Hierarchical distance as a moderator of HRM practices on organizational performance

Rafael Triguero-Sánchez, Jesús C. Peña-Vinces and Mercedes Sánchez-Apellániz
Business Management and Marketing, University of Seville, Seville, Spain

Abstract
Purpose – The purpose of this paper is to examine the moderator role of hierarchical distance (HD) in the relationship between human resources management (HRM) practices and organizational performance (OP, perceived/financial). To date there is no empirical evidence that demonstrates whether HD affects this relationship.

Design/methodology/approach – These relationships are examined through an empirical study of 102 small- and medium-sized enterprises from Europe (Spain). Partial least squares structural equation modeling is used to test the moderator effect of HD.

Findings – The results show that HD is a cultural dimension which moderates the relationship between HRM practices and OP. Furthermore, when OP is studied in relation to HRM practices, the use of perceived measures are considered more appropriate as these indicate the opinion of employees and managers regarding about OP.

Research limitations/implications – The non-cross-sectional character of the paper.

Practical implications – Organizations should consider HD when deciding the structure and application of their HR practices, since a lesser HD has positive effects on business results.

Originality/value – Little attention has been paid to non-linear models, with particular reference to the inclusion of cultural dimensions – such organizational culture (i.e. HD) – in HRM models.

Keywords – Employees’ commitment, Financial performance, Hierarchical distance, HRM practices, Non-linear model, Non-financial performance (subjective performance)

Paper type – Research paper

1. Introduction
In recent years few studies that examine the relationship between human resource management (HRM) practices and the level of employees’ commitment with the business results have been published. This has strengthened the role of HRM as a source of competitive advantage (Barney and Wright, 1998; Martin et al., 2012). However, the differences resulting from these studies seem to suggest the existence of contextual and cultural variables that might also condition organizational performance (OP; Guest et al., 2003; Richard et al., 2007). This lack of consensus is due to the effects of HRM practices which are implemented at different times and in different ways, as has been suggested by Yacuzzi (2010). Furthermore, this has led to debates about the appropriateness of using certain financial and non-financial measures (NFM).

The authors would like to express their gratitude to Emily Grott (an English native translator and writer), Lecturer at the Pablo Olavide University (Spain) for the revision and edition of the paper. The authors would also like to thank the editor of the IJM, Professor Adrian Ziderman and the two anonymous reviewers of IJM. All errors and omissions remain the authors’ responsibility.
in a special manner to assess OP, when they are applied in HRM research (Bontis et al., 2002).

Some researchers have discussed the suitability of using financial and NFM (broadly known as subjective) for assessing OP (Bontis et al., 2002). Financial measures (FM) comprise indicators such as return on assets (ROA) which show the profitability of a company is in relation to its total assets, and return on sales (ROS) associated with the operating margin of the firm. These measures are widely accepted in the area of accounting sciences; however, they do not adequately satisfy the needs of other research fields (Eccles, 2004). Generally, the NFM used in research include indicators such as the perception of employees and managers regarding OP. It is worth noting that these latter measures of OP are viewed with some caution by several researchers who have a preference for purely accountable information systems. This particular view is at odds with the broad acceptance this indicator has among researchers of business administration (e.g. Barroso et al., 2010; Yacuzzi, 2010).

This lack of consensus demands for new studies that consider factors involved in and/or moderate the relationship between HRM practices and the performance of organizations, as is the case of the hierarchical distance (HD). This view is supported by authors such as: Detert et al. (2000) and Shore and Coyle-Shapiro (2003). In this sense, the present study aims to fill this research gap identified by the literature review with new insights that contribute to the knowledge of HRM. Hence, the objective of this research is to evaluate the role of HD in the relationship between HRM practices and OP, from both a subjective and financial perspective.

The study has been structured as follows: first, we provide a literature review, which allows the building of the research model and the posing of two hypotheses. Second, we describe the methodology and testing of the hypotheses. Finally we present the findings and implications for management and practitioners.

