R^2$			.26			.28
F	7.77***	30.448***	25.65***	7.6***	32.19***	27.62***

\*  $p < 0.05$ ; \*\*  $p < 0.01$ ; \*\*\*  $p < 0.001$ .

$N = 358$  Note Standardised regression coefficients are shown

Sobel test (2.229,  $p = 0.026^*$ )

(2.6323,  $p = 0.008^{**}$ )

(table continues)

**Table 15: Results of Hierarchical Regression for the Effects of HRM Mediated by Perceived Organisational Support**

Variable	OCB-O			OCB-I		
	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$
<i>Step 1</i>						
Org tenure	.16	.17*	.16*	-.04	-.03	-.03
Gender	.05	.02	.02	.04	.01	.01
Age	.04	-.07	-.07	.24**	.12	.12
$\Delta R^2$	.05**			.05***		
<i>Step 2</i>						
HRM		.43***	.34***		.47***	.39***
$\Delta R^2$		.17***			.21***	
<i>Step 3</i>						
POS			.13			.12
$\Delta R^2$			.01			.01
Final $R^2$			.22			.26
F	5.73**	24.38***	20.40***	6.20***	30.82***	25.50***

\*  $p < 0.05$ ; \*\*  $p < 0.01$ ; \*\*\*  $p < 0.001$ .

$N = 358$  Note Standardised regression coefficients are shown

Sobel test (1.9215,  $p = 0.054$ )

(1.8157,  $p = 0.069$ )

(table continues)

**Table 16: Results of Hierarchical Regression for the Effects of HRM Mediated by Perceived Organisational Support**

Variable	IRB			Quit intent		
	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$
<i>Step 1</i>						
Org tenure	.00	.04	.04	-.11	-.12	-.09
Gender	.04	.01	.01	-.14**	-.11*	-.08*
Age	.15	.02	-.02	-.18*	-.04	-.05
$\Delta R^2$	.04**			.11***		
<i>Step 2</i>						
HRM		.48***	.401***		-.51***	-.15**
$\Delta R^2$		.22***			.24***	
<i>Step 3</i>						
POS			.12			.53***
$\Delta R^2$			.01			.14***
Final $R^2$			.26			.49
F	4.57**	30.44***	25.32***	14.59***	47.59***	68.54***

\*  $p < 0.05$ ; \*\*  $p < 0.01$ ; \*\*\*  $p < 0.001$ .

$N = 358$  Note Standardised regression coefficients are shown

Sobel test (1.2739,  $p = 0.203$ )

Sobel test

(8.555,  $p = 0.000$ \*\*\*)

(table continues)

**Table 17: Results of Hierarchical Regression for the Effects of HRM Mediated by Perceived Organisational Support**

Variable	POS	
	$\beta$	$\beta$
<i>Step 1</i>		
Org tenure	.05	.06
Gender	.09	.06
Age	.17	-.01
$\Delta R^2$	.06***	
<i>Step 2</i>		
HRM	.	.68***
$\Delta R^2$		.42***
Final $R^2$	.	.48
F	7.65***	83.27***

\*  $p < 0.05$ ; \*\*  $p < 0.01$ ; \*\*\*  $p < 0.001$ .

$N = 358$  Note Standardised regression coefficients are shown

**Table 18: Results of Hierarchical Regression for the Effects of HRM Mediated by Work Intensification**

Variable	Extra-role customer behaviour			In-role customer behaviour		
	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$
<i>Step 1</i>						
Org tenure	-.02	-.02	-.02	-.05	-.04	-.04
Gender	.05	.03	.03	.05	.03	.03
Age	.25**	.13	.13	.26**	.14	.14
$\Delta R^2$	.06***			.06***		
<i>Step 2</i>						
HRM		.46***	.46***		.47***	.47***
$\Delta R^2$		.19***			.21***	
<i>Step 3</i>						
WORKINT			-.01			-.01
$\Delta R^2$			.00			.00
Final $R^2$			.25			.27
F	7.77***	30.448***	24.32***	7.46***	32.19***	25.68***

\*  $p < 0.05$ ; \*\*  $p < 0.01$ ; \*\*\*  $p < 0.001$ .

$N = 358$  Note Standardised regression coefficients are shown

Sobel test (0.1489,  $p = 0.882$ )

(0.1776,  $p = 0.859$ )

(table continues)

**Table 19: Results of Hierarchical Regression for the Effects of HRM Mediated by Work Intensification**

Variable	OCB-O			OCB-I		
	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$
<i>Step 1</i>						
Org tenure	.16	.17*	.17*	-.04	-.03	-.03
Gender	.05	.02	.02	.04	.01	.01
Age	.04	-.07	-.06	.24**	.12	.12
$\Delta R^2$	.05**			.05***		
<i>Step 2</i>						
HRM		.43***	.42***		.47***	.47***
$\Delta R^2$		.17***			.21***	
<i>Step 3</i>						
WORKINT			-.05			-.02
$\Delta R^2$			.00			.00
Final $R^2$			.22			.26
F	5.73**	24.38***	19.69***	6.20***	30.82***	24.62***

\*  $p < 0.05$ ; \*\*  $p < 0.01$ ; \*\*\*  $p < 0.001$ .

$N = 358$  Note Standardised regression coefficients are shown

Sobel test (0.9314,  $p = 0.352$ )

(0.30,  $p = 0.697$ )

(table continues)



**Table 20: Results of Hierarchical Regression for the Effects of HRM Mediated by Work Intensification**

Variable	IRB			Quit intent		
	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$	$\beta$
<i>Step 1</i>						
Org tenure	.04	.04	.04	-.11	-.12	-.12
Gender	.04	.01	.01	-.14**	-.11*	-.10*
Age	.15	.02	.02	-.18*	-.04	-.05
$\Delta R^2$	.04*			.11***		
<i>Step 2</i>						
HRM		.48***	.48***	.	-.51***	-.50***
$\Delta R^2$		.22***			.24***	
<i>Step 3</i>						
WORKINT			-.03			.06
$\Delta R^2$			.00			.00
Final $R^2$			.26			.35
F	4.57**	30.44***	24.37	14.59***	47.59***	38.41***

\*  $p < 0.05$ ; \*\*  $p < 0.01$ ; \*\*\*  $p < 0.001$ .

(table continues)

$N = 358$  Note Standardised regression coefficients are shown

Sobel test (0.5903,  $p = 0.555$ )

Sobel test

(1.164,  $p = 0.244$ )

**Table 21: Results of Hierarchical Regression for the Effects of HRM Mediated by Work Intensification**

Variable	WORKINT	
	$\beta$	$\beta$
<i>Step 1</i>		
Org tenure	.10	-.10
Gender	-.19***	-.18***
Age	.15	.22*
$\Delta R^2$	.08***	
<i>Step 2</i>		
HRM	.	-.23***
$\Delta R^2$		.05***
Final $R^2$	.	.47
F	10.79***	13.19***

\*  $p < 0.05$ ; \*\*  $p < 0.01$ ; \*\*\*  $p < 0.001$ .

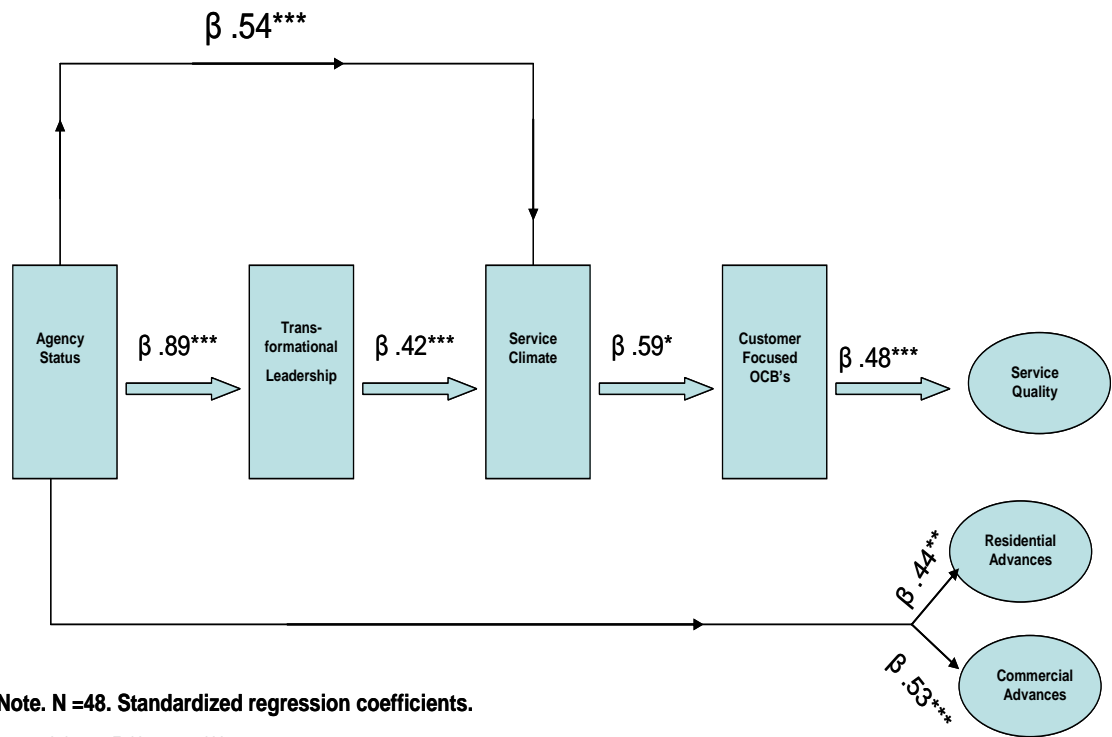
$N = 358$  Note Standardised regression coefficients are shown

## 5.4 Hypotheses Model 2 - Unit level analysis

As outlined in the previous chapter table 7 presents' means, standard deviations, correlations among the variables, and alpha reliabilities for the measures and table 8 the path analysis for Model 2. H9 stated that agency status predicts unit level transformational leadership. Agency status significantly relates to transformation leadership ( $r = .89$ ,  $p < .001$ ) and accordingly Hypothesis 9 is fully supported. H10 outlines that transformational leadership is positively associated with unit level service climate, this is proven with transformational leadership to service climate ( $r = .42$ ,  $p < .001$ ). H10 is also fully supported. H11 states that unit level service climate mediates the relationship between the transformational leadership and customer focused OCB, ( $r = .59$ ,  $p < .01$ ). In a strict interpretation of Barron and Kenny (2005) as there is no direct effect from transformational leadership, mediation is ruled out. However, Seibert et al, (2004) state that it is only a relationship that is required between the mediator and independent variable and between the mediator and dependent variables are necessary, to justify if some form of transmission effect or indirect relationship as accepted by Mathieu and Taylor (2006). Accordingly, whilst the hypothesis 11 is not supported, it is partially supported. Finally H12, unit level customer focused behaviours, mediates the relationship between service climate and performance outcome 1) service quality ( $r = .48$ ,  $p < .01$ ); hypothesis is proven.

Interestingly the analysis also gave additional results that were not hypothesised. The results found that agency status also predicted service climate ( $r = .54$ ,  $p < .001$ ) and agency status also predicted commercial and residential advances where  $r = .44$ ,  $p < .01$  and  $r = .53$ ,  $p < .001$ ). These issues will be discussed in the next chapter. Model 2a on the next page illustrates the above results and table 22 provides a summary of the findings.

## Model 2a – Unit Level study results



**Table 22: Summary of the findings for Model 2 – Unit level study**

H9: Agency status is positively associated with unit manager transformational leadership.	Fully supported
H10: Unit manager transformational leadership is positively associated with unit-level service climate.	Fully supported
H11: Unit-level service climate mediates the relationship between unit manager transformational leadership and individual employees customer focused behaviours.	Fully supported
H12: Unit level customer focused behaviours mediate the relationship between unit-level service climate and 1) unit level service quality, 2) residential advances 3) commercial advances 4) cross sales.	Partially supported

## 5.5 Tests for difference

Outlined below in table 23 and table 24 are tests for the significance of difference in means to support claims of differences between the managed and franchised branches. The branch managers' survey (appendix 2) was utilized to run tests on both HRM

practices (18 questions) in the outlets as well testing for differences in the leadership (28 questions) between the two different organizational forms. The responses to the manager survey measure the managers' perceptions of various dimensions of the human resource management practices at the particular branch. For example, questions asked the managers to indicate the number of tests that staff have prior to joining the outlet asking them to assess their own leadership style. Equal variances were not assumed in the test because of the unequal numbers of staff within the outlets. The findings outline that in over 80% of the cases there is significant differences between the branches and branch agents. A total of 13 out of the 18 employment practices differ significantly between company owned and franchised units. Company owned score higher on five employment practices and on two leadership styles. Company owned score higher in HRM on areas such as grievance procedures and providing strategic direction and in leadership in the area of considering employee feelings. More detailed discussion on these differences will be outlined in the next chapter.

Also, given the results that empowerment mediates between HRM and attitudes and given that the correlation regressions suggested that feelings of empowerment are significantly lower in the managed branches; t-tests were conducted to test this. The tests for the four dimensions of empowerment are set out in table 25 and 25a and show that TBAs were significantly more empowered.

**Table 23: Means, standard deviations and tests for significance of HRM between Branches and TBAs**

<b>Managers survey, section A.</b>	<b>Mean TBA</b>	<b>Mean Branch</b>	<b>Standard Deviation TBA</b>	<b>Standard Deviation Branch</b>	<b>Significance</b>
One or more employment tests administered prior to hiring.	85.67	85.00	27.76	30.00	.937
Hold non-entry level jobs as a result of internal promotions.	9.83	37.78	19.94	27.34	.001**
Promotions are primarily based upon merit or performance as opposed to length of service.	96.33	82.85	9.64	28.31	.043*
Hired following intensive / extensive recruiting.	80.17	77.50	31.31	27.12	.750
Are involved in programmes designed to elicit participation and employee input (e.g. problem-solving or similar groups).	22.00	13.00	32.71	17.80	.216
Access to a formal grievance and / or complaint resolution system	83.50	96.30	17.10	11.80	.003
Provided with operating performance information	93.20	91.00	10.12	14.10	.558
Provided with financial performance information.	91.70	64.30	12.27	23.47	.000***
Provided with information on strategic plans.	35.00	94.25	37.90	9.90	.000***
Receive formal performance appraisal and feedback on a regular basis.	95.00	68.75	9.65	20.89	.000***
Receive formal performance appraisal feedback from more than one source (i.e. from several individuals such as supervisors, peers etc).	93.44	3.50	11.02	11.82	.000***
Rewards are partially contingent on group performance (e.g. profit-sharing, branch bonuses).	25.33	94.00	39.52	13.53	.000***
Pay is based on a skill or knowledge-based system (rather than a job based system); i.e. pay is primarily determined by a person's skill or knowledge level as opposed to the particular job they hold.	95.50	37.50	6.61	22.39	.000***

Intensive / extensive training in organisation-specific skills (i.e. task or organisation specific training).	12.50	50.00	17.55	16.54	.000***
Intensive / extensive training in generic-specific skills (i.e. problem solving, communication skills).	85.33	29.00	25.53	17.44	.000***
Training in a variety of jobs or skills (“cross-training”).	89.83	25.00	15.61	19.80	.000***
Routinely perform more than one job (are “cross utilised”).	95.00	28.65	8.09	16.34	.000***

**Table 24: Means, standard deviations and tests for significance of Leadership practices between Branches and TBAs**

<b>Managers survey, section B.</b>	<b>Mean TBA</b>	<b>Mean Branch</b>	<b>Standard Deviation TBA</b>	<b>Standard Deviation Branch</b>	<b>Significance</b>
I act without considering employees' feelings.	1.63	2.15	.66	1.08	.068
I insist on only the best performance.	6.57	5.70	.50	.86	.000***
I inspire others with my plans for the future.	6.26	5.30	.69	.80	.000***
I encourage employees to be "team players".	6.63	5.35	.49	.67	.000***
I give staff special recognition when their work is very good.	6.63	4.80	.49	1.05	.000***
I commend staff when they do a better than average job.	6.67	4.95	.47	.75	.000***
I provide staff with a clear understanding of where we are going.	6.57	5.30	.54	.65	.000***
I lead by example.	6.56	5.55	.68	.89	.000***
I ask questions that prompt staff to think.	6.60	5.60	.49	.82	.000***
I am always seeking new opportunities for the Branch.	6.63	5.50	.67	.83	.000***
I foster collaboration among work groups.	6.57	5.15	.82	1.23	.000***
I treat staff without considering their personal feelings.	3.27	3.35	1.70	1.31	.846
I have ideas that have challenged staff to re-examine some of their basic assumptions about their work.	6.33	5.05	.61	1.05	.000***
I personally compliment staff when they do outstanding work.	6.73	5.30	.45	.80	.000***
I behave in a manner which is thoughtful of staffs' personal needs.	6.70	5.40	.47	.82	.000***
I paint an interesting picture of the future for our Branch.	6.63	5.45	.49	.83	.000***
I show respect for staffs' personal feelings.	6.73	5.25	.44	.85	.000***
I get the group to work together for the same goal.	6.70	5.45	.53	.83	.000***



I develop a team attitude and spirit among employees.	6.63	5.55	.56	.83	.000***
I always give positive feedback when staff perform well.	6.63	5.40	.56	.82	.000***
I provide a good model for staff to follow.	6.70	5.50	.53	.83	.000***
I will not settle for second best.	6.63	5.45	.56	.88	.000***
I show employees that I expect a lot from them.	6.53	5.55	.57	.83	.000***
I lead by “doing”, rather than simply by “telling”.	6.53	5.60	.63	.75	.000***
I have stimulated staff to rethink the way they do things.	6.63	5.65	.49	.88	.000***
I challenge staff to think about old problems in new ways.	6.70	5.50	.47	.89	.000***
I frequently do not acknowledge good performance.	6.57	4.10	1.14	1.59	.000***
I am able to get others committed to my dream.	6.73	5.40	.45	.99	.000***

**Table 25: Independent Samples Test Empowerment**

		Levene's Test for Equality of Variances		t-test for Equality of Means			95% Confidence Interval of the Difference			
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
<b>MEANE</b>	<b>Equal variances assumed</b>	25.275	.000	11.638	356	.000	1.07802	.09263	.89586	1.26018
	<b>Equal variances not assumed</b>			11.167	269.230	.000	1.07802	.09654	.88795	1.26809
<b>COMPE</b>	<b>Equal variances assumed</b>	5.515	.019	11.496	356	.000	1.02350	.08903	.84840	1.19860
	<b>Equal variances not assumed</b>			11.127	281.028	.000	1.02350	.09199	.84243	1.20457
<b>SELFDE</b>	<b>Equal variances assumed</b>	9.818	.002	8.881	356	.000	1.27449	.14350	.99227	1.55670
	<b>Equal variances not assumed</b>			9.216	353.944	.000	1.27449	.13829	1.00250	1.54647
<b>IMPACTE</b>	<b>Equal variances assumed</b>	1.385	.240	5.720	356	.000	.67222	.11752	.44111	.90334
	<b>Equal variances not assumed</b>			5.720	323.240	.000	.67222	.11753	.44101	.90344
<b>EMPOW</b>	<b>Equal variances assumed</b>	.506	.477	11.304	356	.000	1.01206	.08953	.83598	1.18813
	<b>Equal variances not assumed</b>			11.159	307.274	.000	1.01206	.09070	.83359	1.19053

**Table 25a: Group Statistics**

	<b>TBA</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Std. Error Mean</b>
<b>MEANE</b>	1.00	207	6.0515	.75864	.05273
	2.00	151	4.9735	.99370	.08087
<b>COMPE</b>	1.00	207	6.0081	.75287	.05233
	2.00	151	4.9845	.92963	.07565
<b>SELFDE</b>	1.00	207	5.3849	1.46352	.10172
	2.00	151	4.1104	1.15131	.09369
<b>IMPACTE</b>	1.00	207	4.6457	1.09775	.07630
	2.00	151	3.9735	1.09850	.08939
<b>EMPOW</b>	1.00	207	5.5225	.80654	.05606
	2.00	151	4.5105	.87614	.07130

**5.6 Model 3- Multi Level analysis – Results**

Means, standard deviations, correlations and item-level alphas are shown in table 26.