2. Research model
The resources-based view (RBV) underpins this paper. Therefore, we shall first consider HRM as a source of competitive advantage (Barney and Wright, 1998) as it is characterized by the conditions of worth, complexity, inability to be imitated and difficulty to transfer (e.g. Kochan et al., 2003). On the other hand, in order to understand attitudes and behavior in organizations one of the most influential conceptual frameworks is the provided by the social exchange theory (SET), which is related to the employees’ commitment (Cropanzano and Mitchell, 2005). Despite the divergent points of view regarding this theory (e.g. Shore and Coyle-Shapiro, 2003) there is a widespread consensus that the interactions which take place among group members inevitably force them to relate to each other. In essence this implies an exchange of material and immaterial resources that they will be ruled by reciprocity standards (Cropanzano and Mitchell, 2005). Reciprocity is a universal principle that guides behavior so that an individual feels obliged to return any preferential treatment received from someone, which in the long term will result in a link reinforcement mechanism between them. SET may be applied to multiple relationships within organizations, but this has acquired particular relevance in the “individual-organization” relationship since it supports HRM pursuing the employees’ commitment to favor their integration into the company and the achievement of its goals (Sparrow and Liden, 1997).
2.1 Construct definitions

2.1.1 HRM system (HRM practices). The HRM system is a grouping of interrelated elements by which organizations manage their human capital, which should be coherent with the business strategy and the business context (Wright and McMahan, 1992). There is no one universally accepted concept of which practices constitute a HR system. However, it is possible to determine which functional areas appear regularly in the literature, although sometimes under different labels (Martin et al., 2012). In our case we have followed the works of Guest et al. (2003); who have suggested only nine HR practices, which comprise related groups of actions targeted at workforce management (see HRM practices at Appendix 1).

Frequently, HRM practices are studied from the configurational perspective (Triguero-Sánchez et al., 2011). This perspective argues that the impact of HRM on OP will depend on the adoption of different and optimum combinations of human resource practices (MacDuffie, 1995). That is to say, the premise of this theory is that the different human resource practices are connected and related to each other in a coherent manner, so that the resulting process of complex interactions derived from HRM programs, contribute to the improved performance of the organizations (Arthur, 1994; MacDuffie, 1995).

On the other hand, HRM practices can be classified according to their focus (Richard and Johnson, 2001), which is especially interesting from a diversity point of view (Martin et al., 2012), irrespective of whether their goal is employee control or employee commitment (e.g. Collins and Smith, 2006). The participation of employees in the decisions of their group, the search for agreements and the prevention of interpersonal conflicts all require management systems allowing them to debate their points of view openly, especially if they are different. Therefore, it is necessary that HR practices support the commitment of employees with their colleagues and their organization (Guest et al., 2003; Kirkman and Shapiro, 2001). For instance, in the field of recruitment; in training activities (Yap et al., 2010); in evaluation and assessment processes (Cannella et al., 2008); in the compensation system and job design; in employment stability and internal market, as well as in initiatives related to equal opportunities or management quality.

Moreover, some scholars have concluded that the design and configuration of HR practices should include elements of organizational culture such as HD (Kochan et al., 2003). The literature review shows that the cultural dimensions which have received the most attention by researchers are individualism/collectivism and HD (Hofmann and Gavin, 1998). This is due to the fact that these cultural dimensions are closely related to decision making and the effectiveness of organizational communication (Jackson, 2003) and of course, in the configuration of HRM practices (Waldman et al., 2006).

Kirkman and Shapiro (2001) found a positive relation between the predominance of collectivist cultures in organizations with a diverse workforce and satisfaction and commitment level of their members. Likewise, Jiing-Lih et al. (2007) affirm that the levels of HD within an organization affect the performance of both team groups and the organization as a whole. Based on the works of Bochner and Hesketh (1994), the authors Pheng and Yuquan (2002) argue that HD affects the behaviors and attitudes of employees within a firm which are then reflected either positively or negatively on OP.

It is important to note that the cultural dimension individualism/collectivism has received much attention by various researchers of HRM (Triguero-Sánchez et al., 2011) in relation to HD. Hence, Gelfand et al. (2007) call for further study of HD.
At this point, it seems obvious that HD should be taken into account when deciding the structure of staff management and subsequently, HR systems, especially as these have an impact on OP (Costigan et al., 2006).

Before we start to analyze HD, it is important to highlight that in our research HD is studied at organizational level.

2.1.2 HD. In societies high on power distance, organizations may show high HD. HD refers to the degree in which individuals expect a hierarchical structure that emphasizes the differences in status between subordinates and superiors (Gómez-Mejía and Palich, 1997; Waldman et al., 2006).