Alphas were acceptable, all exceeding .8.

**Table 26: Individual-level means, standard deviations, correlations and reliabilities**

	Mean	Standard deviation	1	2	3	4	5	6	7	8
1	Gender	.76	.43							
2	Team Leader	.16	.37	-.11*						
3	Dyad tenure	6.10	4.44	.24***	.22***					
4	Conscientiousness	5.38	.62	.12*	.17**	.28***	.86			
5	Transformational leadership	5.30	1.03	.09	.19***	.21***	.44***	.97		
6	Psychological empowerment	5.08	.97	.12*	.26***	.36***	.52***	.64***	.93	
7	Service climate	3.94	.71	.16**	.13*	.11*	.50***	.72***	.68***	.87
8	Customer-focussed behaviors	3.81	.88	.12*	.22***	.19***	.35***	.51***	.44***	.51***

*Note.*  $N=342$ . Reliability coefficients are shown on the diagonal.

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

Consistent with the H13, franchised units had more favourable unit-level service quality performance than directly-managed units, with a higher mean score for franchised units (83.25) than for directly-managed units (79.008), which was statistically significant according to an independent samples t-test ( $t = 2.476$ ;  $df = 46$ ;  $p = .017$ ). This provides no evidence that franchisees were free riding on the quality reputation of the chain by allowing their own service quality levels to fall; quite the reverse.

**Table 27: Unit-level hierarchical regression analysis**

Independent variable	Dependent variable: Transformational leadership	Service climate		Service quality (t+1)	
Unit size (employment)	.01	.02	.02	-.17	-.04
Service quality (t)	-	-	-	.41**	.28*
Franchised status	.89***	.92***	.54***	-	-
Transformational leadership			.42**	--	--
Customer-focused behaviors					.39**
$\Delta R^2$	.80***	.83***	.04***	.19*	.13**
$R^2$	.80***	.83	.87***	.19*	.32**

*Note.*  $N=48$ . Standardized regression coefficients.

†  $p < .10$ ; \*  $p < .05$ ; \*\*  $p < .01$ ; \*\*\*  $p < .001$ .

H14 suggested that leaders of franchised units would show higher levels of transformational leadership behaviours. An independent samples t-test of the difference in transformational leadership between franchised and directly-managed units was consistent with this ( $t = 13.34$ ;  $df = 46$ ;  $p = .000$ ). Also consistent with this was the first column of the unit-level regression analysis shown in table 27, which controls for unit size in a simple regression of transformational leadership on the dummy variable franchised status ( $\beta = .89$ ;  $p < .001$ ).

Also according to the findings in table 27, franchised status was positively associated with service climate ( $\beta = 0.92$ ;  $p < .001$ ). With transformational leadership also entered, franchised status was still significant but with a smaller coefficient ( $\beta = 0.54$ ;  $p < .001$ ), and transformational leadership was itself significantly associated with

service climate (beta = 0.42;  $p < .01$ ). These findings provide support for H18, suggesting that unit-manager transformational leadership partially mediated the relationship between franchised status and unit-level service climate. The significance of the mediation effect was confirmed by a Sobel test (test statistic = 3.36; two-tailed  $p < .001$ ).

**Table 28: HLM analysis for the antecedents of employee psychological empowerment**

Independent variable	Null model	Model 2	Model 3	Model 4
<b>Level 1</b>				
Constant	5.09*** (0.23***)	5.02*** (0.35**)	4.54*** (0.14*)	3.10*** (0.11 <sup>†</sup> )
Gender		0.00 (0.22)	-0.04 (0.15)	-0.03 (0.12)
Team leader		0.39** (0.12)	0.39** (0.13)	0.41** (0.13)
Dyad tenure		0.05*** (0.00)	0.06*** (0.00)	0.06*** (0.00)
Conscientiousness		0.55*** (0.02)	0.43*** (0.05)	0.43*** (0.05)
<b>Level 2</b>				
Unit size (employment)			0.01	0.01
Franchised status			0.79***	0.35 <sup>†</sup>
Transformational leadership				0.32**
ICC	0.25			
<b>Within-group</b>				
residual variance	0.70	0.40	0.38	0.39
R <sup>2</sup> Level 1 model		0.43		
R <sup>2</sup> Level 2 intercept model			0.61	0.73
Model deviance	906.77	748.56	701.05	695.82

*Note.*  $N=342$  for level 1.  $N=48$  for level 2. Unstandardized co-efficients with robust standard errors. Estimates of the random error variance components in parentheses.

<sup>†</sup>  $p < .10$ ; \*  $p < .05$ ; \*\*  $p < .01$ ; \*\*\*  $p < .001$ .

Moving on to the HLM analysis of the antecedents of employees' psychological empowerment (table 28), the findings from the null model, with no predictors included, provided an ICC of .25, suggesting that 25 percent of the variance in psychological empowerment resided at the inter-unit level. Adding the individual-level control variables explained 43 percent of the level 1 variance, with team leader status ( $\gamma = .39$ ,  $p < .01$ ), dyad tenure ( $\gamma = .05$ ,  $p < .001$ ), and conscientiousness ( $\gamma = .55$ ,  $p < .001$ ) all positively associated with psychological empowerment. Adding the level 2 predictors,

unit size and franchised status, explained a total of 61 percent of the inter-unit variance in psychological empowerment, but with only franchised status being significantly (positively) associated with the empowerment of employees in a unit ( $\gamma = .79, p < .001$ ). The final model in table 28, which added unit-level transformational leadership, accounted for a total of 73 percent of the inter-unit variance in psychological empowerment. In this model, transformational leadership was positively associated with empowerment ( $\gamma = .32, p < .01$ ), whilst the coefficient on franchised status was reduced in size and was significant only at the 10 percent level ( $\gamma = .35, p < .10$ ). Taken along with the finding of a significant association between franchise status and transformational leadership, these findings suggest that leadership partially mediated the relationship between franchised status and psychological empowerment, confirmed by a significant Sobel test (test statistic = 2.897; two-tailed  $p < .005$ ), providing support for H15.

Table 29 provides the results of the analysis of the antecedents of individual-level employee customer focused behaviours. Beginning with the null model, the ICC suggested that 38 percent of the variance in the dependent variable resided at the inter-unit level. In model 1, adding the individual-level control variables accounted for 30 percent of the level 1 variance in employee customer focused behaviours, with team leadership status ( $\gamma = .54, p < .001$ ), dyad tenure ( $\gamma = .02, p < .10$ ), and conscientiousness ( $\gamma = .24, p < .01$ ) positively associated with the dependent variable. Adding the level 2 predictors in model 3 explained 76 percent of the inter-unit variance in employee customer focused behaviours. Franchised status was positively ( $\gamma = .78, p < .001$ ), and the control variable unit size negatively ( $\gamma = -.02, p < .05$ ), associated with employee customer focused behaviours. Model 4 added transformational leadership and model 5 added service climate, but neither of these was significant. Finally, model 5 added psychological empowerment as an additional individual-level predictor. This proved to be statistically significant ( $\gamma = .16, p < .01$ ), whilst the coefficient on franchised status was no longer significant ( $\gamma = .58, p > .10$ ). Taken in conjunction with the earlier finding of a positive association between franchised status and psychological empowerment, this suggests that empowerment mediated the positive relationship between franchised status and individual employee-customer focused behaviours. Whilst the direct effect of transformational leadership on customer focussed behaviour was not significant, the effect from leadership to empowerment and from empowerment to customer-focused behaviour were significant, suggesting that there is an “indirect relationship” (Mathieu

and Taylor, 2006). Overall, there is evidence to support the role of individual psychological empowerment as a mediator, as suggested by H16 with a significant Sobel test (test statistic = 2.031; two-tailed  $p < .05$ ). However, the non-significance of service climate in model 5 of table 29 suggests that, contrary to H18, unit-level service climate did not mediate the relationships between franchised status and unit manager transformational leadership on the one hand and individual-level customer-focussed behaviours on the other.



**Table 29: HLM analysis for the antecedents of employee customer-focused behaviours**

Independent variable	Null model	Model 2	Model 3	Model 4	Model 5	Model 6
<b>Level 1</b>						
Constant	3.83*** (0.30***)	3.68*** (0.35**)	3.38*** (0.08)	3.74*** (0.07)	3.07** (0.08)	3.52** (0.15)
Gender		0.10 (0.13)	0.11 (0.19)	0.10 (0.19)	0.11 (0.18)	0.07 (0.14)
Team leader		0.54*** (0.15)	0.64*** (0.12)	0.64*** (0.12)	0.64*** (0.12)	0.48*** (0.11)
Dyad tenure		0.02 <sup>†</sup> (0.00)	0.01 (0.00)	0.01 (0.00)	0.01 (0.00)	0.01 (0.00)
Conscientiousness		0.24** (0.02)	0.17* (0.01)	0.17* (0.02)	0.17* (0.01)	0.09 (0.02)
Psychological empowerment						0.16** (0.04)
<b>Level 2</b>						
Unit size (employment)			-0.02*	-0.02*	-0.02	-0.01
Franchised status			0.78***	0.89**	0.67*	0.58
Transformational leadership				-0.08	-0.19	-0.00
Service Climate					0.35	
ICC	0.38					
Within-group residual variance	0.50	0.35	0.34	0.34	0.34	0.30
R2 Level 1 model		0.30				0.39
R2 Level 2 intercept model			0.76	0.79	0.77	
Model deviance	809.04	732.15	708.45	708.29	707.03	687.28

Note.  $N=342$  for level 1.  $N=48$  for level 2. Unstandardized coefficients with robust standard errors. Estimates of the random error variance components in parentheses.

<sup>†</sup>  $p < .10$ ; \*  $p < .05$ ; \*\*  $p < .01$ ; \*\*\*  $p < .001$ .

Finally, H19 is supported by the final column of our unit-level regressions in table 29, which showed a positive association between unit-level customer focused behaviour and unit-level service quality performance (beta = 0.39;  $p < .01$ ), after controlling for unit size and service quality in the previous year.

## **5.7 Conclusion**

In conclusion this chapter outlined the hypotheses that were tested in the three models. In the case of model 1 the hypotheses were examined in the third step of the hierarchical process, while the progression through the hierarchical steps enabled the author to gain insights on the relative importance of the mediating variables. Many of the results, though significant are modest, however they are generally in line with similar studies for service industries and for their effect size (Castrogiovanni et al, 2006). Service firms differ for example from manufacturing firms in terms of physical products and in the manner of the methods of production and delivery (Li, 1994; Edgett and Parkinson, 1993) and in relation to their entrepreneurial capabilities (Forsman, 2011), therefore comparisons with other sectors prove to be difficult to make (Jones et al, 2010). These correlations are supported by t-tests comparing company owned and franchised units. There are significant differences in the employment practices and leadership domains between both settings. In model two the author followed the unit path analysis set out by Schneider et al (2005) that begins with agency status and progresses through intermediate links (unit's leader's service focused behaviour - service climate- customer focused organisational citizenship behaviour) to service quality and sales. Here it is found that there were significant relationships amongst the variables that are proximal to each other. Finally, a third model was introduced, a multi level model which investigated the impact of franchise status on leadership, employee behaviours and unit level service quality performance. Here it was found that franchised units had higher levels of service quality performance than directly managed units. The next chapter will now discuss the findings of the three models.

## **Chapter 6:**

### **Discussion and Conclusions**

## Chapter 6: Discussion and Conclusions

This chapter discusses the findings and contributions of the research. It also sets out the limitations of the study and what the implications of the study are for management at EBS. Possibilities for future research are also discussed.

The purpose of the study was to understand what makes Tied Agencies of EBS Building Society higher performers than wholly owned branches of the Society.

A number of research questions emerged from the overall aim. These questions are:

- What role does HRM and leadership play within the retail network of the EBS towards improving organisational outcomes?
- How does HRM work within a franchise outlet when compared to the wholly owned outlets of the EBS?
- What changes are required in HRM practices and leadership development to increase organisational performance in the future?

Most empirical works on HRM-performance links have concentrated on manufacturing companies (e.g. Appelbaum et al, 2000). In contrast, research on service sector firms is rarer - the notable exceptions in banking being Bartel's (2004) study of a Canadian Bank and Delery and Doty's (1996) study of senior human resource executives in US banks. The study of firms in the service sector is important as the nature and scope of the gains from the use of HRM practices may not be universal but instead may be expected to vary by sector. Specifically, this study finds evidence that the HRM and leadership environment matters to business performance in EBS as both are performance enhancers for the organisation, for example, that franchised branch managers invest in their franchises through their leadership and HRM efforts. It is the intensity of HR or leadership practices that indirectly drives organizational performance.

To the best of the authors' knowledge, this study is the first to look into a range of HR practices and leadership styles in plural systems at both the level of the individual and the unit. It is also the first to explain differences in HR performance between franchised and company owned units in Ireland. By choosing an empirical setting of one large plural system, I have been able to systematically compare key people behaviours in both

settings using the same business format, in the same industry, in practically the same context. In the former chapter, I presented the findings, but to provide a deeper understanding of the nature and causes of the differences found, these results will be discussed in more detail in this chapter.

A closer look at the differences on the level of individual practices shows that both franchised and company-owned units recruit individuals in the same way to work within their outlets but it is what the franchises are doing with these new recruits, once in the franchise, that is different. Compared with EBS company owned units, we see that franchised units score significantly higher on the use of practices that assist performance within the outlets. TBA staff score higher on getting feedback on the performance of the outlet and on their work and are better equipped within the branch to assist the team because of more intensive training in a variety of jobs and skills. The HRM practices seem to be deliberate choices at the local unit level, aimed at adaption to the local market and at motivating employees by rewarding them for their skills and knowledge.

The analysis also outlines that there is a higher bureaucratization of HR practices in company-owned units that do not actively lend themselves to high intensity of performance. The data clearly shows that the company manned branches do more organisational training and more strategic planning than the agencies and relate more to the formal corporate HRM processes like grievances than staff in the franchises. Equally when examining the leadership differences between the two groups of managers it is interesting that in the company manned outlets, managers only score higher in the 'considering employee feelings' and 'showing respect for staffs' personal feelings'. This more 'compassionate' style supports the links to standardization and formality of HRM practices expected from large corporate structures due to the availability of a HR infrastructure and greater range of personal supports that can be in place. Consistent with Cappelli et al (2008) the research finds that franchises make greater use of the HRM practices, like having a great emphasis on multi-skilling with performance, and this is the real driver of their success.

To further understand performance in this dual distribution Irish building society the study explored three theoretical models. The first focused at the level of the individual employee in EBS retail network and examined the impact of perceptions of HRM practices on important employee behaviours. Moreover, in an effort to explain what the

linkages are between HRM and employee behaviour, the first study examined three competing mediators of HRM, specifically, 1) Social Exchange, 2) Empowerment and 3) Work Intensification to explain and to ultimately learn if one had a greater explanatory power than the other. The second, an aggregated study at branch level, sought to examine causal relationships between leadership and service quality with unit level OCBs and unit level performance and the third, a multi level model which investigated the impact of franchised status on leadership, employee behaviours and unit level service quality.

It is intended that the research will assist in the development of a set of HRM practices or refinement of existing ones for the betterment of people performance within EBS and within the broader financial services environment. In addition, the study has acquired a greater and urgent currency in recent times due to the crises in the Irish banking sector. It is stating the obvious to say that over the last three years the world financial system and particularly, but not exclusively, the world banking system has suffered crises as bad as any since the stock market crashes of 1929 and the various banking crises that followed. As a result, banking systems in many countries are suffering from an impaired ability to play their vital role in credit extension to the real economy. The Irish banking system is no different, and is on a life-support system since the Government startled the financial world by announcing, on September 30, 2008, a two-year blanket guarantee of the liabilities of Irish-controlled banks, apparently triggered by the inability of one bank to roll-over its foreign borrowings.

The cause of the problem was classic: too much mortgage lending (financed by heavy foreign borrowing by the banks) into an unsustainable housing price and construction boom. The boom seemed credible to enough borrowers given sharply lower interest rates, the adoption of the euro on top of the protracted expansion in output, employment and population especially from the mid-1990s. Although most economists foresaw – and many forecast – a severe correction in the price of housing, few confidently predicted bank solvency problems because public information about loan-to-value ratios and additional securities taken by lenders was sketchy. It is within this context that EBS is seeking to survive as a workable banking institution and senior management there have taken a renewed interest in this study. They believe that some valuable insights from the work will feed into its review of its retail business model and potentially shape the society's proposition for the future.

## 6.1 Model 1 – Individual Level Analysis

In recent times, the main priority of human resources management (HRM) research has been to identify HRM practices (Pfeffer, 1994), bundles of practices (Dyer and Reeves, 1995), work systems (Huselid, 1995; Lepak, Liao, Chung and Harden, 2006) or other configurations of either practices or policies (Delery and Doty 1996) which are likely to have a positive effect on organisational performance (Youndt, Moynihan and Allen, 2005). Yet the results in the extensive body of literature have been deemed unreliable because of the absence of a common link between HRM practices and organisational performance (Truss, 2001; Boselie, Dietz and Boon, 2005). At best there is a degree of convergence in the studies suggesting that HRM has an effect on organisation performance. Scholars have highlighted the necessary integration of HRM and business strategy (Truss and Gratton, 1994; Boswell, 2006) and this study has turned to the effects of this integration of business approach of franchising in EBS, to examining the role that HRM practices on individual employee attitudes and behaviours (Zacharatos, Barling and Iverson, 2005, Kuvaas, 2008) and importantly, it has shown how this positive relationship between supportive human resources practices and individual employee outcomes are mediated by key employee attitudes and behaviours.

The results of this study demonstrate positive findings of HRM's effectiveness in achieving desirable employee attitudes. Specifically, H1 suggested that there would be a positive association between HRM and a) extra-role customer behaviour b) In-role customer behaviour c) OCB-O d) OCB –I and e) IRB and f) a negative association with quit intent. H1 was proven. The findings outline that HRM predicts six outcomes (OCB-O, OCB-I, Extra-role customer behaviour, In-role customer behaviour, IRB and Quit intent) fully and where HRM practices were significantly associated with customer service behaviour, a) extra-role customer behaviour b) In-role customer behaviour. We know from Hoffman and Kelley's (1994) study, of the positive outcome of customer servicing employees on pro-social service behaviours and the positive outcome in terms of customer satisfaction. Human resource practices promote employees achieving their objectives, and to reciprocate the organisation employees engage in cooperative behaviour towards the customer and this 'underlines the mutuality inherent among the parties' (Sun et al, 2007). The tests, for significance of difference, show that company manned branches score less favourably on HR practices as there is, in the author's

opinion a higher level of bureaucratization of HR practices in them. The franchises use the 'performing' HR practices to drive a performing culture within their outlets.

This study also found that HRM had a positive association with OCB-O, OCB-I and IRB. This positive and significant relationship points to HRM's considerable effectiveness in achieving desirable employee behaviours. Given the well established findings of the relationship between OCBs and group effectiveness (Podsakoff and MacKensie, 1997), and the recognised acknowledgement of its influence on organisational success (Organ, 1988; Podsakoff and MacKensie, 1997), it's clear that HRM, with its relationship with OCB-O, OCB-I and IRB is contributing to the positive outcomes in the retail network and if leaders create a high service climate, OCB becomes the norm.

While findings with regard to WI indicate that HRM practices have, as predicted, a negative association with quit intent, it does demonstrate for employees in EBS that the organisation, through these HRM practices, are supporting them. The 3 mediating paths will now be discussed.

## **6.2 Mediating Path 1 - POS**

The relationship between an organisation and its employees was conceptualised as involving social exchange where 'imperfectly specified terms' (Redman et al, 2010) and the norms of reciprocity created an environment whereby high levels of POS are thought to create obligations within individuals to repay the organisation, (Van Dyne, Graham and Dienesch, 1994).

Following a review of the literature a set of hypotheses were developed to test this theory and three out of the six hypotheses for social exchange theory were proven. Specifically for POS, H2 outlined 'that there will be a positive association between HRM and 1) POS. This was supported and consistent with previous research, theoretical justification exists as to why employees believe that HRM is indicative of organisations commitment to them, (Shore and Wayne, 1993; Wayne et al, 1997). It may well be that employees who are experiencing organisational support are more willing to perform acts of OCB and as a result, organisational situations in general are more deserving of discretionary assistance. It is also suggesting that such HRM practices are seen by the



staff as supportive and demonstrating that the unit / organisation is concerned for their welfare.

H4 stated that there will be a positive association between POS and a) extra-role service behaviour b) In-role Service Behaviour c) OCB-O d) OCB –I and e) IRB and f) a negative association with quit intent. Contrary to the hypothesis (H4), it was found that there was no positive association between POS and three dimensions of OCB, while there was a negative association with quit intent. There was a positive association between service related OCBs (Extra-role customer behaviour and In-role customer behaviour) and POS suggesting that employees may believe that the best way to reciprocate organisational support is through the performance of behaviours that the organisation attempts to specify and manage, i.e. customer satisfaction as measured by mystery shopper. In addition, employees reciprocate high levels of support through aligning their values and beliefs more closely with those of the organisation (i.e., identify with the organisation) and as a standard mode of behaviour in an organisation, service-oriented OCB motivate employees to share tacit knowledge (Sun et al, 2007).

Regarding H7, ‘POS will mediate the relationship between HRM and a) extra-role service behaviour b) In-role Service Behaviour c) OCB-O d) OCB –I and e) IRB and f) quit intent’ the results outline that there is partial mediation on both extra and in-role service behaviour and POS fully mediates intention to quit. POS does not mediate c) OCB-O d) OCB –I and e) IRB. There are a number of possible reasons for this.

First, the result may be due to the nature of organisational support, which some researchers have considered to have two dimensions - social / emotional support and career-related support (e.g. Rousseau and Tijoriwala, 1998). In other words as the measures of POS do not explicitly ask respondents to answer in terms of actual organizational support relative to a promised level of organizational support, potentially, the items in the POS scale more closely resemble social/emotional support than career-related support, although Eisenberger et al (1986) have argued differently.

Second, there may have been different understandings of perceptions of organisational support due to the fact that while that the same HRM practice is in place in an outlet, they can have different meaning for individuals (Gould-Williams et al, (2005). This is not to say, however, that organisational support is unimportant. On the contrary, POS

was found to be directly and significantly related to customer related OCBs and indirectly associated with OCB performance (H4). The performance of OCBs is clearly not the only means of building customer satisfaction. Indeed, citizenship behaviours explained on average of 1% of the variance in the customer related behaviours (Cservexer, Cservinr).

Third, since POS did not fully mediate the relationship between HRM and OCBs, (OCB-I, OCB-O, and IRB) it suggests perhaps that the significant relationship of POS with those behaviours that are customer related could potentially be a function of different customer-oriented behaviours not measured in this study. Notwithstanding this, the main reason is there are other paths, which have been found and therefore it is partial and not full.

Fourth, as mentioned earlier, having goal/value congruence between employees and the organisation might explain why employees demonstrate higher levels of customer OCBs. It may therefore, albeit not measured here, suggest that the relationship between POS and OCB was based on employees' interest in performing behaviours that reciprocated the support they received from the organisation.

In the main the results are consistent with social exchange theory, supporting the proposition that positive exchanges result in reciprocal individual responses. It shows the appropriateness of studying social exchange theory and performance in tandem with job behaviours and viewing POS as a meaningful mechanism through which to understand this linkage. In particular, Eisenberger et al (1990) reported that POS can influence these discretionary behaviours. In this study, it is seen that POS partially mediates the relationship between HRM and OCBs It further shows that HRM has a strong association with work outcomes mediated by perceived organisational support, suggesting that such practices as seen by employees as demonstrating that the organisation within which they work are concerned about their welfare and values their contribution.

### **6.3 Mediating Path 2 – Empowerment**

The results offer support for a positive association between HRM and Empowerment (H2) and between Empowerment and the five organisational citizenship dimensions while negatively associated with intention to quit (H3). As previously mentioned, there is evidence supporting a relationship between HRM and empowerment (Lee and Koh, 2001), and a study done by Allen, Shore and Griffeth (2003) provided evidence supporting a positive relationship between HRM and OCB. Therefore it was further hypothesised (H6) that the positive association between HRM and OCB was going to be mediated by empowerment. The results of this study found mediations to be full and significant. When added as a mediator, empowerment explained variances over 20% between HRM and OCB in the model, implying its essential influence. This reflects an ‘intrinsic motivation’ model of HRM, where there is no apparent reward except the activity itself. This is how HRM works in the EBS retail network.

The findings confirmed a fully mediating effect from variables reflecting an ‘intrinsic motivation’ model of HRM and the analysis reveals that staff who perceive their employer’s HRM positively show that it is by the generation of the sense of empowerment. This is the route that works better for service outcomes and is consistent with previous studies by Kanter (1983), Thomas and Velthouse (1990), Spreitzer (1995) and Gwinner, Bitner, Brown and Kumar (2005). Empowerment tends to leverage productivity of workers by engaging workers in a more responsible as well as a more responsive manner with the overall impact being working ‘smarter’ (Becker and Gerhart, 1996; Whitfield and Poole, 1997) for higher performance.

As empowerment refers to the degree of authority an employee has to make decisions around his / her job, the results show that more employee’s in franchised outlets are willing to take up more responsibility, face new challenges and be creative, increases the greater the likelihood that more citizenship will be displayed. These results show that organisation policies and managerial practices regarding how work is carried out could override or limit an individual’s ability and willingness to decide how to go about their job. This explanation underlies the notion that feelings of empowerment are specific to the work place (Spreitzer, 1995) rather than global as defined by Thomas and Velthouse (1990) and in the context of this study are important, given the link to Model 3, which will be discussed later in this chapter.

Results of this study suggest that empowerment mediates between HRM and the attitudes of followers. It can therefore be concluded that HRM has influence on followers' attitudes through its effect on empowerment. The findings are significant for empowerment in this study as it is the strongest mediator suggesting that individuals in the franchised outlets experience their work tasks as meaningful rather than trivial believing that they have the competency to participate effectively and see their suggestions followed up and supported by management. The findings suggest that what really differentiates staff between the franchised and non-franchised outlets is how they respond to the experience of empowerment. Specifically the results showed that, for franchised staff, empowerment was more strongly associated to both behaviours within the branch and those that are concentrated at the customer.

It is generally felt that the empowering process needs line management and supervisors to adopt a more facilitative, involved approach to the management of employees (Block, 1987). Therefore franchises are providing quicker responses to customers needs during service delivery. Customers want a quick response and even before greeting potential customers, empowered employees in the franchised outlets are confident that they have all the necessary resources at their command. Although delivering good service may mean different things to different customers, all customers feel that service businesses ought to fix an issue when service is delivered improperly. Many retail banking services fail in the act of recovery because staff are frequently not empowered to fix the issue (IBM, 2007).

A third finding of this study lies in the importance that empowerment gives to the work environment that provides employees with the behavioural latitude to engage in OCBs. There are a number of managerial implications that derive from this. First, it is clear that the extra responsibilities associated with high job autonomy can prove onerous. Employees in the franchised outlets care about their power to make job related decisions. Well-designed training programs are important to ensure that employees have the ability to accommodate such responsibilities. There is clear evidence from company records within EBS, that staff from the franchises have a greater pattern of attendance at company arranged training courses than their branch colleagues. Second, managing employees' job autonomy goes hand in hand with reward system structure. It is important that employees are paid according to the level of delegated responsibility and

the remuneration policy in both branch settings reflects this. Third, comprehensive dissemination of information is important within highly autonomous workplaces. Information reinforces employees' ability to perform within an autonomous work environment and helps clarify their contribution to service operations.

#### **6.4 Mediating Path 3 - Work Intensification (WI)**

Observations were put forward at the outset of this study that the higher performance by the TBAs was as a result of the franchise managers pushing their staff more than those in the organisation manned outlets. As described in classical formulations by Marx and more recently by Braverman (1974), the conventional work system is characterised by the effort to remove decisions concerning the job from the discretion of the worker and to vest task control exclusively in management. While the labour process approach developed a slightly different form of critique for the modern workplace in the 1980s and 90s, the evolved version of the theory now recognises a different kind of work (and often cooperative) relationship between management and employees. However, where it differs is in how it understands the consequences of HRM on workers in terms of their work experience. Many argue that employee involvement and new-found job discretion is a myth (Clegg, 1990; Harley, 1999). Instead, it is argued that the end result of high levels of workplace participation and expectation is likely to be gradual WI, job insecurity and work stress.

This study supports an opposing view. If employees believed that they are working under extremely stressful conditions as the labour process theory suggested, then a reduction in OCB / IRB, lower customer satisfaction, more work and increased turnover and intention to quit would be evident especially during the boom years. On the evidence of the findings in this case study, LPT does not explain the findings. The author hypothesised that there would be a negative association between WI and five outcomes e.g. OCBO, OCBI etc and a positive association between WI and Intention to quit. These were proven. The hypothesised mediation of WI failed to be supported in these findings, casting doubt on the 'low road' interpretations of the HRM-outcomes relationship. Essentially, workers in EBS outlets internalise these practices and see that they are beneficial to their well-being, as well as to the organisation, they embrace the working environment in a particular way and interpret their experience positively. In this study, the relationship between HRM and WI is negative and significant, showing

that HRM is playing an active part in reducing work intensity - meaning that working hard does not necessarily lead to less discretionary effort or job stress. Indeed, there is strong evidence that paying attention to employees' intrinsic job motivation will make a real and fundamental difference in creative outcomes and makes the difference between what an individual can do and will do, (Zang et al, 2010).

Importantly, the main issue in this study is that HRM reduces WI and does not increase it, at least in EBS. This is due to the nature of the exchanges employees receive from their HRM practices and results in them engendering higher levels of employee effort at work because of the benefits to them.

Despite the concerns of labour process theorists that HRM can yield negative consequences for employees and act as contextual stressors that result in an intensification of job demands (Kroon et al, 2009; Goddard, 2001; White et al, 2003; and Ramsay, Scholarios and Harley, 2000) a key contribution of this work is to raise questions about LPT and its explanatory power. How work might be organised so as to benefit employers and employees has been a central question in social science throughout the last century. HRM in the eyes of the labour process analysts is still a tool to maximise capitalist profit through de-skilling and direct management control (Braverman, 1974). However, with the emergence of a version of HRM with its explicit emphasis on involvement and commitment, the 'Taylorist' form of critique is considered, according to the author, less relevant to what is happening at the workplace in EBS today.

## **6.5 Contributions – Individual Level Study**

The model supports the literature in suggesting that employees may reciprocate employer treatment by adjusting their obligations to the desires of their employer (Coyle – Shapiro, 2004) and employees, especially those who are good citizens, may broaden their definition of in-role and extra-role behaviours if they feel doing so is necessary (Morrison, 1994). The findings also reveal encouraging support for HRM's direct and indirect effects in achieving desired employee behaviours and attitudes.

The mediated relationship between HRM and employee behaviours observed in the study sheds some light on the various intervening processes in a franchised

organisation. As outlined, the supporting theoretical explanations drawn from social exchange and motivational frameworks fit the data best. This research indicates that empowerment mediates the relationship between commitment – based HR systems and in-role and extra-role behaviours. In other words, when a firm adopts HRM practices that support its employees, in the form of decision making and problem solving, empowerment is identified. These findings not only support previous research, (Thomas and Velthouse, 1990; Wright and Boswell, 2002, Yao and Cui, 2010), but also provide a possible explanation as to how HRM influences service worker’s role behaviours in a franchised service organisation.

Likewise, the effects of the partial mediation by POS reflect, to a degree, social exchange and indicate the importance of social exchange by processes for employee’ attitudes and behaviours at work. POS predicts the degree to which individuals integrate such behaviours within this domain into their formal roles. These results support the view that employees’ organisational citizenship behaviours are stronger when they perceive that the organisation is committed to, and supportive of them. While researchers “exploring employees’ perceptions of perceived organisation support have proposed such relationships but rarely explored them empirically” (Whitener, 2001, p530) this study contributes to the literature by demonstrating that strong relationship. Furthermore this finding not only supports previous findings, but also provides a possible explanation as to how HRM influences customer facing role behaviours. The results support the thesis that POS impacts OCB role towards the customer and suggest that social exchange with an organisation is very important for an individual employee to feel obligated and decide whether or not to broaden the perceptions of the in-role requirements with respect to customer service. The empirical results confirm the importance of social exchange, based on promises or expectations rather than being contractual. In addition, in franchised work environments where a stronger service climate exists as highlighted by mystery shopper results, employees are more likely to view service oriented citizenship behaviour as part of their formal role responsibilities. It also supports calls from previous scholars to explore the mediating mechanisms of POS as an important antecedent of employees displays of OCB (Chen and Chiu, 2009, p489).

Research carried out by Cappelli et al (2008) supports the findings that franchisees are closer to the high performance model than to the scientific management command and

control model as they made greater use of specific HR related activities (Cappelli et al, 2008).

A few methodological strengths increase the confidence in the results. Acquiring information from five distinct sources and eliminating common method bias is a considerable strength of the study. Common method bias was avoided by using different sources (i.e. employees and their managers) to measure independent variables (i.e. HRM) and a dependent variable (i.e. OCB) and hard branch data. The study however also used perceptual measures. The author, following Spreitzer (1996), favoured this approach as people react to their perceptions, and by measuring these perceptions by means of a self-report process, insights can be gained into how people relate to the constructs of interest. This position was also supported by the franchises within EBS and assisted in achieving buy-in from the cohort of retail banking staff. Additionally, consistent with the literature, to understand the dynamics within organisations, a multi level approach was taken (Mohrman et al, 1992: Spreitzer, 1995) and attending to this enables a fuller realisation of the interaction effects (Chen et al, 2007) to be realised.

There is evidence of organisations which have managed to successfully implement empowerment practices and reap the benefits of it. Cunningham, Hyman and Baldry (1996), researched 20 empowering organisations and found that empowerment practices were more common in the manufacturing and production industry than in the retail, banking and telecommunications field. Therefore, the present study contributes to this body of knowledge by exploring the role of empowerment in a franchised retail financial institution.

Organisations can make an impact on their investment in human resources and this study explored three competing candidates, each acting in their own way. This research supports these hypothesis and they predicted all of the behaviours and all of the outcomes. This study contributes to the literature on the mediating mechanisms as this is the first study of its kind to investigate the mediation role of the three variables in a franchised organisation and contributes to the understanding of the 'black box' mediating phase between HRM and its impact on workplace performance.

When the service climate is weaker, this relationship is not found (Wang, 2009). TBAs have consistently scored higher in their customer satisfaction scores when compared



against EBS-run branches and this highlights the importance of relationships and associated behaviours as a source of competitive advantage. The results suggest that desired work behaviours, both those that conform with and those that extend beyond what is specified in the employment contract, are associated with the nature of the relationship with the supervisor. The more the relationship, or exchanges, between the manager and their respective teams, the better the performance in terms of expected and 'extra' citizenship behaviours. Although the study has found a positive association between empowerment and POS and citizen behaviour, consistent with other studies (Shore and Wayne, 1993; Wayne, Shore and Liden, 1997; and Organ, Podsakoff and MacKenzie, 2006) the current study shows, consistent with Wang (2010), that high-quality employment relationships contribute to expanded service-oriented citizenship role definitions when market-focused HRM practices were implemented.