In organizations marked by a high power distance significant hierarchical differences are expected as these represent the existing inequality while in organizations characterized by a low power distance, a less vertical hierarchical structure is expected (Waldman et al., 2006). Therefore, organizations with a low grade of HD are those in which power is distributed equally, except in some cases which require the opposite for the sake of convenience, contrary to what happens in organizations with a high grade of HD, that consider inequality necessary. Clearly, power distance is determined by the organizational structure and the relations established within its framework (supervision, wage level, privileges, etc.), the participation of individuals in the decision-making process (decentralization vs centralization, democratic vs authoritarian leader, etc.), the characteristics of communication that take place in this process and the special features of individuals (boss and subordinate) that are part of the firm, establishing the guidelines of the relations and the conflicts that may therein arise.

In organizations characterized by a large power distance, managers fulfill the role of an authoritarian boss, with high reliance on formal rule (control) and subordinates who expect to be told what they have to do (Bochner and Hesketh, 1994). This relation shows a very formal profile between superiors and subordinates, resulting in strong differences of roles, and very likely, a strong combination of mixed feelings that might generate a paternalistic attitude by the manager and highly polarized feelings (highly positive or negative) toward him. Likewise, some research studies (e.g. Schramm-Nielsen, 2000) have shown that a team orientated culture, which reflects a low degree of power distance, is related to a greater predisposition of the members of those teams toward decision making (commitment) and a greater propensity to staying in the company.

Carl et al. (2004, p. 560) concluded that high HD can be clearly dysfunctional in cases where the rules and decisions of top management take precedence over the learning and adaptation of employees, meaning there is little opportunity for discussion and the expression of different opinions. Indeed, these arguments indicate that HD could affect the relationship between leadership and group behavior (Fischer and Mansell, 2009). In fact, some cultures may perceive and evaluate leadership and its effects as being more important than others cultures (Sparrow and Liden, 1997; Waldman et al., 2006). In general, the rules of the organization are expected to affect the dynamics and social processes within the working groups (Carl et al., 2004). On the other hand, organizations with a relatively low HD are characterized by a greater egalitarianism among employees (Fischer and Mansell, 2009), which means greater participation, joint decision making, a high degree of commitment to work and performance-based assessment (Jiing-Lih et al., 2007). Additional characteristics include greater decentralization and less dependence of the subordinates on their superiors (Gómez-Mejia and Palich, 1997).
2.2 Linking HRM practices with OP through HD

As regards the relationship between HRM practices and the performance of organizations (onwards OP), recent studies have indicated that this should be considered through those processes of mediation that condition it, as happens with organizational culture (Martin et al., 2012; Pugh et al., 2008; Shore and Coyle-Shapiro, 2003). These authors have claimed that cultural dimensions provide a strong basis for this type of study (Detert et al., 2000; Waldman et al., 2006). In fact, Jiing-Lih et al. (2007) suggest that HD could moderate the relationship of the perception of employees vis-à-vis their organizations and also condition the results of their work (Costigan et al., 2006).

Given the objective of this work is the analysis of the cultural dimension, “HD” as a moderator of the success of HRM practices on OP we have defined two hypotheses, one for each construct (variable) referring to the performance: subjective and perceived (see Figure 1). Therefore:

**H1.** HD will moderate the relationship between HRM practices and OP (evaluated by means of accounting measures) such that when HD is low the relationship will be positive.

**H2.** HD will moderate the relationship between HRM practices and OP (evaluated by means of subjective measures) such that when HD is low the relationship will be positive.

These two hypotheses are represented graphically in the proposed research model (Figure 1).
3. Methodology

3.1 Population and sample description

Questionnaire methodology has been adopted in this work, following the approaches suggested by Guest et al. (2003) for HRM research. As regards the unit sample, the questionnaires were answered by the managers of HR, chair of HR and general directors.

The relevant people in each company were telephoned, during which time they were assured the importance of taking part in the study and also of its usefulness. If so required, we committed to sending them the results of the research. They were also assured that the information would be dealt with confidentially, globally and anonymously. Finally, we highlighted the importance of the suggestions that the interviewees proposed to us, and our gratitude for their participation. All of these aspects were emphasized in the introductory letter which was subsequently sent along with the questionnaire and a prepaid envelope for returning upon completion.

The companies were selected from the IBAS (SABI in Spanish) database (Iberian Balances Analysis System). Among the registered companies, 1,300 had between 100 and 2,000 employees, according to the data registered in 2007, and 1,169 were constituted before 2003. The resulting population was 902 companies which offered a well-balanced representation of all productive sectors. A total of 103 questionnaires were returned in different forms: via e-mail, postal mail, on-line survey (web survey) and personal interviews in organizations. This represents a reply rate of 11.42 percent.

The low reply rate is due to the fact that our research population was obtained exclusively from the SABI database. In order for a firm to be part of study, it had to fulfill the following requirements: have at least 30 employees, a minimum of seven year of operations in markets, the geographical location must be within the Andalucia region of Spain, and have an HR manager. Thus, once the selection criteria was applied, the sample size was reduced. Therefore, our sample is representative for the population of study (SABI database), which converts it in adequate and appropriate to examine the moderator effect of HD in the relationship HRM practices OP.

As regards the nature of the companies, 93 percent belong to the private sector and the remainder to the public sector – in other words, they belong to the Spanish government.

The following tables (Tables I and II) summarize the descriptive statistics of the unit analysis.

3.2 Measures

Traditional literature on HRM was consulted in order to obtain a reliable measurement, using tools broadly validated and contrasted in previous research studies. The indicators adapted from English literature were translated from English into Spanish by two native Spanish speakers who are familiarized with HRM terminology, in order to avoid any ambiguity in the measurement scales. The variables used to measure

<table>
<thead>
<tr>
<th>Population size</th>
<th>902 firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Universe</td>
<td>Manager of HR, chair of HR, and CEO</td>
</tr>
<tr>
<td>Place of study</td>
<td>Andalucia (Spain)</td>
</tr>
<tr>
<td>Sampling method</td>
<td>Survey: via e-mail, postal survey, and personal interviews</td>
</tr>
<tr>
<td>Sample size</td>
<td>102 surveys (discounting ineligible and incomplete surveys)</td>
</tr>
<tr>
<td>Time period</td>
<td>June 2009-October 2009</td>
</tr>
</tbody>
</table>

Table I. Survey technical data
HRM practices are supported in the existing literature using Guest et al. (2003) measuring items, with a one to seven Likert-type scale. In this sense 1 point indicates high control and little commitment in organizations and 7 points high commitment. Aspects such as personnel selection, training, evaluation, wage flexibility, job design, level of communication, job stability, equal opportunities and the HRM quality were measured. These aspects allowed us to distinguish the orientation of HR strategies used by the organizations studied, according to Guest et al. (2003) (see the complete scale in the Appendix 1).

To measure the subjective performance, the Bontis et al.’s (2002) measurement scale was used. Therefore, OP subjective has been measured both at individual and group level, as well as organizational level. It is important to note that this measurement scale has become very popular among Spanish academics.

When measuring OP, in the case of financial performance, we used measures widely accepted by the academic community (Boone et al., 2004; Carpenter, 2002), specifically, the famous financial accounting measures, such as ROA and ROS, (using the mean of the last three years). To measure HD we applied the Baker et al.’s (2009) measurement scale, with 7 points. HD comprises themes such as the participation of subordinates in making important decisions in the company, the use of authority and job empowerment (refer to the survey details at the end of this research).

3.3 Data analysis and interaction effect
The data has been analyzed through the structural equation modeling (SEM) using the partial least square (PLS) technique. The PLS procedure has been gaining interest and use amongst researchers in recent years because of its ability to model latent constructs under conditions of non-normality and small to medium sample sizes (Barroso et al., 2010; Chin, 1998). The use of this technique (PLS) can be carried out into two stages (Wold, 1979). The first step requires the evaluation of the measurement model (MM). The second step is to assess the structural model (SM).

Our research model (Figure 1) to evaluate the role moderator of HD between HRM practices on OP was made up by four variables, with two second-order construct (i.e. HRM practices and OP). These construct were operated using a molecular approximation (Chin, 1998).