## **6.6 Model 2 – Unit Level Analysis**

From the individual level analysis the study found that it was empowerment that had the strongest impact on OCBs and mediated the relationship between HRM and citizenship. Learning about the primary effects, employee perceptions of their behaviour was the focus of Model 1. However there was a need to link employee perceptions to their behaviour and from those to individual or group-level outcomes that influence unit performance, and upwards to company-level performance (Guest, 1997). In Model 2, the author sought to link these individual behaviours to performance outcomes in EBS. Much of the literature on the services sector outlines the importance of leaders in influencing employees attitudes in their contact with customers through service encounters (Stock and Hoyer, 2005; Liao et al, 2008; Schneider et al, 2005). This study, building on this literature (Guthrie, 2000; Sun et al, 2007), revealed leadership practices to be related to the organisation performance indicators of retail sales and customer satisfaction.

All of the hypothesised direct links between variables in the model proved significant. Agency status was significantly related to unit-level transformational leadership ( $\beta$  .89\*\*\*), transformational leadership to unit-level service climate ( $\beta$  .42\*\*\*) (Service Climate, to Customer focused OCBs ( $\beta$  .59\*) and individual employee customer focused behaviours ( $\beta$  .48\*\*\*) to Unit Level service quality. Discussing each hypothesis in turn, H9 stated that agency status predicts unit-level transformational leadership.

This suggests that franchising allows or gives the freedom to be one's own style of leader. They are responsible for the vision and execution of business within each of their respective outlets and this autonomy encourages transformational leadership.

In H10, unit manager transformational leadership was found to positively associate with Unit-level service climate ( $\beta$  .42\*\*\*). This finding is consistent with research where effective leadership is associated with empowering and assisting frontline subordinates to understand how to deliver the best service (Hui et al, 2007). It also provides insights into how service climate in a franchised retail banking organisation emerges. Results indicate that managers' transformational leadership, as perceived by employees, offers a framework in which employees believe they work in a branch where a strong climate of service exists. The staff share similar perceptions of service climate as their leaders, who emphasise the importance of service quality and will be especially likely to do things (e.g. support or reward employees) necessary to create a climate for service.

H11 argues that unit-level service climate mediates the relationship between the unit manager transformational leadership and individual employee customer focused behaviours, this received support and the strength of the mediation did reach traditional significance levels ( $\beta$  = .59\*,  $p < .05$ ). The results unexpectedly showed that it was the tied agents who were themselves creating the climate for service because of their interest in their business. They were not just emphasising its importance but actually doing the things that are necessary to deliver this climate by removing obstacles to service delivery and setting clear standards that can be followed in these branches.

Finally in H12, it was stated that unit-level customer focused behaviours mediate the relationship between unit-level service climate and 1) unit-level service quality, 2) residential advances 3) commercial advances 4) cross sales. This hypothesis received only partial support as service climate had a direct impact with service quality only. These findings are consistent with Schneider et al, (2005) who outlined that it is citizenship behaviours in a unit as a whole, (here behaviour reported by managers) that impacts organisational outcomes (Koys, 2001; Podsakoff and MacKenzie, 1997).

## **6.7 Contributions of the Unit-Level Analysis**

Firstly, a contribution of this study to research on the climate-customer satisfaction link was the inclusion of data from a franchised organisation offering a different contextual setting from previous studies in this area. Importantly in this study, support for the causal chain in services similar to Schneider et al, (2005) has been found and the findings confirm something we already know by supporting the small number of studies that have suggested a positive impact on group or unit performance is as a result of transformational leadership (e.g., Bass, Avolio, Jung, and Berson 2003; Geyer and Steyrer 1998; Howell and Avolio, 1993; and Howell, Neufeld, and Avolio, 2005). However, this study goes beyond that of Schneider et al, (2005) in that it found that the direct impact on climate in units, where performance is high, was as a result of leadership. This is evidenced by the unexpected result that showed that the tied agents themselves are directly boosting mortgage sales. Therefore, it extends transformational leadership theory in the service context and builds on Liao and Chung's (2007) work by showing how leadership works: the franchisees are themselves creating the climate in units where performance is high.

Secondly, this research demonstrates a dual effect that is new, and which is new for franchise performance and new for leadership. This shows how franchising works and how leadership works. The franchisees individually are driving the business and delivering results in the form of 'pipeline' advances in both residential and commercial. Importantly, the findings imply that without a franchise structure in place in EBS, this perhaps would not be happening to the same extent.

Thirdly, for the franchise literature, this study contributes significantly to the limited literature on the operation of franchising systems by discussing leadership in this setting. The research sheds light on franchise performance and supports calls by Morrison, (1997) Fulop and Forward (1996) and Cappelli and Hamori, (2008), for greater understanding and emphasis on research in Europe and the UK as the highest proportion of investigations into franchising to date have been undertaken in the United States. This study does this and could prove to be a fertile ground for examining key people related issues.

Fourth, the findings are also consistent with recent research on OCB (Bommer et al, 2003) showing that it is citizenship behaviour in a unit as a whole- here, behaviour reported by unit managers – that impacts organisational outcomes. That is not to say that service climate only affects OCB, nor is it to say that OCB is the only type of employee behaviour at unit level that affects customer satisfaction.

Fifth, the findings are also consistent with the service linkage research, which has demonstrated that, through front-line employees' service behaviours, internal organisational management transforms employees service behaviours into desirable external customer orientation. This suggests that customers are responsive to service employees' display of behaviours that is significantly associated with customer satisfaction.

Sixth, the findings detail that agency status and the actions by the individual agents themselves play a very significant role in the business performance of EBS building society. The unit level model has shown that the franchisees are directly creating the climate in the high performing outlets and directly seeking pipeline business in both the commercial and residential lines. The findings show that leadership matters in organisations and that franchising is an important organisational form from which this leadership can be grown.

A further contribution of the current study is that the author was able to bring together, in a European context, the multiple stakeholders of a financial services organisation profit chain (Heskett et al, 1997) – managers, employees and customers – and simultaneously examine the manager employee interface, the employee attitudes – employee performance interface, and the employee – customer interface (Liao et al, 2007). This thesis demonstrates that “an integration of the management, psychological and service climate literature enhances our understanding of how leadership, employee performance, and the psychological processes within an organisation influence customer outcomes” (Liao et al, 2007, p1015).

Finally, in assessing the financial and service performance data over a four-year period, this study is the first to examine such data in a franchised financial organisation in Ireland. Moreover, the bottom line of commercial organisations depends on how service is delivered at the front-line and how sales are made. These findings reveal the extent to

which senior leaders themselves influence both the climate and sales within EBS and this is perhaps why human capital appears to play such a significant role in the performance of franchise firms (Pennings, Lee and Van Witteloostuijn, 1998).

## **6.8 Contributions of the Multi-Level Analysis**

This model began with the observation that franchising may provide a solution to the vertical agency problem, with franchisees outperforming employed managers due to their residual claim on profits and so exerting greater effort in managing their unit (Rubin, 1978; Michael, 2002). It also noted a possible horizontal agency problem, as franchisees may seek to maximize their private returns by free riding on the brand image and quality reputation of the chain (Kidwell et al, 2007). Evidence of the latter effect is seen in the negative association between the proportion of franchised units in a chain and customer perceptions of quality (Michael, 2000), suggesting that franchising is bad for quality. However, it was argued that this negative side of franchising depends on the scope for free riding on the quality reputation and brand image of the chain, and that this is only likely to be significant where customers normally “shop around” different units of the chain. In contrast, where customers tend to remain loyal to a specific unit, as was the case in the research site, there is less likelihood of a free rider problem since individual franchisees have an incentive to maintain high levels of quality and service in order to maximize their sales and profit.

The findings provide evidence of this, with franchised branches having significantly higher levels of service quality performance than directly-managed units. It appears that this was attributable in part to the more strongly transformational leadership of franchisee managers, relative to their directly-employed counterparts. This in turn is reflected in a more positive service climate in franchised units, and in higher levels of psychological empowerment and customer-focussed behaviours amongst employees of such units. In the findings, as mentioned earlier in this chapter, it was psychological empowerment, rather than service climate, that mediated the relationship between franchised status and transformational leadership on the one hand, and employee customer-focused behaviour on the other, suggesting that the key effect of the transformational leadership of franchisee managers comes through the impact on the psychological empowerment of individual employees rather than on the service climate of their unit. Nevertheless, the overall level of customer-focused behaviour in a unit was

positively associated with unit-level service quality. Overall, the research found no evidence that franchising is necessarily bad for quality. In fact, the reverse was true in the study, and the findings provide some insights into the management process involved.

## **6.9 Limitations of the Study**

All of the findings should be interpreted in light of the limitations of the study. First, the sample is based only on one Irish organisation which may limit the potential generalisability of the findings and is a ‘liability because it would yield outcomes that appear weaker than if a wider sample of organisation was taken’ (Schneider, et al 2005). EBS is one of the smaller financial institutions in Ireland and has previously been characterised as ‘an organisation that never expanded with the times’ (Sunday Independent, 2007). Whether similar results, particularly with regard to the position of HRM as a predictor of the outcomes, would be found in a different financial institution or franchise organisation would be an interesting area of further research.

In addition to the concerns about generalisability, the study suffers from several technical limitations. First, the research design has many strengths including multiple sources and a partial longitudinal element. Franchised status was a factual category taken from company records and in all cases units’ franchise or non-franchise status was determined several years before the study. Unit manager transformational leadership, service climate, psychological empowerment, and the individual-level control variables were collected in an employee survey, with employee customer focussed behaviours assessed by supervisors two weeks later. Unit-level service quality data was controlled for the twelve months leading up to the survey period, with service quality for the twelve months following the survey used as the dependent variable. Having said that, the author does not have a true longitudinal design, so we must be cautious in making causal inferences. Future studies with a true longitudinal design would certainly be worthwhile.

Second, the use of branch managers’ ratings of OCB rules out common method bias of the self-reported employee attitudes and behaviour survey. However, our mediator variables (Perceived organisation support, work intensification and empowerment) came from the same employee questionnaire as the HRM variable raising the possibility

of common method bias in the relationship between these variables. To reduce common method variance in the future researchers should strive to obtain employee performance evaluations from multiple raters, including employees themselves, peers and customers, as each of these sources can explain unique variance in performance measures (Atwater, Ostroff, Yammarino, and Fleenor, 1998).

Third, quantitative research designs cannot gauge entirely the critical process of how HRM and leadership works. Qualitative case study methods may provide deeper employee-generated insights into the details of HRM. Indeed, the domain of HRM and leadership implemented in EBS includes a wide variety of management and human resource activities. Our survey measure could not include all possible practices, activities and policies and so there may be some missing factors that might provide a more compelling explanation, particularly when one looks at the types of relationships required for high customer satisfaction.

Fourth, an important message that should emerge from this study is that service quality measures involve a complex blend of price, convenience, value, and quality of service in the mystery shopper scorecard and while consistent with marketing literature (Berry, 1995; Oliver, 1997) these measures do not include service limitations, such as mistakes made, customer complaints etc (Barger and Grandey, 2006).

Another limitation, in the unit level model was the focus on front-line managers in both settings. Leadership in any financial institution is more than just leadership at the operational or point of sales level. Leadership requires strategic input, focus and a vision and while the contribution from within the retail network was considerable, the further collection of data from senior management and directors of the society may have given different results.

Further, because there was only one administration of the survey, the researcher was unable to investigate how for example social exchanges develop over time. This clearly limits the degree to which causal inferences can be made.

In addition, the analysis, taken at a time of great economic boom in Ireland, indicates that the appropriate comparisons between countries is a relatively important point given the significance of national economic conditions for performance at firm level. Future

studies should be designed to differentiate between cyclical economic conditions and other institutional conditions and this would require a longitudinal design ideally with several time points and potentially other geographical areas.

Notwithstanding these limitations, the findings in all three models do place both HRM and leadership in a context that sheds light in some service context at least, on their respective involvement in explaining outcomes.

## **6.10 Managerial Implications**

Both the research and business practice speak extensively about the critical importance of firms developing and implementing a service orientation and protecting the brand of the organisation. For management, this study demonstrates the relevance of social exchange relationships in developing that orientation among customer facing-employees in retail banking. The findings highlight the significant impact of organisational support and organisational identification on both OCBs and service quality. It gives support to staff and they reciprocate in kind, passing the goodwill on to customers. The positive relationship between OCBs and service quality is especially noteworthy. Businesses in the past have, a priori, sought to specify customer-oriented behaviour in order to account for service variability and, ultimately, service quality. It now seems that encouraging extra-role behaviours among customer contact personnel is a viable approach to building service quality and indeed sales. There is some irony in this finding as, by their very nature, OCBs are difficult to elicit and manage. Nonetheless, managers should begin to signal to employees that such behaviours are particularly desirable as they contribute significantly to overall business performance. Accordingly, managers at all levels within the society should seek to implement best practice employee engagement activities that can be measured. The inclusion of OCBs into the formal appraisal process on a pilot basis in EBS would be a positive step in the employee development cycle. That said, practitioners must pay careful attention to who provides ratings when they are factored into performance appraisal as many citizenship behaviours may not be seen by branch managers. Becton et al (2007), in examining the potential consequences of formally incorporating citizenship behaviour in performance appraisal and reward systems, suggested that it will help organisations avoid the problems associated with trait-biased appraisals.



Reward structures that incorporate both behavioural criteria (e.g., employee participation and helping) and outcome criteria (e.g., sales volume and growth) might help to encourage employee performance of OCBs (Netemeyer et al, 1997). The author suggests that managers who want to achieve competitive advantage by enhancing workers' knowledge in-role and ensure a wider range of extra-role behaviours and their potential contribution to organisational performance behaviour should consider restructuring their compensation structures. Specifically, rewards could be linked to customer services indicators such as customer satisfaction or retention or based on overall firm performance (e.g. profit sharing, gain sharing). There is also now a need to have built in longer term perspectives before any rewards are crystallised for payment. Reward structures for many EBS manned branches could mirror that of the franchised units and a notional commission for business written could be paid to them. Finally, while it may be evident that all of the manned branches should convert to franchises, the location, control and union resistance to such a proposition would make the total conversion extremely difficult.

A supportive work environment is clearly decisively important for encouraging employee reciprocity of in-role customer-oriented behaviour, as well as for socialising employees in the company's values and objectives. High-involvement work systems (e.g., extensive training, supervisory support, participative climate, employee empowerment) may help strengthen employee-organisation relationships (e.g. Spreitzer, 1996). Service firms can train supervisors who frequently interact with front line staff and improve their relationships with individual employees (Scandura and Graen, 1984). Therefore, EBS should design training programmes for their branch managers that improve their skills in critical areas, such as improved communication and feedback to employees. These kinds of communication and feedback skills can them lead to higher quality relationships (Wang, 2009).

Further recruitment procedures may also provide an opportunity to select employees with the greatest propensity to display citizenship behaviours (Morrison, 1996) as they play a valuable role in ensuring greater organisational identification among employees. In addition, the manner in which an organisation communicates its overall philosophy may affect the type of relationship that is established between an organisation and its employees and the level of organisational identification that is engendered as a consequence. This may include conveying to employees that they are valued by the

organisation as long-term assets of the business and by broadcasting the support EBS gives to its staff. In addition to designing jobs that are meaningful to contact employees, this may also involve communicating the central role that boundary-spanning employees play in creating customer and organisational value (Bowen and Carlzon 2002).

Greater integration across the boundaries of the retail business between the franchised staff and their corporate associates in the form of cross pollinated learning's will assist in defining the people management practices proposition. Within these relationships, HRM practices "can be used as a means to an end of the power retention by the franchisor" (Truss, 2004, p73) thus allowing the employer loosen interventions to suit its purposes.

In contrast, for tied branch agents who already have a high level of compliance, they can further enhance their staff extra-role behaviours by sponsoring career development and mentoring programmes in order to nurture and maximise knowledge workers' positive experiences. However, the scope and role of such training would need to be carefully selected.

This study has shown that HRM works through empowerment. However, with the benefit of hindsight on the financial recklessness that occurred in Irish financial institutions with the Irish Government bailing out the banks, (including EBS), one cannot but be sensitive to the recent introduction of tighter controls in funding business and the impact that these new decisions will have on business and the people who work within them. Especially if one considers the types of HRM practices that might have previously nurtured empowerment behaviours, substantial preparation may be required to ensure an appropriate balance is achieved to overcome the trade-offs that are now required to such practices (Werner, 2000). The evidence suggests that greater, and not less, focus on empowerment may be required to alleviate these risks. While the immediate cause of most was adverse market moves, the fundamental problem was culture (Olson et al, 2008) and many financial institutions had a corporate culture (and to a degree still have) that was incapable of confronting irresponsible behaviour. Therefore are there limits to empowerment in banking? Perhaps empowerment fails to take sufficient account of the importance of contextual factors on business outcomes?

Indeed, for the many claims of the benefits of empowerment and the variety of forms it can take (Lashley and Mc Goldrick, 1994) this study suggests, given all that has occurred over almost the last two decades, that empowerment may be curvilinear. The poor performance of some branches in 1993-95 required conversions to a franchised model and over the next fifteen years their subsequent performance increased exponentially. Therefore, did those converted branches have too little empowerment when they changed status and now, given what has developed within the franchised arm, do they now have too much? Many of the outcomes that the high performing franchise branches displayed are now recognised, post financial crises, as the reverse side of a well-established and well understood empowered workplace. Unfortunately, insufficient data exists to examine this issue.

In this context what are the implications for EBS and their senior management team? Clearly, this line of examination should lead to changes for EBS franchised outlets as they are re-shaped in light of the organisation's current difficulties. Such changes, though potentially very significant, must be considered tentative at this stage as this proposition is not yet supported with empirical evidence and has not been tested. Even with empirical support for our propositions, links to firm performance would need to be clarified.

The findings of the unit level model for example, show that it is the franchisee managers by creating the service climate that have the greater entrepreneurial orientation. Presumably, therefore it could be assumed that EBS knew what they were doing and acted rationally when selecting people as franchisees. Unfortunately this was not the case but based on that assumption, and what we know now, it is proposed that EBS explicitly consider these implications when reviewing their retail network model.

Also, in light of the findings in the multi level model, franchisors would be advised to evaluate carefully the extent to which their customers tend to shop around units or are loyal to particular units in the chain. In the latter case, contrary to what is seen in the literature for industries such as restaurants and hotels (Mitchell, 2002), franchised units may deliver superior levels of service quality, underpinned by the transformational leadership of the franchisee and employees' empowerment and customer-focused behaviour. This implies that where there is customer loyalty to the specific unit,

franchising may be an appropriate organizational form even in more service quality-sensitive markets.