The evaluation of a MM or the testing of the hypotheses begins by assessing individual item reliability (i.e. factor loadings). Carmines and Zeller (1979) mention that in order for one item’s measurement to be accepted as part of a construct, it must exceed a threshold of 0.707 (see Table III). The next step within the MM evaluation is
the estimation of the composite reliability (CR). The four constructs have recorded values above the limit set (Table III), in accordance with Nunnally (1978), who suggests a value of CR $\geq 0.70$. Finally, within the MM analysis, the average variance extracted (AVE) and the discriminant validity (DV) were evaluated. To accept a better value of AVE this must be over 0.50 (Fornell and Larcker, 1981). The constructs show values above the parameter set. For the DV analysis, the square root of the AVE (i.e. the diagonals in Table IV) is compared with the correlations among constructs (i.e. the off-diagonal elements in Table IV). On average, each construct relates more strongly to its own measurements than to others.

To evaluate the SM, the explained variance ($R^2$) values are assessed. Here the stability of the estimates is examined through the use of the $t$-statistics obtained from

<table>
<thead>
<tr>
<th>Constructs/indicator</th>
<th>$\lambda$</th>
<th>$C_R$</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial performance (FP)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on assets</td>
<td>0.889</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on sales</td>
<td>0.905</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subjective performance (SP)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual performance</td>
<td>0.908</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group performance</td>
<td>0.813</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational performance</td>
<td>0.813</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>HRM practices (HRMp)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selection</td>
<td>0.717</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training</td>
<td>0.832</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evaluation</td>
<td>0.766</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flexible remuneration</td>
<td>0.751</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job design</td>
<td>0.897</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bidirectional communication</td>
<td>0.799</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job stability</td>
<td>0.818</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equality</td>
<td>0.894</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job quality</td>
<td>0.945</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Hierarchical distance (HD)</strong></td>
<td></td>
<td>$0.924$</td>
<td>$0.670$</td>
</tr>
<tr>
<td>Participation from subordinates in business</td>
<td>0.864</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Abuse of authority and power</td>
<td>0.827</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consideration of the views of employees</td>
<td>0.887</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social relations between managers and employees</td>
<td>0.719</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acceptance of authority by the employees</td>
<td>0.829</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Empowerment</td>
<td>0.781</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:** $\lambda$, Loadings; $C_R$, Composite reliability; AVE, Average variance extracted

<table>
<thead>
<tr>
<th>Constructs</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. SP</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. FP</td>
<td>0.063</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. HRMp</td>
<td>0.672</td>
<td>0.048</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>4. HD</td>
<td>0.150</td>
<td>$-0.104$</td>
<td>$-0.254$</td>
<td>1</td>
</tr>
</tbody>
</table>

**Notes:** Diagonal elements are the square root of the variance shared between the constructs and their measures. Off-diagonal elements are the correlations among constructs. For discriminant validity, diagonal elements should be larger than off-diagonal. *$p < 0.05$
a bootstrap test with 1,000 re-samples. The path coefficients and the \( t \)-values are observed with the level of significance achieved from the bootstrap test (Chin, 1998). Therefore, in Figure 2 we summarize the results of the PLS analysis. Here the \( R^2 \) of endogenous constructs and the standardized path coefficients (\( \beta \)) can be noted. Since PLS makes no distributional assumptions in its parameter estimation, traditional parameter-based techniques for significance testing and model evaluation are considered to be inappropriate (Chin, 1998).

Additionally, the predictive relevance was evaluated through \( Q^2 \), exceeding the requirement of \( Q^2 > 0.00 \). Finally, the results confirm that the SM has predictive quality, obtaining a goodness-of-fit (GOF); away from 0 and close to 1 (Tenenhaus, 2008) (see Figure 2).

Once the lineal model has been analyzed, the moderator effect of the HD between HRM practices on OP is examined, as per the recommendations of Henseler et al. (2011), who propose a two-stage approach to estimate the effect size (\( f^2 \)), in order to determine if the moderator variable meets its role in a non-linear relation (see Henseler et al., 2011, p. 11). In this sense, following the rule of thumb established by these authors, values of 0.02/0.15/0.35 are regarded as weak/moderate/strong, respectively. In our case for the financial OP case the \( f^2 \) is of 0.03 and for the subjective OP the value is of 0.02. Therefore, we can conclude that the moderator effect of HD is small (see Figure 3).

4. Results
The hypotheses have shown the strategic character of HRM and its impact on both financial and subjective OP.

The results of our SEM (Figure 2) reveal the positive effects between the orientation of HRM practices searching for employees’ commitment and the perception that managers have of subjective performance of their organizations (\( \beta = 0.696; p < 0.001 \)), as well as that of financial performance (\( \beta = 0.199; p < 0.1 \)) although in this last case, with a weaker relationship.

Moreover, the first contribution of our model with interaction effect confirms HR literature revised previously, to show the moderator character of HD when it is

![Figure 2. Model without interaction effect](image)

Notes: \( \rightarrow \), hypothesized sample; \( \beta \), path coefficients; \( t \), \( t \)-values/bootstrap; \( Q^2 \), predictive relevance; GOF, goodness-of-fit index; \( {}^* p < 0.05 \) (based on \( t \) (999), one-tailed test; \( t \)-values are: 1.6464); \( {}^{**} p < 0.001 \) (based on \( t \) (999), one-tailed test; \( t \)-values are: 3.0984); \( {}^{***} p < 0.1 \) (based on \( t \) (999), one-tailed test; \( t \)-values are: 1.2824)
analyzed as a requirement of HR system with the aim of increasing employees’
commitment. This effect has a logical coherence which demonstrates how a lesser HD
in organizations will affect the structure, which tends to be more horizontal than
vertical, thus enabling the use of integration policies aimed at boosting the employees’
commitment (Jiing-Lih et al., 2007).

The second contribution of this research is to question the existing models that
“directly” link HRM practices and OP (OP, subjective/financial). In this sense, our
model offers a solution to this problem with the incorporation of HD in this
relationship. Therefore, our model (Figure 3) with interaction effect shows that
HD has a negative influence on the relationship between HRM practices and
OP. In addition, the non-linear relationship in this model explains more variance
for the case of OP on its non-financial measure. This is also confirmed as the
predictive quality of this model tends to be higher (GOF = 0.532) than the linear
model. In conclusion, our contribution shows that organizations must take the
hierarchical levels into consideration when they execute HR practices. Failure to
do so will result in HR policies that could have otherwise produced positive effects
on OP. Therefore, we argue that it is important that an organization provides a lesser
level of HD.

5. Conclusions and implications
The following conclusions can be drawn from the present study. The data obtained
shows that HR policies and practices followed by organizations have positive effects on
OP when they strive to gain the commitment of employees. In fact, such results have
had the same positive effects for both subjective and financial OP according to prior

Notes: →, hypothesized sample; β, = path coefficients; t, t-values/bootstrap;
GOF, goodness-of-fit index; NS, non supported. * p < 0.05 (based on t (999),
one-tailed test; t-values are: 1.6464); *** p < 0.001 (based on t (999), one-tailed
test; t-values are: 3.0984); **** p < 0.1 (based on t (999), one-tailed test; t-values
are: 1.2824)
These results highlight the existence of benefits derived from the use of an integral measurement system (financial and subjective) capable of overcoming any difficulties that might arise during its implementation.

Regarding the cultural dimension HD, our results show that a low HD will positively affect the HRM practices-OP relationship. However, it is also important to note that the effect of HD is slight. This could indicate that when organizations tend to be more horizontal than vertical organizational structures, they might benefit from increased OP.

SEM-PLS analysis revealed that the all HRM practices analyzed in this study have shown positive effects on OP but with particular emphasis on those related to job quality; hence the existence of quality management programs, the involvement of employees in problem solving and decision making in the organization, the implementation of quality circles, the building of better work teams and to a large extent, the achievement of employees’ commitment by means of ensuring quality at work. Also, the fact that companies ensure the existence of equal opportunities policies for their employees has been seen as a valuable indicator of good HRM practices for the achievement of the best possible results in organizations. Job design is another HRM practice that allows the formation of multi-functional teams, where an adequate job design or the existence of an appropriate employee qualification, with respect to the attributed and/or attributable (flexibility) competencies, play a fundamental role in the competitive advantage of organizations and potentially contribute to the improvement of OP.

Training and job stability are also shown as key factors, especially in certain job types, that are considered relevant to the future of the organization and for the employees’ career plan. On the other hand, alongside job design, we find the role that the selection process plays in organizations characterized by high participation and involvement of its employees, is also important. For example, firms usually inform their employees about the economic and financial situation in order to ensure they become involved, are committed and cooperate to achieve the common goals of the organization. Hence, communication becomes another important factor for achieving the organizational objectives. In this sense, as a response to our hypothesis of work; our results show that the effects derived from HRM practices can be measured by both financial (ROS and ROA) and subjective indicators (employees, managers’, CEOs and perceptions on business results).