Given the fact that the franchise business has performed better than the company manned branches over the course of the study, a suggested course of action is to convert the entire network to a franchised model. The franchisees offer a proven business format and reduced risk for the society and at a time when the financial sector is undergoing such a period of extensive change and where restrictions are in place regarding the supply of capital, it offers more scope to focus on service standards within a new retail network. This study has shown that the dual system works because it keeps both managers and franchisees in check solving the hierarchical and horizontal agency problems. However when customers shop around there is less of a problem of free riding by franchises so therefore could one franchise them all? Careful negotiation will be required however with the respective trade unions as there will be no alternative 'branch' to which staff could transfer given that the locations of the remaining branches are stand alone outlets with some considerable distance from other EBS locations or head-office.

## **6.11 Future Research**

It is still a little strange that after a century of formal study of work organisations and their employees we continue to ponder the question what is performance? Difficulties in making this performance real have been well defined, both at the individual (Austin and Villanova, 1992) and the organisational level of analysis (Bourgeois, 1980; Venkatraman and Ramanujam, 1986). Werner (2000) in examining these implications clearly sets out that further research on organisational citizenship and organisation performance can and should be integrated into HRM practices and believes that further work is needed to link these efforts together.

Little research has focused on the differences between franchisees and employee managers. Instead, it has been assumed that franchisees differ from the standard workplace in that they more closely resemble entrepreneurs than do organisational employees (cf. Stanworth, 1995). As this is the first known study of HRM and leadership in a franchised organisation in Ireland, at both at individual and unit level further studies focused at the franchisee are sorely needed, both to resource practices

and to test the implications of hypotheses related to HRM and leadership, greater unbundling of HRM, within a wider cohort and across a wider geographical area. Too often, researchers seem to have attempted to draw micro-level conclusions from macro-level analyses and in other cases, researchers have based organisational level predictions on assumptions about individual behaviour. Castrogiovanni et al (2006), for example, drew on agency assumptions of managerial opportunism to predict that a greater proportion of units would be franchised for multinationals than for single-country firms. While such studies might have significantly contributed to our understanding of franchising when they were undertaken, we should now move on to test their individual inferences and assumptions (cf. Yin and Zajac, 2004).

Prior research on service performance has also been fragmented and traditionally has focused on either an organisational level or individual level (Liao and Chuang, 2004). This extends to expected behaviours that result from varying incentives presented within firm-owned units versus the incentives of franchisee ownership. For example, firm managers and other employees without an ownership stake might have a greater tendency than franchisees to shirk specific duties because their incomes may not be tied to their efforts. In contrast, franchisees may enhance their own profits by cutting costs via free riding on other affiliated units or the firm itself (Rubin, 1978; Brickley and Dark, 1987; Combs et al, 2004). There are also likely to be other factors that provide support for the relationship between employees' perceptions of HRM and their related outcomes, for example, individual ability, attitudes experienced during the service encounter by the franchisee, leadership styles, locations and demography of customer bases etc.

## **6.12 Conclusion**

As discussed in Chapter one, the research set out with one overriding aim: to understand what makes Tied Branch Agents (TBAs) of EBS Building Society higher performers than wholly owned branches of the Society. In seeking to understand this issue a number of research questions emerged from this overall aim. They were:

- What role does HRM and leadership play within the retail network of EBS Building Society in improving organisational outcomes?

- Is there a set of distinct human resources or leadership practises within a franchise outlet of the network when compared to the organisations wholly owned outlets or are there simply more practices?
- What changes are required in HRM practices and leadership development to increase performance in the future?

The study presented three models, one at the individual level of the organisation, the second at the level of the unit and finally a multi level study. Specifically it outlined a number of mediators, that in the aggregate, promote the effective functioning of an organisation and supported by HRM and or Leadership has shown that employees' commitment to and support of the organisations comes from their perceptions of the employers' commitment to and support of them. It also implies that employees interpret human resource and leadership practices displayed by management as indicative of the embodied organisation's promise to them. They reciprocate their perceptions and are mediated according to their own commitment to the organisation, promoting the effective functioning of the organisation as they work. The research results support this work and support the thesis that both HRM and Leadership practices play a significant role in organisational outcomes.

EBS, like other banks, got into trouble because they got caught up in the mass hysteria of an unprecedented property bubble – the steepest and longest of the several national property bubbles of the late 1990s and early 2000s around the world (Turner, 2009). It highlights the extraordinary environments that EBS building society operated within, the consequences of which are now firmly rooted in greater conservative lending practices and in turn lower sales within the society. Lower sales and potentially lower profits will have an immense influence on the direction EBS takes with its retail business, the tied agents' model and, in the customer contacts that the TBAs will create in their outlets into the future. Thus, how their employees behave in this new regulatory setting will influence greatly their customers' perceptions.

The financial services industry is complex and multi-faceted where human, financial and technological expertise all play an important part in the success or failure of respective business propositions. In retail banking, both internal and external factors will have a strong impact on the future direction within the sector, ranging from fragmentation of the retail chain and creation of specialist distribution models to the

development of more niche customer propositions, in order to bring back sustainable levels of revenue growth. A report, headed 'Creating value in banking 2009: Living with new realities', by the Boston Consulting Group looks at how the banking crisis will affect banks' business models and predicts in the short term, that the performance of retail banks will suffer dramatically in Europe and margins will significantly shrink (Boston Consulting Group, 2009). It further outlines that many organisations will face serious funding and profit challenges and to confront these problems, they must go back to the basics of the business: assets, deposits, branches and people. As a result, it is expected that the battle for customer deposits and organisational trust will largely determine the winners and losers in many markets.

In the United Kingdom, the taxpayer-sponsored rescue of the Dunfermline Building Society is just one of six mutuals to have been swallowed up since 2009. KPMG warned recently that margins are likely to continue sliding over the coming year due to rising competition for precious retail deposits. The Financial Services Authority in the UK announced in June 2010 that it is launching a crackdown on societies that risk collapse by branching into riskier investments, but many fear that this may come too late. Savers are far from convinced that their money is safe in the societies as they withdrew more money from societies in one month in 2009 than at any other time, since records began, a total of £2.2bn over the month of June of that year (BSA, 2009). Bad debts are soaring, especially at societies that have ventured into risky lending areas. And with societies reeling from downgrades by credit ratings agencies Moody's and Fitch, compromising their ability to obtain funding, it can only be a matter of time before further consolidation is necessary. As the last mutual organisation in Ireland, EBS came under state control in May 2010, having required some €875m of funding to recapitalise the institution to maintain solvency rates. Like in the UK, the society ventured into risky lending amongst other things, mainly in the commercial development sector and became over reliant on net interest income. The Tied Agency model did most of this poor quality lending and had in many cases nearly zero societal benefits - changes to their role in the period ahead are likely. The likely scenario, because of the need for far greater regulation is that the remote delivery of banking services will be fast tracked and centralised.

Significant developments continue to take place in Ireland over the last 12 months, (2011 – 2012) that continue to shape the future of EBS and Irish banking. It has been a

very challenging time for Irish banks, bank staff and the broader Irish population. Many had hoped for a more stable environment in 2011, however, on the economic and financial front, it has been a busy and eventful year with little in the way of good news. Consumer sentiment was down, there continues to be significant unemployment and construction activity has declined even further. The very survival of the indigenous banking sector in 2011 and into 2012 has required a continuation of significant Government support culminating in the negotiation of the €85bn EU/IMF aid package in late 2010 and the Irish Government taking stakes in five domestic financial institutions, including EBS. The aid package is conditional on a fundamental restructuring of the Irish banking system including the reduction of the balance sheets of the domestic lenders. The Irish Government Support has meant that Government intervention in the banking system has been more extensive and costly than initially anticipated. In the case of EBS, the €875m that has been injected so far and with Central Bank of Ireland announcing in early 2010 an increase in the minimum core tier 1 ratio requirement for Irish bank and building society from 4% - 8% the total requirement shows that the society requires a total of €1.5bn of capital to meet new capital ratios with the last instatement needing to be in place by end of Q2 2012. Against this background 2011 was a very difficult year for EBS with a €589.6m loss after tax for the Group. More importantly the Government having taken control of the society in 2010, initiated a formal sale process for the society with four bidders conducting due diligence. However, it was confirmed by the Government on 30 March 2011 that the EBS sale process was terminated following a decision by the Minister for Finance. On 31 March 2011, the Minister for Finance announced the future banking landscape in Ireland and its intention to combine the operations of AIB and EBS to build a second pillar bank from the strengths of both institutions. EBS completed a merger with AIB on the 1<sup>st</sup> July 2011 and while the institutions will trade separately and continue on as before, EBS has as a result had to demutualise and has acquired its own banking licence under the name of EBS Ltd. The Tied Branch agent model is set to continue with the likelihood of more conversions of branches in 2012 and this research supports such a policy direction.

This is the new business context within which the societies' banking managers have to operate. This brief overview reveals the nature of the task the former mutual organisation now faces and also affirms why leadership of EBS is essential to Ireland's future financial stability. While these new external measures will take the industry so



far, there will be a need to continue to reform the approach to leadership (Elderfield, 2010). This work is underway, and in the past 12 months a more intrusive model of management and supervision has been visible with centralisation of all credit application, reduced overdrafts and increased costs of fundings occurring. This may change the HRM activity within franchises, where less empowerment may occur, by moving the people agenda towards that of the manned branches e.g. formalisation, more guidelines and procedures, and this will no doubt, influence the leadership ability to conduct business in the future. But such is the importance of this work, and such also are the public and political expectations for greater compliance, that the opportunity of enhancing retail practices in terms of the leadership role of branch managers and in terms of the HRM practices that both complement and drive business requirements, is the burning platform for EBS in the months ahead. The author has established, for the first time, a theoretical and empirical foundation that has the potential to illuminate the discussions at both the individual and unit level.

Prior research on financial services emphasises the importance of front of house or contact employees (Delery and Doty, 1996) as “boundary spanners” (Wang, 2009) who interact with customers through service encounters. These findings will increase the understanding of the role that HRM and leadership play on employee behaviours and performance outcomes and the relationship between internal functioning and external effectiveness in service settings. The findings may also influence the manner in which EBS defines the roles for their employees and the subsequent impact they have at the individual and collective level within a franchised retail financial outlet. What perhaps has been less widely understood is the effect of the combination of both the individual and collective inputs of all staff in this employment setting and how this impacts on business performance. This is a considerable strength of this study.

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## **Appendix 1**

**Dear xx**

I hope this note finds you in good health and business continues to be fruitful for you and the organisation. As you are aware following our conversation recently, I'm in the process of conducting the largest and only ever survey of employee attitudes of staff in the retail network of the Society. The study will assist me in the fulfilment of a Doctorate in Business Administration that I am currently undertaking at Durham University in the UK.

Importantly this research is been conducted with the over-whelming support of the CEO, the executive team, senior managers and the trade union. Additionally, I'm pleased having discussed the study with your branch manager colleagues that they view this research as an important element in assisting with the potential direction of the retail distribution strategy in the years ahead. Moreover, all of the stakeholders agree that having employees from both the franchised and organic branches included in the study will provide interesting insights into their respective business models and operations. Of course with such information, confidentiality is fundamental and I can assure you that this will be respected at all times.

Over the coming weeks and months I will be distributing a series of questionnaires to both you and your staff. In all, I will be asking your staff to complete one survey and I will be asking you to complete two. The first set of surveys (employee and 1st for managers) will be distributed the week of the 10<sup>th</sup> April with a completion date set for the 27<sup>th</sup> of April.

There will be an opportunity for extensive feedback on the study findings once complete and in this regard a significant positive response to strengthen the study would be really great. I cannot over emphasise the importance of obtaining as many of the completed questionnaires as possible in order to provide you with as full a picture as possible of how employees' attitudes affect branch performance. Of course, like most surveys you are free to decline as this is solely a voluntary process.

If you have any questions regarding the survey please contact Mr Tony Moroney.

Thank you very much for your help in completing the questionnaires.

Yours sincerely,

**Sean McGrath**

## Appendix 2

### Survey No. 1: Employee Survey – EBS Network

Please answer all questions.

**It is important to us to get your answers for all items in the questionnaire.**

The first few questions are about your current Branch / TBA **Manager**, by which we mean **the person who is in overall charge of the Branch in which you work**. Please respond by circling a number or completing the blank, as appropriate.

1. How long have you been working with your Branch Manager?

Year(s) \_\_\_\_\_ Month(s) \_\_\_\_\_

2. Is your Branch Manager male or female?

(a) Male            (b) Female

3. The statements below are designed to assess your Branch Manager's leadership style, as you perceive it. Please circular the most appropriate number, indicating the extent to which you agree or disagree with each statement as a description of his / her leadership style. *(Please circle one number for each item: Strongly disagree = 1 to Strongly agree = 7).*

My Branch Manager...

	Strongly Agree	Disagree	Slightly disagree	Neither agree nor disagree	Slightly agree	Agree	Strongly agree
Acts without considering my feelings.	1	2	3	4	5	6	7

	<b>Strongly Agree</b>	<b>Disagree</b>	<b>Slightly disagree</b>	<b>Neither agree nor disagree</b>	<b>Slightly agree</b>	<b>Agree</b>	<b>Strongly agree</b>
Insists on only the best performance.	1	2	3	4	5	6	7
Inspires others with his / her plans for the future.	1	2	3	4	5	6	7
Encourages employees to be “team players”.	1	2	3	4	5	6	7
Gives me special recognition when my work is very good.	1	2	3	4	5	6	7
Commends me when I do a better than average job.	1	2	3	4	5	6	7
Has a clear understanding of where we are going.	1	2	3	4	5	6	7
Leads by example.	1	2	3	4	5	6	7
Asks questions that prompt me to think.	1	2	3	4	5	6	7
Is always seeking new opportunities for the organisation.	1	2	3	4	5	6	7
Fosters collaboration among work groups.	1	2	3	4	5	6	7
Treats me without considering my personal feelings.	1	2	3	4	5	6	7
Has ideas that have challenged me to re-examine some of my basic assumptions about my work.	1	2	3	4	5	6	7
Personally compliments me when I do outstanding work.	1	2	3	4	5	6	7
Behaves in a manner thoughtful of my personal needs.	1	2	3	4	5	6	7

	<b>Strongly agree</b>	<b>Disagree</b>	<b>Slightly disagree</b>	<b>Neither agree nor disagree</b>	<b>Slightly agree</b>	<b>Agree</b>	<b>Strongly agree</b>
Paints an interesting picture of the future of our group.	1	2	3	4	5	6	7
Shows respect for my personal feelings.	1	2	3	4	5	6	7
Gets the group to work together for the same goal.	1	2	3	4	5	6	7
Develops a team attitude and spirit among employees.	1	2	3	4	5	6	7
Always gives me positive feedback when I perform well.	1	2	3	4	5	6	7
Provides a good model for me to follows.	1	2	3	4	5	6	7
Will not settle for second best.	1	2	3	4	5	6	7
Shows us that s/he expects a lot from us.	1	2	3	4	5	6	7
Leads by “doing”, rather than simply by “telling”.	1	2	3	4	5	6	7
Has stimulated me to rethink the way I do things.	1	2	3	4	5	6	7
Challenges me to think about old problems in new ways.	1	2	3	4	5	6	7
Frequently does not acknowledge my good performance.	1	2	3	4	5	6	7
Is able to get others committed to his / her dream.	1	2	3	4	5	6	7

4. To what extent do you agree or disagree with each of the following statements about the way people are managed in your Branch?

*(Please circle one number for each item: Strongly disagree = 1 to Strongly agree = 7).*

	<b>Strongly agree</b>	<b>Disagree</b>	<b>Slightly disagree</b>	<b>Neither agree nor disagree</b>	<b>Slightly agree</b>	<b>Agree</b>	<b>Strongly agree</b>
I am provided with sufficient opportunities for training and development.	1	2	3	4	5	6	7
I receive the training I need to do my job.	1	2	3	4	5	6	7
The management keeps me informed about business issues and about how well it's doing.	1	2	3	4	5	6	7
There is a clear status difference between management and staff in this Branch.	1	2	3	4	5	6	7
Team working is strongly encouraged in this Branch.	1	2	3	4	5	6	7
A rigorous selection process is used to select new recruits at this Branch.	1	2	3	4	5	6	7
Management involved people when they make decisions that affect them.	1	2	3	4	5	6	7
Career management is given a high priority at this Branch.	1	2	3	4	5	6	7
I feel my job is secure.	1	2	3	4	5	6	7

	Strongly agree	Disagree	Slightly disagree	Neither agree nor disagree	Slightly agree	Agree	Strongly agree
I feel fairly rewarded for the amount of effort I put into my job.	1	2	3	4	5	6	7
The rewards I receive are directly related to my performance at work.	1	2	3	4	5	6	7
I have the opportunities I want to be promoted.	1	2	3	4	5	6	7
The appraisal system enables an accurate assessment of people's strengths and weaknesses.	1	2	3	4	5	6	7
If I have a problem there are formal procedures for resolving personal grievances.	1	2	3	4	5	6	7

5. The following questions ask how much trust you have in the management at your Branch. (*Please circle one number for each item: Not at all = 1 to A lot = 5*).

	Not at all				A lot
In general, how much do you trust the management at your Branch to tell the truth to you and other employees?	1	2	3	4	5
How open and upfront do you feel your manager is with you?	1	2	3	4	5
How much do you trust that your management will treat you fairly and not play favourites?	1	2	3	4	5
How much integrity do you believe your management has?	1	2	3	4	5



	<b>Not at all</b>				<b>A lot</b>
Overall, how much do you trust the management at your Branch?	1	2	3	4	5

6. Thinking about your fellow workers in your Branch (your “work group”), to what extent do each of the following statements describe this group? *(Please circle one number for each item: To no extent = 1 to To a great extent = 5).*

	<b>To no extent</b>	<b>To a limited extent</b>	<b>To some extent</b>	<b>To a Considerable extent</b>	<b>To a great extent</b>
This work group has confidence in itself.	1	2	3	4	5
This work group believes it can become unusually good at producing high-quality work.	1	2	3	4	5
This work group expects to be known as a high-performing team.	1	2	3	4	5
This work group feels it can solve any problems it encounters.	1	2	3	4	5
This work group believes it can be very productive.	1	2	3	4	5
This work group can get a lot done when it works hard.	1	2	3	4	5
No task is too tough for this work group.	1	2	3	4	5
This work group expects to have a lot of influence around here.	1	2	3	4	5

7. How would you rate each of the following in your Branch? (Please circle one number for each item: Poor = 1 to Excellent = 5).

How would you rate...

	<b>Poor</b>				<b>Excellent</b>
...the job knowledge and skills of employees in your Branch to deliver quality work and service?	1	2	3	4	5
...efforts to measure and track the quality of the work and service in your Branch?	1	2	3	4	5
...the recognition and rewards employees receive for the delivery of superior work and performance?	1	2	3	4	5
...the overall quality of service provided by your Branch?	1	2	3	4	5
...the leadership shown by management in your Branch in supporting the service quality effort?	1	2	3	4	5
...the effectiveness of the communications efforts to both employees and customers?	1	2	3	4	5
...the tools, technology, and other resources provided to employees to support the delivery of superior quality work and services?	1	2	3	4	5

8. To what extent do you agree or disagree with each of the following statements about your job at the EBS? (*Please circle one number for each item: Strongly disagree = 1 to Strongly agree = 7*).

	<b>Strongly agree</b>	<b>Disagree</b>	<b>Slightly disagree</b>	<b>Neither agree nor disagree</b>	<b>Slightly agree</b>	<b>Agree</b>	<b>Strongly agree</b>
The work I do is very important to me.	1	2	3	4	5	6	7
My job activities are personally meaningful to me.	1	2	3	4	5	6	7
The work I do is meaningful to me.	1	2	3	4	5	6	7
I am confident about my ability to do my job.	1	2	3	4	5	6	7
I am self-assured about my capabilities to perform my work activities.	1	2	3	4	5	6	7
I have mastered the skills necessary for my job.	1	2	3	4	5	6	7
I have significant autonomy in determining how I do my job.	1	2	3	4	5	6	7
I can decide on my own how to go about doing my work.	1	2	3	4	5	6	7
I have considerable opportunity for independence and freedom in how I do my job.	1	2	3	4	5	6	7
My impact on what happens in my Branch is large.	1	2	3	4	5	6	7
I have a great deal of control over what happens in my Branch.	1	2	3	4	5	6	7

	<b>Strongly agree</b>	<b>Disagree</b>	<b>Slightly disagree</b>	<b>Neither agree nor disagree</b>	<b>Slightly agree</b>	<b>Agree</b>	<b>Strongly agree</b>
I have significant influence over what happens in my Branch.	1	2	3	4	5	6	7

9. To what extent do you agree or disagree with each of the following statements about your job? (*Please circle one number for each item: Strongly disagree = 1 to Strongly agree = 7*).

	<b>Strongly agree</b>	<b>Disagree</b>	<b>Slightly disagree</b>	<b>Neither agree nor disagree</b>	<b>Slightly agree</b>	<b>Agree</b>	<b>Strongly agree</b>
I am pressured to work long hours.	1	2	3	4	5	6	7
I have unachievable deadlines.	1	2	3	4	5	6	7
I have to work very fast.	1	2	3	4	5	6	7
I have to work very intensively.	1	2	3	4	5	6	7
I have to neglect some tasks because I have too much to do.	1	2	3	4	5	6	7
Different groups at work demand things from me that are hard to combine.	1	2	3	4	5	6	7
I am unable to take sufficient breaks.	1	2	3	4	5	6	7
I have unrealistic time pressures.	1	2	3	4	5	6	7
I regularly work longer than my contracted working hours.	1	2	3	4	5	6	7

	<b>Strongly agree</b>	<b>Disagree</b>	<b>Slightly disagree</b>	<b>Neither agree nor disagree</b>	<b>Slightly agree</b>	<b>Agree</b>	<b>Strongly agree</b>
Working long hours is taken for granted at this Branch.	1	2	3	4	5	6	7
There are too few employees to handle the workload in this Branch.	1	2	3	4	5	6	7

**10.** To what extent do you agree or disagree with each of the following statements about your Branch in EBS? (*Please circle one number for each item: Strongly disagree = 1 to Strongly agree = 7*).

	<b>Strongly agree</b>	<b>Disagree</b>	<b>Slightly disagree</b>	<b>Neither agree nor disagree</b>	<b>Slightly agree</b>	<b>Agree</b>	<b>Strongly agree</b>
I do not feel 'emotionally attached' to this organisation.	1	2	3	4	5	6	7
I really feel as if this organisation's problems are my own.	1	2	3	4	5	6	7
This organisation has a great deal of personal meaning for me.	1	2	3	4	5	6	7
I would be very happy to spend the rest of my career in this organisation.	1	2	3	4	5	6	7
I do not feel a strong sense of belonging to my organisation.	1	2	3	4	5	6	7

	<b>Strongly agree</b>	<b>Disagree</b>	<b>Slightly disagree</b>	<b>Neither agree nor disagree</b>	<b>Slightly agree</b>	<b>Agree</b>	<b>Strongly agree</b>
I do not feel like 'part of the family' at my organisation.	1	2	3	4	5	6	7
My organisation really cares about my well-being.	1	2	3	4	5	6	7
My organisation cares about my opinions.	1	2	3	4	5	6	7
Help is available from my organisation when I have a problem.	1	2	3	4	5	6	7
My organisation is willing to help me when I need a special favour.	1	2	3	4	5	6	7
My organisation strongly considers my goals and values.	1	2	3	4	5	6	7
My organisation shows very little concern for me.	1	2	3	4	5	6	7
My organisation would forgive an honest mistake on my part.	1	2	3	4	5	6	7

**11.** To what extent do you agree or disagree with each of the following statements? (*Please circle one number for each item: Strongly disagree = 1 to Strongly agree = 7*).

	<b>Strongly agree</b>	<b>Disagree</b>	<b>Slightly disagree</b>	<b>Neither agree nor disagree</b>	<b>Slightly agree</b>	<b>Agree</b>	<b>Strongly agree</b>
All in all, I am satisfied with my job.	1	2	3	4	5	6	7

	Strongly agree	Disagree	Slightly disagree	Neither agree nor disagree	Slightly agree	Agree	Strongly agree
In general, I like working here.	1	2	3	4	5	6	7
In general, I don't like my job.	1	2	3	4	5	6	7
All things considered, I feel pretty good about this job.	1	2	3	4	5	6	7
I often think of quitting this job.	1	2	3	4	5	6	7
There isn't much to be gained by staying in this job.	1	2	3	4	5	6	7
I expect to stay with this organisation until I retire.	1	2	3	4	5	6	7
I usually find ways to liven up my day.	1	2	3	4	5	6	7
I usually feel enthusiastic about my work.	1	2	3	4	5	6	7
I live a very interesting life.	1	2	3	4	5	6	7

**12.** Think about how you would behave at work. How often do you do each of the following? (*Please circle one number for each item: Not at all = 1 to At every available opportunity = 5*).

	Not at all				At every avail. opp.
Help new people to settle into the job.	1	2	3	4	5
Help others who have heavy workloads.	1	2	3	4	5
Help others who have been absent.	1	2	3	4	5

	Not at all				At every avail. opp.
Take time to listen to work colleagues' problems or worries.	1	2	3	4	5
Help colleagues who have personal or domestic problems.	1	2	3	4	5
Assist your manager with his / her work.	1	2	3	4	5
Suggest ways to reduce waste.	1	2	3	4	5
Suggest ways to improve service quality.	1	2	3	4	5
Make innovative suggestions to improve work procedures.	1	2	3	4	5
Go to work even if you do not feel particularly well.	1	2	3	4	5
Work overtime or extra hours when asked.	1	2	3	4	5
Perform according to your supervisor's requirements.	1	2	3	4	5
Perform all the tasks that are expected of you.	1	2	3	4	5
Put off until tomorrow things that should be done today.	1	2	3	4	5
Voluntarily assist customers even if it means going beyond job requirements.	1	2	3	4	5
Help customers with problems beyond what is expected or required.	1	2	3	4	5
Go above and beyond the call of duty when serving customers.	1	2	3	4	5
Willingly go out of my way to make a customer satisfied.	1	2	3	4	5
Go out of my way to help a customer.	1	2	3	4	5
Perform all those tasks for customers that are required of me.	1	2	3	4	5
Meet formally performance requirements when dealing with customers.	1	2	3	4	5
Fulfil responsibilities to customers as specified in my job description.	1	2	3	4	5
Adequately complete all expected customer service behaviours.	1	2	3	4	5



	Not at all				At every avail. opp.
	1	2	3	4	5
Help customers with those things that are required of me.					

13. Please read each of the following statements carefully and indicate the number that best represents your opinion. (*Please circle one number for each item: Strongly disagree = 1 to Strongly agree = 7*).

	Strongly agree	Disagree	Slightly disagree	Neither agree nor disagree	Slightly agree	Agree	Strongly agree
I keep my belongings clean and neat.	1	2	3	4	5	6	7
I'm pretty good about pacing myself so as to get things done on time.	1	2	3	4	5	6	7
I am not a very methodical person.	1	2	3	4	5	6	7
I try to perform all the tasks assigned to me conscientiously.	1	2	3	4	5	6	7
I have a clear set of goals and work toward them in an orderly fashion.	1	2	3	4	5	6	7
I waste a lot of time before settling down to work.	1	2	3	4	5	6	7
I work hard to accomplish my goals.	1	2	3	4	5	6	7
When I make a commitment, I can always be counted on to follow through.	1	2	3	4	5	6	7

	Strongly agree	Disagree	Slightly disagree	Neither agree nor disagree	Slightly agree	Agree	Strongly agree
Sometimes I'm not as dependable or reliable as I should be.	1	2	3	4	5	6	7
I am a productive person who always gets the job done.	1	2	3	4	5	6	7
I never seem to be able to get organised.	1	2	3	4	5	6	7
I strive for excellence in everything I do.	1	2	3	4	5	6	7
I am always willing to admit it when I make a mistake.	1	2	3	4	5	6	7
I always try to practice what I preach.	1	2	3	4	5	6	7
I never resent being asked to return a favour.	1	2	3	4	5	6	7
I have never deliberately said something that hurt someone's feelings.	1	2	3	4	5	6	7

**14.** The following information is needed to help us to analyse the results. Please respond by circling a number or completing the blank as appropriate.

**(a)** Which of the following best describes your present job?

(1) Manager      (2) Team Leader      (3) Clerical staff      (4) Other (please specify) \_\_\_\_\_

**(b)** How long have you worked for EBS / TBA? \_\_\_\_\_ Years

**(c)** How long have you worked for this Branch? \_\_\_\_\_ Years

- (d) Your working status is: (1) Temporary (2) Permanent
- (e) Gender: (1) Male (2) Female
- (f) Age: \_\_\_\_\_ Years
- (g) Are you a union member: (1) Yes (2) No
- (h) What is your highest level of education achieved? (Please circle only your highest level).
- (1) Junior Cert. (2) Leaving Cert. (3) Professional Qualification (QFA)  
(4) Bachelor Degree (5) Postgraduate (6) No formal qualifications  
(7) Other (please specify) \_\_\_\_\_
- (i) Marital Status: (1) Married or Living as Married (2) Single (3) Other (Separated / Divorced / Widowed)

**Thank you so very much for completing the questionnaire. If you have any further comments, please write them below.**

## Survey No. 2: Branch Manager Survey

Please answer all questions, as indicated.

**In this survey, we are interested in your Branch rather than the Building Society as a whole. It is important to us to get your opinions on all items in the questionnaire.**

### Section A: Employment Practices

In the following questions, we are trying to get an overall impression of how employees are managed in your Branch. Please provide your estimate in each case that best describes HR practices in existing.

**A.1.** For each of the following employment practices, please indicate the APPROXIMATE percentage (0-100%) of employees that are covered by the practices.

	%
One or more employment tests administered prior to hiring.	
Hold non-entry level jobs as a result of internal promotions.	
Promotions are primarily based upon merit or performance as opposed to length of service.	
Hired following intensive / extensive recruiting.	
Are involved in programmes designed to elicit participation and employee input (e.g. problem-solving or similar groups).	
Access to a formal grievance and / or complaint resolution system.	
Provided with operating performance information.	
Provided with financial performance information.	

%

Provided with information on strategic plans.	
Receive formal performance appraisal and feedback on a regular basis.	
Receive formal performance appraisal feedback from more than one source (i.e. from several individuals such as supervisors, peers etc).	
Rewards are partially contingent on group performance (e.g. profit-sharing, branch bonuses).	
Pay is based on a skill or knowledge-based system (rather than a job based system); i.e. pay is primarily determined by a persons skill or knowledge level as opposed to the particular job they hold.	
Intensive / extensive training in organisation-specific skills (i.e. task or organisation specific training).	
Intensive training in generic skills (e.g. problem-solving, communication skills etc).	
Training in a variety of jobs or skills (“cross-training”).	
Routinely perform more than one job (are “cross utilised”).	
Are organised in self-directed teams in performing a major part of their work roles.	

**A.2.** To what extent do you agree or disagree with each of the following statements about the way people are managed in your Branch?  
*(Please circle one number for each item: Strongly disagree = 1 to Strongly agree = 7).*

	Strongly Agree	Disagree	Slightly disagree	Neither agree nor disagree	Slightly agree	Agree	Strongly agree
I am provided with sufficient opportunities for training and development.	1	2	3	4	5	6	7
I receive the training I need to do my job.	1	2	3	4	5	6	7

	<b>Strongly Agree</b>	<b>Disagree</b>	<b>Slightly disagree</b>	<b>Neither agree nor disagree</b>	<b>Slightly agree</b>	<b>Agree</b>	<b>Strongly agree</b>
The management keeps me informed about business issues and about how well it's doing.	1	2	3	4	5	6	7
There is a clear status difference between management and staff in this Branch.	1	2	3	4	5	6	7
Team working is strongly encouraged in this Branch.	1	2	3	4	5	6	7
A rigorous selection process is used to select new recruits at this Branch.	1	2	3	4	5	6	7
Management involve people when they make decisions that affect them.	1	2	3	4	5	6	7
Career management is given a high priority at this Branch.	1	2	3	4	5	6	7
I feel my job is secure.	1	2	3	4	5	6	7
I feel fairly rewarded for the amount of effort I put into my job.	1	2	3	4	5	6	7
The rewards I receive are directly related to my performance at work.	1	2	3	4	5	6	7
I have the opportunities I want to be promoted.	1	2	3	4	5	6	7

	<b>Strongly Agree</b>	<b>Disagree</b>	<b>Slightly disagree</b>	<b>Neither agree nor disagree</b>	<b>Slightly agree</b>	<b>Agree</b>	<b>Strongly agree</b>
The appraisal system enables an accurate assessment of people's strengths and weaknesses.	1	2	3	4	5	6	7
If I have a problem there are formal procedures for resolving personal grievances.	1	2	3	4	5	6	7

**A.3.** To what extent do employees at your Branch do each of the following? (*Please circle one number for each item: To no extent = 1 to To a greater extent = 5*).

	<b>To no extent</b>	<b>To a limited extent</b>	<b>To some extent</b>	<b>To a Considerable extent</b>	<b>To a great extent</b>
Work mainly as part of a team, sharing responsibility for a range of tasks.	1	2	3	4	5
Rotate jobs within their work group.	1	2	3	4	5
Work in self-directed or autonomous teams (i.e. responsible for quality decisions without direct supervision).	1	2	3	4	5
Meet on a regular basis in small groups to discuss quality or service delivery problems.	1	2	3	4	5
Receive training in group problem solving techniques.	1	2	3	4	5
Receive training aimed at making them multi-skilled.	1	2	3	4	5

	To no extent	To a limited extent	To some extent	To a Considerable extent	To a great extent
Put forward suggestions to management for improved service operations, quality improvement, or waste reduction.	1	2	3	4	5
Regularly perform beyond the formal requirements of their jobs.	1	2	3	4	5

**A.4.** To what extent do employees at your Branch participate in decisions about each of the following? (*Please circle one number for each item: To no extent = 1 to To a greater extent = 5*).

	To no extent	To a limited extent	To some extent	To a Considerable extent	To a great extent
The planning and scheduling of their work.	1	2	3	4	5
The design of their jobs.	1	2	3	4	5
Quality control.	1	2	3	4	5
Improvements in service delivery methods.	1	2	3	4	5
Developing new services or markets	1	2	3	4	5
Investments in new equipment or technology.	1	2	3	4	5
The selection of new employees.	1	2	3	4	5
Changes in their terms and conditions of employment.	1	2	3	4	5



**A.5.** To what extent do you agree or disagree with each of the following questions about the relationship between strategy and people-management in your Branch? (*Please circle one number for each item: Strongly disagree = 1 to Strongly agree = 7*).

	<b>Strongly Agree</b>	<b>Disagree</b>	<b>Slightly disagree</b>	<b>Neither agree nor disagree</b>	<b>Slightly agree</b>	<b>Agree</b>	<b>Strongly agree</b>
The management in this Branch gives a high priority to people-management issues.	1	2	3	4	5	6	7
The management in this Branch regard employees as less valuable assets than other resources.	1	2	3	4	5	6	7
The management believe that people management strategies and practices strongly contribute to the performance of this Branch.	1	2	3	4	5	6	7
The management in this Branch give a high priority to the welfare of employees.	1	2	3	4	5	6	7
The management believe that employee development and motivation are critical to the effectiveness of this Branch.	1	2	3	4	5	6	7

**A.6.** To what extent do you agree or disagree with each of the following questions about the attitudes and behaviour **employees** in your Branch? ? (Please circle one number for each item: Strongly disagree = 1 to Strongly agree = 7).

	Strongly Agree	Disagree	Slightly disagree	Neither agree nor disagree	Slightly agree	Agree	Strongly agree
In general, employees in this Branch willingly take on new tasks and challenges.	1	2	3	4	5	6	7
In general, employees in this Branch have the necessary skills and competencies to perform a range of different jobs here.	1	2	3	4	5	6	7
In general, employees in this Branch can be transferred quite flexibly across a range of jobs.	1	2	3	4	5	6	7

**Section B: Leadership**

The statements below are designed to assess **your own leadership** style, as you perceive it. Please circle the most appropriate number, indicating the extent to which you agree or disagree with each statement as a description of your leadership style in your role as Branch Manager. (Please circle one number for each item: Strongly disagree = 1 to Strongly agree = 7).

	Strongly Agree	Disagree	Slightly disagree	Neither agree nor disagree	Slightly agree	Agree	Strongly agree
I act without considering employees' feelings.	1	2	3	4	5	6	7
I insist on only the best performance.	1	2	3	4	5	6	7

	<b>Strongly Agree</b>	<b>Disagree</b>	<b>Slightly disagree</b>	<b>Neither agree nor disagree</b>	<b>Slightly agree</b>	<b>Agree</b>	<b>Strongly agree</b>
I inspire others with my plans for the future.	1	2	3	4	5	6	7
I encourage employees to be “team players”.	1	2	3	4	5	6	7
I give staff special recognition when their work is very good.	1	2	3	4	5	6	7
I commend staff when they do a better than average job.	1	2	3	4	5	6	7
I provide staff with a clear understanding of where we are going.	1	2	3	4	5	6	7
I lead by example.	1	2	3	4	5	6	7
I ask questions that prompt staff to think.	1	2	3	4	5	6	7
I am always seeking new opportunities for the Branch.	1	2	3	4	5	6	7
I foster collaboration among work groups.	1	2	3	4	5	6	7
I treat staff without considering their personal feelings.	1	2	3	4	5	6	7
I have ideas that have challenged staff to re-examine some of their basic assumptions about their work.	1	2	3	4	5	6	7
I personally compliment staff when they do outstanding work.	1	2	3	4	5	6	7

	<b>Strongly Agree</b>	<b>Disagree</b>	<b>Slightly disagree</b>	<b>Neither agree nor disagree</b>	<b>Slightly agree</b>	<b>Agree</b>	<b>Strongly agree</b>
I behave in a manner which is thoughtful of staffs' personal needs.	1	2	3	4	5	6	7
I paint an interesting picture of the future for our Branch.	1	2	3	4	5	6	7
I show respect for staffs' personal feelings.	1	2	3	4	5	6	7
I get the group to work together for the same goal.	1	2	3	4	5	6	7
I develop a team attitude and spirit among employees.	1	2	3	4	5	6	7
I always give positive feedback when staff perform well.	1	2	3	4	5	6	7
I provide a good model for staff to follow.	1	2	3	4	5	6	7
I will not settle for second best.	1	2	3	4	5	6	7
I show employees that I expect a lot from them.	1	2	3	4	5	6	7
I lead by "doing", rather than simply by "telling".	1	2	3	4	5	6	7
I have stimulated staff to rethink the way they do things.	1	2	3	4	5	6	7
I challenge staff to think about old problems in new ways.	1	2	3	4	5	6	7

	Strongly Agree	Disagree	Slightly disagree	Neither agree nor disagree	Slightly agree	Agree	Strongly agree
I frequently do not acknowledge good performance.	1	2	3	4	5	6	7
I am able to get others committed to my dream.	1	2	3	4	5	6	7

**Section C: Performance of the Branch**

**C.1.** How would you rate each of the following in your Branch? *(Please circle one number for each item: Poor = 1 to Excellent – 5).*

How would you rate...

	Poor				Excellent
...the job knowledge and skills of employees in your Branch to deliver quality work and service?	1	2	3	4	5
...efforts to measure and track the quality of the work and service in your Branch?	1	2	3	4	5
...the recognition and rewards employees receive for the delivery of superior work and performance?	1	2	3	4	5
...the overall quality of service provided by your Branch?	1	2	3	4	5
...the leadership shown by management in your Branch in supporting the service quality effort?	1	2	3	4	5
...the effectiveness of the communications efforts to both employees and customers?	1	2	3	4	5

	Poor					Excellent
	1	2	3	4	5	5
...the tools, technology, and other resources provided to employees to support the delivery of superior quality work and service?						

In this section, we are interested in the overall performance of your Branch over the last three years. If the Branch has been in existence for less than three years, then please answer based on this shorter period.

**C.2.** How would you compare your Branch’s performance over the last three years on each of the following criteria, **compared to other Branches in EBS?** *(Please circle one number for each item: Low = 1 to High = 7).*

Compared to other Branches in EBS...

	Low							High
	1	2	3	4	5	6	7	7
The quality of service in this Branch is...	1	2	3	4	5	6	7	7
The level of customer satisfaction for this Branch is...	1	2	3	4	5	6	7	7
Productivity per employee in this Branch is...	1	2	3	4	5	6	7	7
The overall financial performance of this Branch is...	1	2	3	4	5	6	7	7
The health and safety record at this Branch is...	1	2	3	4	5	6	7	7
The job satisfaction of most employees in this Branch is...	1	2	3	4	5	6	7	7
The level of employee absence at this Branch is...	1	2	3	4	5	6	7	7
The level of labour turnover at this Branch is...	1	2	3	4	5	6	7	7
The ability of this Branch to recruit qualified employees is...	1	2	3	4	5	6	7	7
The ability of this Branch to retain essential employees is	1	2	3	4	5	6	7	7

	Low		Medium			High	
The effectiveness of communication within this Branch is...	1	2	3	4	5	6	7
The job security of employees within this Branch is...	1	2	3	4	5	6	7
Relations between management and other employees at this Branch is...	1	2	3	4	5	6	7

**C.3.** How well has your Branch performed over the last three years on each of the following criteria, **compared to what you would like it to be?** (*Please circle one number for each item: Low = 1 to High = 7*).

Compared to what I would like it to be...

	Low		Medium			High	
The quality of service in this Branch is...	1	2	3	4	5	6	7
The level of customer satisfaction for this Branch is...	1	2	3	4	5	6	7
Productivity per employee in this Branch is...	1	2	3	4	5	6	7
The overall financial performance of this Branch is...	1	2	3	4	5	6	7
The health and safety record at this Branch is...	1	2	3	4	5	6	7
The job satisfaction of most employees in this Branch is...	1	2	3	4	5	6	7
The level of employee absence at this Branch is...	1	2	3	4	5	6	7
The level of labour turnover at this Branch is...	1	2	3	4	5	6	7
The ability of this Branch to recruit qualified employees is...	1	2	3	4	5	6	7
The ability of this Branch to retain essential employees is	1	2	3	4	5	6	7
The effectiveness of communication within this Branch is...	1	2	3	4	5	6	7

	Low		Medium			High	
The job security of employees within this Branch is...	1	2	3	4	5	6	7
Relations between management and other employees at this Branch is...	1	2	3	4	5	6	7

**Section D: General Information**

Finally, it would be very helpful if you could provide the following information, which will be very useful to use in analysing the data.

(a) Your job title: \_\_\_\_\_?

(b) How long have you worked for EBS / TBA? \_\_\_\_\_ Years

(c) How long have you worked for this Branch? \_\_\_\_\_ Years

(d) Gender: (1) Male (2) Female

(e) Age: \_\_\_\_\_ Years

(f) What is your highest level of education achieved? (Please circle only your highest level).

- (1) Junior Cert. (2) Leaving Cert. (3) Professional Qualification (QFA)
- (4) Bachelor Degree (5) Postgraduate (6) No formal qualifications
- (7) Other (please specify) \_\_\_\_\_



**(g) Marital Status:** (1) Married or Living as Married (2) Single (3) Other (Separated / Divorced / Widowed)

**Thank you so very much for completing the questionnaire. If you have any further comments, please write them below.**

### Survey No. 3: Non Common Method

The following questions relate to one of your employees.

NAME: \_\_\_\_\_

Please answer all the questions.

1. Think about how s/he behaves at work. How often does s/he do each of the following? (*Please circle one number for each item: Not at all = 1 to At every available opportunity = 5*).

	Not at all			At every avail. opp.	
	1	2	3	4	5
Performs all those tasks for customers that are required of him / her.	1	2	3	4	5
Meets formal performance requirements when serving customers.	1	2	3	4	5
Fulfils responsibilities to customers as specified in the job description.	1	2	3	4	5
Adequately completes all expected customer service behaviours.	1	2	3	4	5
Helps customers with those things which are required of him / her.	1	2	3	4	5
Voluntarily assists customers even if it means going beyond job requirements.	1	2	3	4	5
Helps customers with problems beyond what is expected or required.	1	2	3	4	5
Often goes above and beyond the call of duty when serving customers.	1	2	3	4	5
Willingly goes out of his / her way to make a customer satisfied.	1	2	3	4	5
Frequently goes out of his / her way to help customers.	1	2	3	4	5

	Not at all				At every avail. opp.
Goes out of the way to help new employees.	1	2	3	4	5
Takes a personal interest on other employees.	1	2	3	4	5
Passes along information to co-workers.	1	2	3	4	5
Helps others who have heavy workloads.	1	2	3	4	5
Helps others who have been absent.	1	2	3	4	5
Takes time to listen to work colleagues' problems or worries.	1	2	3	4	5
Assists Branch Manager with his \ her work	1	2	3	4	5
Attendance at work is above the norm.	1	2	3	4	5
Gives advance notice when unable to come to work.	1	2	3	4	5
Takes undeserved work breaks.	1	2	3	4	5
Great deal of time spent with personal phone conversations.	1	2	3	4	5
Complains about insignificant things at work.	1	2	3	4	5
Conserves and protects organisational property.	1	2	3	4	5
Adheres to informal rules to maintain order.	1	2	3	4	5
Adequately completes assigned duties.	1	2	3	4	5
Fulfils responsibilities specified in job description.	1	2	3	4	5
Performs tasks that are expected of him / her.	1	2	3	4	5
Meets formal performance requirements of the job.	1	2	3	4	5
Engages in activities that will directly affect his / her performance evaluation.	1	2	3	4	5
Neglects aspects of the job s/he is obligated to perform.	1	2	3	4	5

	<b>Not at all</b>				<b>At every avail. opp.</b>
Fails to perform essential duties.	1	2	3	4	5

2. How would you evaluate the performance of this employee, compared to others you have know? *(Please circle one number).*

<b>One of the worst I have known</b>					<b>About average</b>			<b>One of the best I have known</b>
1	2	3	4	5	6	7	8	9

## **Survey No. 4: Employee Attitudes and Branch Performance**

Dear Regional Manager

We recently conducted a survey of employee attitudes in EBS Branches. One of the key aims of the research was to identify how employee attitudes impact on Branch performance. It is essential that we get a measure of performance for all EBS branches, from the point of view of the regional manager.

A brief survey for each of the Branches in your area is provided in this pack. The survey is designed to seek your views about each Branch's performance on several criteria. For each of the named Branches could you please provide your views on how well this particular Branch performs, as indicated in the questionnaire. It is important that we get a separate questionnaire response for each of your Branches.

It is vitally important that we obtain as many of the completed questionnaires as possible in order to provide the company with as full a picture of how employees' attitudes affect Branch performance. If you have any questions regarding the survey please contact Tony Moroney.

Thank you very much for your help in completing the questionnaires.

Yours sincerely

**Name**

**Manager**

**Branch Performance**

We are interested in your views of the overall performance of **TYPE in NAME of BRANCH** over the last three years. If the Branch has been in existence for less than three years, then please answer based on this shorter period.

1. How would you compare this Branch’s performance over the last three years on each of the following criteria, **compared to other Branches in EBS?** *(Please circle one number for each item: Low = 1 to High =7).*

Compared to other Branches in EBS...

	Low		Medium			High	
The quality of service in this Branch is...	1	2	3	4	5	6	7
The level of customer satisfaction for this Branch is...	1	2	3	4	5	6	7
Productivity per employee in this Branch is...	1	2	3	4	5	6	7
The overall financial performance of this Branch is...	1	2	3	4	5	6	7
The health and safety record at this Branch is...	1	2	3	4	5	6	7
The job satisfaction of most employees in this Branch is...	1	2	3	4	5	6	7
The level of employee absence at this Branch is...	1	2	3	4	5	6	7
The level of labour turnover at this Branch is...	1	2	3	4	5	6	7
The ability of this Branch to recruit qualified employees is...	1	2	3	4	5	6	7
The ability of this Branch to retain essential employees is	1	2	3	4	5	6	7
The effectiveness of communication within this Branch is...	1	2	3	4	5	6	7
The job security of employees within this Branch is...	1	2	3	4	5	6	7
Relations between management and other employees at this Branch is...	1	2	3	4	5	6	7

2. How well has this Branch performed over the last three years on each of the following criteria, **compared to what you would like it to be?** (Please circle one number for each item: Low = 1 to High = 7).

Compared to what I would like it to be...

	<b>Low</b>		<b>Medium</b>			<b>High</b>	
The quality of service in this Branch is...	1	2	3	4	5	6	7
The level of customer satisfaction for this Branch is...	1	2	3	4	5	6	7
Productivity per employee in this Branch is...	1	2	3	4	5	6	7
The overall financial performance of this Branch is...	1	2	3	4	5	6	7
The health and safety record at this Branch is...	1	2	3	4	5	6	7
The job satisfaction of most employees in this Branch is...	1	2	3	4	5	6	7
The level of employee absence at this Branch is...	1	2	3	4	5	6	7
The level of labour turnover at this Branch is...	1	2	3	4	5	6	7
The ability of this Branch to recruit qualified employees is...	1	2	3	4	5	6	7
The ability of this Branch to retain essential employees is	1	2	3	4	5	6	7
The effectiveness of communication within this Branch is...	1	2	3	4	5	6	7
The job security of employees within this Branch is...	1	2	3	4	5	6	7
Relations between management and other employees at this Branch is...	1	2	3	4	5	6	7

## Appendix 3

### Employee Survey at EBS Building Society

Dear Employee Name

As you will be aware, from your manager or local trade union representative, the Society has agreed to assist me in conducting an extensive survey of employee attitudes in its retail network. I'm conducting this survey by myself but in association with researchers at Durham University, in the UK, where I'm currently undertaking a course of study.

I would very much like your help in completing the attached questionnaire, which will take just twenty minutes or so of your time. I am interested in your views about your job and your work situation and there are no right or wrong answers – I am only interested in your opinions. Please answer all the questions, as indicated on the questionnaire.

A summary of the results will be reported to the senior management team, the trade union and your respective manager into the future. Importantly, your answers will be **strictly confidential and anonymous**. The results will not be analysed at EBS but at the University of Durham only and no one within the Society will see the individual questionnaires.

Once you have completed the questionnaire, please place it in the box provided by the end of the month. Importantly, the Society has promised to donate €10 for each completed questionnaire to SIMON, the charity for the homeless, so I hope you will support this great cause with a few minutes of your time. Please note that there is no pressure on you to complete the survey, as it is solely a voluntary process.

Thank you very much for your help in completing the questionnaire and I will be in touch over the coming days.

Yours sincerely,

**Sean McGrath**



## Appendix 4

### Scorecard – Branch Operating Standards

Please answer all questions.

#### External: Windows and windows display

No.	Question:	Competencies:	Response:	Weight:	N/A	Question Tip:
1.	Is the fascia clean and all the letters intact?	<ul style="list-style-type: none"> <li>Customer Service</li> </ul>	Y/N	0	Y	
2.	Are doors, window surrounds and window beds clean?	<ul style="list-style-type: none"> <li>Customer Service</li> </ul>	Y/N	0	Y	
3.	Are all posters / promotional materials up to date?	<ul style="list-style-type: none"> <li>Customer Service</li> </ul>	Y/N	0	Y	
4.	Are all posters / promotion materials EBS branded?	<ul style="list-style-type: none"> <li>Customer Service</li> </ul>	Y/N	0	Y	

**Internal: Customer information / queuing area**

<b>No.</b>	<b>Question:</b>	<b>Competencies:</b>	<b>Response:</b>	<b>Weight:</b>	<b>N/A</b>	<b>Question Tip:</b>
5.	Is the area clean and tidy?	<ul style="list-style-type: none"> <li>Customer Service</li> </ul>	Y/N	1	Y	
6.	Are the brochures on display up to date, clean and are there sufficient supplies?	<ul style="list-style-type: none"> <li>Customer Service</li> </ul>	Y/N	1	Y	
7.	Is the lighting in operation and all bulbs working?	<ul style="list-style-type: none"> <li>Customer Service</li> </ul>	Y/N	1	Y	

**Internal: Branch counter area**

<b>No.</b>	<b>Question:</b>	<b>Competencies:</b>	<b>Response:</b>	<b>Weight:</b>	<b>N/A</b>	<b>Question Tip:</b>
8.	Are the areas accessible by customers clean and tidy?	<ul style="list-style-type: none"> <li>Customer Service</li> </ul>	Y/N	1	Y	
9.	Is the glass security screen clean?	<ul style="list-style-type: none"> <li>Customer Service</li> </ul>	Y/N	1	Y	

**Internal: Interview areas**

No.	Question:	Competencies:	Response:	Weight:	N/A	Question Tip:
10.	Are the desk and chairs clean and tidy?	<ul style="list-style-type: none"> <li>Customer Service</li> </ul>	Y/N	1	Y	
11.	Is the floor clean?	<ul style="list-style-type: none"> <li>Customer Service</li> </ul>	Y/N	1	Y	
12.	Is the lighting in operation and all bulbs working?	<ul style="list-style-type: none"> <li>Customer Service</li> </ul>	Y/N	1	Y	

**Establishing Contact:**

No.	Question:	Competencies:	Response:	Weight:	N/A	Question Tip:
13.	Number of attempts before contact established	<ul style="list-style-type: none"> <li>Service Standard</li> </ul>	<ul style="list-style-type: none"> <li>1</li> <li>More than 1</li> </ul>	0	N	
14.	Number of rings before call answered	<ul style="list-style-type: none"> <li>Service Standard</li> </ul>	<ul style="list-style-type: none"> <li>6 or less</li> <li>More than 6</li> </ul>	0	N	
15.	If you were put on hold, for reasons other than transferring you to another staff member, were you told why?	<ul style="list-style-type: none"> <li>Communication</li> <li>Service Standard</li> </ul>	Y/N	1	Y	

**Greeting:**

<b>No.</b>	<b>Question:</b>	<b>Competencies:</b>	<b>Response:</b>	<b>Weight:</b>	<b>N/A</b>	<b>Question Tip:</b>
16.	Did the staff member confirm EBS and Branch?	<ul style="list-style-type: none"> <li>• Customer Centric</li> <li>• Professionalism</li> <li>• Service Standard</li> </ul>	Y/N	1	Y	
17.	Did the staff member give you their name?	<ul style="list-style-type: none"> <li>• Customer Centric</li> <li>• Professionalism</li> <li>• Service Standard</li> </ul>	Y/N	1	Y	You must establish and record at least the staff member's Christian name in the comments box and where possible their full name.
18.	Did the staff member ask for your name?	<ul style="list-style-type: none"> <li>• Communication</li> <li>• Customer Focus</li> <li>• Professionalism</li> </ul>	Y/N	1	N	
19.	Did the staff member establish if you were an existing member? (W)	<ul style="list-style-type: none"> <li>• Customer Centric</li> <li>• Professionalism</li> <li>• Service Standard</li> <li>• Weighted Questions</li> </ul>	Y/N	5	Y	The term 'existing member' relates to whether hold any type of EBS account (mortgage, savings accounts, etc.). The exact question wording may be used by the staff member but similar terms such as account holder or other

indirect references to establish whether you are a customer could be used and would constitute a yes response to the question.

**Enquiry handling:**

No.	Question:	Competencies:	Response:	Weight:	N/A	Question Tip:
20	Did the staff member allow you to fully outline the reason for your call?	<ul style="list-style-type: none"> <li>• Customer Engagement</li> <li>• Customer Focus</li> </ul>	Y/N	1	Y	
21.	If an investment enquiry, were you asked how long you wanted to invest / save for?	<ul style="list-style-type: none"> <li>• Communication</li> <li>• Customer Engagement</li> <li>• Professionalism</li> </ul>	Y/N	1	Y	
22.	If an investment enquiry, were you asked if you were saving for anything in particular?	<ul style="list-style-type: none"> <li>• Communication</li> <li>• Customer Engagement</li> <li>• Professionalism</li> </ul>	Y/N	1	Y	
23.	Were you encouraged to make an appointment to discuss further?	<ul style="list-style-type: none"> <li>• Customer Engagement</li> <li>• Service Standard</li> </ul>	Y/N	1	Y	
24.	Was the staff member able to arrange an	<ul style="list-style-type: none"> <li>• Customer Centric</li> </ul>	Y/N	1	Y	

	interview at a convenient date, time and office?	<ul style="list-style-type: none"> <li>• Customer Focus</li> </ul>			
25.	Did the staff member inform you how long the interview would take?	<ul style="list-style-type: none"> <li>• Communication</li> <li>• Customer Focus</li> <li>• Service Standard</li> </ul>	Y/N	1	Y
26.	Did the staff member inform you what documentation you would need to bring along? (W)	<ul style="list-style-type: none"> <li>• Communication</li> <li>• Professionalism</li> <li>• Service Standard</li> <li>• Weighted Questions</li> </ul>	Y/N	5	Y
27.	Did the staff member confirm the name of the staff member who would be interviewing you?	<ul style="list-style-type: none"> <li>• Communication</li> <li>• Professionalism</li> </ul>	Y/N	1	Y

**Call wrap up:**

<b>No.</b>	<b>Question:</b>	<b>Competencies:</b>	<b>Response:</b>	<b>Weight:</b>	<b>N/A</b>	<b>Question Tip:</b>
28.	Did the staff member attempt to take your address and / or telephone number?	<ul style="list-style-type: none"> <li>• Communication</li> </ul>	Y/N	1	Y	Please specify in your comments which one was requested.
29.	Did the staff member thank you for your call / enquiry?	<ul style="list-style-type: none"> <li>• Communication</li> <li>• Professionalism</li> </ul>	Y/N	1	Y	
30.	Did the staff member use your name at any time in the conversation?	<ul style="list-style-type: none"> <li>• Customer Engagement</li> <li>• Customer Focus</li> <li>• Professionalism</li> </ul>	Y/N	1	N	

**Subjective criteria:**

<b>No.</b>	<b>Question:</b>	<b>Competencies:</b>	<b>Response:</b>	<b>Weight:</b>	<b>N/A</b>	<b>Question Tip:</b>
31.	Did the staff member appear competent?	<ul style="list-style-type: none"> <li>• Communication</li> <li>• Customer Engagement</li> <li>• Service Standard</li> </ul>	Y/N	1	N	
32.	Did the staff member give you their undivided attention during the conversation?	<ul style="list-style-type: none"> <li>• Customer Centric</li> <li>• Customer Focus</li> <li>• Professionalism</li> </ul>	Y/N	1	N	

33.	Did you feel that the staff member dealt with all your needs / queries over the course of the conversation?	<ul style="list-style-type: none"> <li>• Customer Centric</li> <li>• Customer Focus</li> <li>• Professionalism</li> </ul>	Y/N	1	N
34.	Following this call, would you be happy to proceed to the interview with EBS?	<ul style="list-style-type: none"> <li>• Customer Centric</li> <li>• Service Standard</li> </ul>	Y/N	1	N
35.	Following this call, would you be happy to recommend EBS to your family / friends? (W)	<ul style="list-style-type: none"> <li>• Communication</li> <li>• Customer Centric</li> <li>• Customer Focus</li> <li>• Professionalism</li> <li>• Service Standard</li> <li>• Weighted Questions</li> </ul>	Y/N	5	N

**Scorecard Comment Field:**

- Scenario:
- Please comment on anything unusual (good or bad).
- Do you consider the Branch to be in need of any improvements or modernisation? (Please comment).
- Would you buy a product / service as a result of this call? (Please state reasons).



## Appendix 5

### Measurement of Variables – Individual Level Model

N= 358

	<b>Reliability Score</b>
<b>HRM</b>	
- I am provided with sufficient opportunities for training and development	
- I receive the training I need to do my job	<b>.971</b>
- The management keeps me informed about business issues and about how well its doing	
- There is clear status difference between management and staff in the Branch	
- Team working is strongly encouraged in the Branch	
- A rigorous selection process is used to select new recruits at this Branch.	
- Management involve people when they make decisions that affect them	
- Career management is given a high priority at this branch	
- I feel my job is secure	
- I feel fairly rewarded for the amount of effort I put into my job	
- The rewards I receive are directly related to my performance at work	
- I have the opportunities I want to be promoted	
- The appraisal system enables an accurate assessment of people's strengths and weaknesses	
- If I have a problem there are formal procedures for resolving personal grievances.	
<b>Empowerment</b>	<b>.931</b>
- The work I do is very important to me.	
- My job activities are personally meaningful to me	
- The work I do is meaningful to me.	
- I am confident about my ability to do my job.	
- I am self-assured about my capabilities to perform my work activities.	
- I have mastered the skills necessary for my job.	
- I have significant autonomy in determining how I do my job.	
- I can decide on my own how to go about doing my work	
- I have considerable opportunity for independence and freedom in how I do my job.	
- My impact on what happens in my Branch is large.	
- I have a great deal of control over what happens in my Branch.	
- I have significant influence over what happens in my Branch.	
<b>POS</b>	<b>.933</b>
- My organisation really cares bout my well-being	
- My organisation cares about my opinions.	
- Help is available from my organisation when I have a problem.	
- My organisation is willing to help me when I need a special favour.	
- My organisation strongly considers my goals and values	
- My organisation shows very little concern for me.	
- My organisation would forgive an honest mistake on my part.	
<b>Work Intensification</b>	<b>.895</b>

- I am pressured to work long hours. **R**
  - I have unachievable deadlines. **R**
  - I have to work very fast.
  - I have to work very intensively.
  - I have to neglect some tasks because I have too much to do **R**
  - Different groups at work demand things from me that are hard to combine.
  - I am unable to take sufficient breaks. **R**
  - I have unrealistic time pressures. **R**
  - I regularly work longer than my contracted working hours. **R**
  - Working long hours is taken for granted at this Branch **R**
  - There are too few employees to handle the workload in this Branch.
- R**
- OCBI** **.984**
- Assist your manager with his / her work
  - Suggest ways to reduce waste
  - Suggest ways to improve service quality
- OCB-O** **.887**
- Help new people to settle into the job.
  - Help others who have heavy workloads.
  - Help others who have been absent
  - Take time to listen to work colleagues' problems or worries
  - Help colleagues who have personal or domestic problems.
- IRB** **.995**
- Perform according to your supervisor's requirements
  - Perform all the tasks that are expected of you
  - Put off until tomorrow things that should be done today **R**
- EXTRA-ROLE CUSTOMER SERVICE** **.995**
- Go out of my way to help a customer
  - Perform all those tasks for customers that are required of me.
  - Meet formally performance requirements when dealing with customers.
  - Fulfil responsibilities to customers as specified in my job description
  - Adequately complete all expected customer service behaviours.
- Role prescribed Customer service** **.996**
- Voluntarily assist customers even if it means going beyond job requirements
  - Help customers with problems beyond what is expected or required.
  - Go above and beyond the call of duty when serving customers
  - Willingly go out of my way to make a customer satisfied
  - Go out of my way to help a customer

## Measurement of Variables – Unit Level Model

N= 48

### Leadership

- Acts without considering my feelings **R**
- Insists on only the best performance.
- Inspires others with his / her plans for the future.
- Encourages employees to be “team players”.
- Gives me special recognition when my work is very good.
- Commends me when I do a better than average job.
- Has a clear understanding of where we are going.
- Leads by example.
- Asks questions that prompt me to think.
- Is always seeking new opportunities for the organisation.
- Fosters collaboration among work groups.
- Treats me without considering my personal feelings. **R**
- Has ideas that have challenged me to re-examine some of my basic assumptions about my work.
- Personally compliments me when I do outstanding work.
- Behaves in a manner thoughtful of my personal needs.
- Paints an interesting picture of the future of our group.
- Shows respect for my personal feelings.
- Gets the group to work together for the same goal.
- Develops a team attitude and spirit among employees.

**Reliability  
Score**

**.891**

### Service Climate

- the job knowledge and skills of employees in your Branch to deliver quality work and service?
- efforts to measure and track the quality of the work and service in your Branch?
- the recognition and rewards employees receive for the delivery of superior work and performance?
- the overall quality of service provided by your Branch?
- the leadership shown by management in your Branch in supporting the service quality effort?
- the effectiveness of the communications efforts to both employees and customers?
- the tools, technology, and other resources provided to employees to support the delivery of superior quality work and services?
- Working long hours is taken for granted at this Branch.

**. 871**

### Unit Level Customer Focused OCBs

- Perform all those tasks for customers that are required of me.
- Meet formally performance requirements when dealing with customers.
- Fulfil responsibilities to customers as specified in my job description
- Adequately complete all expected customer service behaviours.
- Helps customers that are required of him/her
- Voluntarily assist customers even if it means going beyond job requirements
- Help customers with problems beyond what is expected or required.
- Go above and beyond the call of duty when serving customers
- Willingly go out of my way to make a customer satisfied
- Frequently goes out of my way to help a customer

**.995**

- Goes out of the way to help new employees
- Takes a personal interest in other employees
- Passes along information to co-workers
- Help others who have heavy workloads.
- Help others who have been absent
- Take time to listen to work colleagues' problems or worries
- Assist your manager with his / her work
- Attendance at work is above the norm
- Gives advance notice when unable to work
- Takes underserved work breaks **R**
- Great deal of time spent on personal phone call **R**
- Complains about insignificant things at work **R**
- Conserves and protects organisational property
- Adheres to informal rules to maintain order
- Adequately completes assigned duties
- Fulfils responsibilities specified in job description
- Performs tasks that are expected of him/her
- Meets formal performance requirements of the job
- Engages in activities that will directly affect his/her performance evaluation
- Neglects aspects of the job he/she is obligated to perform. **R**
- Fails to perform essential duties **R**

## Appendix 6: Syntax

GET

```
FILE= 'X:\XX\EBS-employee'+  
'-and-non-common-combined.sav'.
```

```
SAVE OUTFILE X:\XXX\EBS-employee'+  
'-and-non-common-combined.sav'.
```

```
FREQ VARS = ALL.
```

```
DESC VARS = ALL.
```

RECODE

```
Q3A Q3L Q3AA Q10A Q10E Q10F Q10L Q11C Q11G Q12N  
Q13C Q13F Q13I Q13K  
(7=1) (6=2) (5=3) (4=4) (3=5) (2=6) (1=7).
```

```
EXECUTE .
```

```
RECODE Q12N Q17T Q17U Q17V Q17DD Q17EE  
(5=1) (4=2) (3=3) (2=4) (1=5) .
```

```
EXECUTE .
```

```
COMPUTE ARTV = (Q3J + Q3P + Q3C + Q3G + Q3BB)/5.
```

```
EXECUTE.
```

```
COMPUTE PAM = (Q3X + Q3H + Q3U)/3.
```

```
EXECUTE.
```

```
COMPUTE FAG = (Q3D + Q3R + Q3K + Q3S)/4.
```

```
EXECUTE.
```

```
COMPUTE HPEX = (Q3B + Q3V + Q3W)/3.
```

```
EXECUTE.
```

```
COMPUTE INDSUPP = (Q3L + Q3A + Q3O + Q3Q)/4.
```

```
EXECUTE.
```

```
COMPUTE INTSTIM = (Q3M + Q3Y + Q3Z + Q3I)/4.
```

```
EXECUTE.
```

```
COMPUTE CONTR = (Q3F + Q3E + Q3N + Q3T + Q3AA)/5.
```

```
EXECUTE.
```

```
COMPUTE CTRANS = (Q3J + Q3P + Q3C + Q3G + Q3BB + Q3X + Q3H  
+ Q3U + Q3D + Q3R + Q3K + Q3S)/12.
```

```
EXECUTE.
```

COMPUTE HRMPRACT = (Q4A + Q4B + Q4C + Q4E + Q4F + Q4G +  
Q4H + Q4I + Q4J + Q4K + Q4L + Q4M + Q4N)/ 13.

EXECUTE.

COMPUTE TRUSTBMGT = (Q5A + Q5B + Q5C + Q5D + Q5E)/ 5.

EXECUTE.

COMPUTE POTENT = (Q6A + Q6B + Q6C + Q6D + Q6E + Q6F + Q6G + Q6H)/ 8.

EXECUTE.

COMPUTE SERVCLIM = (Q7A + Q7B + Q7C + Q7D + Q7E + Q7F + Q7G)/ 7.

EXECUTE.

COMPUTE MEANE = (Q8A + Q8B + Q8C) / 3 .

EXECUTE .

COMPUTE COMPE = (Q8D + Q8E + Q8F) / 3 .

EXECUTE .

COMPUTE SELFDE = (Q8G + Q8H + Q8I) / 3 .

EXECUTE .

COMPUTE IMPACTE = (Q8K + Q8L + Q8M) / 3 .

EXECUTE .

COMPUTE EMPOW = (Q8A + Q8B + Q8C + Q8D + Q8E + Q8F + Q8G + Q8H  
+ Q8I + Q8K + Q8L + Q8M) / 12 .

EXECUTE .

COMPUTE WORKINT = (Q9A + Q9B + Q9C + Q9D + Q9E + Q9F + Q9G + Q9H + Q9I + Q9J + Q9K)  
/ 11.

EXECUTE.

COMPUTE WORKDEM = (Q9A + Q9B + Q9C + Q9D + Q9E + Q9F + Q9G + Q9H) / 8.

EXECUTE.

COMPUTE COMAFF = (Q10A + Q10B + Q10C + Q10D + Q10E + Q10F)/ 6.

EXECUTE.

COMPUTE POS = (Q10G + Q10H + Q10I + Q10J + Q10K + Q10L + Q10M)/ 7.

EXECUTE.

COMPUTE JOBSAT3 = (Q11A + Q11B + Q11C)/ 3.

EXECUTE.

COMPUTE JOBSAT4 = (Q11A + Q11B + Q11C + Q11D)/ 4.

EXECUTE.

COMPUTE QUINT = (Q11E + Q11F + Q11G)/ 3.

EXECUTE.

COMPUTE POSAFF = (Q11H + Q11I + Q11J)/ 3.

EXECUTE.

COMPUTE OCBALT = (Q12A + Q12B + Q12C + Q12D + Q12E)/ 5.

EXECUTE.

COMPUTE OCBCOMP = (Q12G + Q12H + Q12I)/ 3.

EXECUTE.

COMPUTE IRB = (Q12L + Q12M + Q12N)/ 3.

EXECUTE.

COMPUTE EXTCUST = (Q12O + Q12P + Q12Q + Q12R + Q12S)/ 5.

EXECUTE.

COMPUTE ROLCUST = (Q12T + Q12U + Q12V + Q12W + Q12X)/ 5.

EXECUTE.

COMPUTE CONSC = (Q13A + Q13B + Q13C + Q13D + Q13E + Q13F +  
Q13G + Q13H + Q13I + Q13J + Q13K + Q13L)/ 12.

EXECUTE.

COMPUTE SOCDES4 = (Q13M + Q13N + Q13O + Q13P)/ 4.

EXECUTE.

COMPUTE SOCDES3 = (Q13M + Q13N + Q13O)/ 3.

EXECUTE.

EXECUTE .

COMPUTE CSERVINR = (Q17A+ Q17B + Q17C + Q17D + Q17E) / 5.

EXECUTE.

COMPUTE CSERVEXR = (Q17F + Q17G + Q17H + Q17I + Q17J) / 5.

EXECUTE.

COMPUTE OCBI = (Q17K + Q17L + Q17M + Q17N + Q17O + Q17P + Q17Q) / 7.

EXECUTE.

COMPUTE OCBO = (Q17R + Q17S + Q17T + Q17U + Q17V + Q17W + Q17X) / 7.

EXECUTE.

COMPUTE INROLBEH = (Q17Y + Q17Z + Q17AA + Q17BB + Q17CC + Q17DD + Q17EE) / 7.

EXECUTE.

RECODE Q2 Q14E (1 = 0) (2 = 1).

EXECUTE.

RECODE Q14D (1 = 1) (2 = 0).

EXECUTE.

RECODE Q14H (1 = 1) (2, 3 = 0).

EXECUTE.

COMPUTE IDENT = (Q15).

EXECUTE.

COMPUTE BRANCH = (Q16).

EXECUTE.

\* Cronbach alphas -

RELIABILITY

```

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RELIABILITY
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/SCALE('HPEX') ALL/MODEL=ALPHA
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```



```

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```

\* Regression Empower

```

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EMPOW
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```

```

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/NOORIGIN
/DEPENDENT OCBO
/METHOD=ENTER q14b q14e q14f /METHOD=ENTER HRMPRACT /METHOD=ENTER
EMPOW

```

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/NOORIGIN  
/DEPENDENT OCBI  
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EMPOW

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REGRESSION  
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/STATISTICS COEFF OUTS R ANOVA CHANGE  
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/NOORIGIN  
/DEPENDENT CSERVEXR  
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EMPOW

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REGRESSION  
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/STATISTICS COEFF OUTS R ANOVA CHANGE  
/CRITERIA=PIN(.05) POUT(.10)  
/NOORIGIN  
/DEPENDENT CSERVINR  
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EMPOW

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REGRESSION  
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/DEPENDENT EMPOW  
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REGRESSION  
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.

\* Regressions POS

REGRESSION

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.

REGRESSION

/MISSING LISTWISE  
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/DEPENDENT OCBO  
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REGRESSION

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REGRESSION

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REGRESSION

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REGRESSION

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