In the case of firms from the southern region of Spain, HR practices have been shown to be linked to the employee’s commitment, particularly in those related to quality processes, the involvement of employees in job design, their participation in work teams, the establishment of equal opportunities policies, the permanent training (especially in key job positions), employee selection and the bidirectional communication. All these HR practices have allowed these firms (Andalucía’s firms) to gain competitive advantages. Finally, the current research shows how the positive effects of HRM can contribute to business success – benefits that can be seen through the individual perceptions of both the work teams and managers and also by financial returns indicators (e.g. ROS and ROA).

As regards the implications for management the evidence from this study suggests that when a lesser HD exists in an organization it allows employees and managers to perceive their organizations as more efficient, and also contributes to the application of HR policies, which are reflected finally in OP. Hence, in organizations which are
seeking the commitment of their employees their organizational cultures are characterized by “horizontal structures” (e.g. <HD), and there is little vertical distance and/or hierarchy among their employees. Therefore, when organizations design their HRM plans and strategies they should pay close attention to their organizational culture.

Moreover, if organizations want to accomplish a higher commitment of their employees, the decision making of the HR managers should be based on query initiatives before they appeal to higher authorities. In this sense, actions such as delegating important tasks to employees enable the participation in decisions regarding management issues or the development of social relationships outside of the company. In general, these HR practices tend to strengthen the relationship between different hierarchical levels of organizations. Therefore, the correct utilization of HRM practices will contribute to obtaining better results for the organizations.

The results of this research support the idea of choosing contingent policies when deciding the structure of the HRM system strategy. The findings of this study suggest that there is no one unique and universal HRM system. In this sense, HRM practices should be connected and related to the business strategy in a coherent manner in order to achieve better business results.

Another possible implication of this study is that organizations characterized by a horizontal (plane) organizational culture should expect to achieve a spirit of commitment and interaction with the new members (employees). They should have an adequate recruitment and selection process which reflects the real future working conditions. Therefore, adequate training should be provided to enhance the interest of employees in furthering their career in the organization, especially for those in key positions. It could also contribute to develop employee commitment in terms of providing information about their work performance and their work teams and for the progress of the organization. Furthermore, incentives have proven to have positive effects, both for the completion of group objectives and for the enhancement of knowledge, skills and abilities of employees.

Regarding the measurement of performance in these complex management models, the perception of employees and managers have proven a valuable tool for measuring success, inasmuch it is reliable, valid and predictable, while the FM have also been shown to be valid and reliable, albeit less important. In conclusion, when organizations assess their HRM system in relation to their performance we suggest the use of subjective measures.

6. Limitations and directions for future research
The present research has some limitations and these, too, could be addressed in future research. First, the non-cross-sectional nature of our data, as we do not use data from multiple-years to conduct our survey; except to measure financial performance which is calculated by the mean of the last three years. Hence, we cannot demonstrate if the advantages that provided a lesser HD on the relationship HRM practices – OP will be a source of greater performance in the long term. Second, given that the results are specific to one particular region (Andalucí) with its own unique culture we cannot make generalizations of other regions of Spain such as Cataluña, Madrid, Valencia, and so forth. Therefore, more studies in other geographical areas with different cultures are needed in order to take a broader view.
Another limitation of this study is the common method variance. Concretely, HRM practices and subjective OP are measured from the same source (common method variance), which may explain the stronger relationship shown between them.

Furthermore, it is recommended that further research be carried out in the following areas: examination of the moderator effect of the cultural dimension individualism/collectivism with regards to the HRM practices-OP relationship. Further research might also investigate the moderator role and or mediator of variables such as the aversion to risk and masculinity/femininity, etc.

References


**Appendix 1. Scale of measures**

**Likert’s scale from 1 to 7**

**HRM practices**

1 = In total disagreement and 7 = In total agreement

**Selection (SEL1 … SEL3)**

1. Our company has recruitment and selection processes that can fill all available vacancies.
2. As part of the selection process, applicants are informed about the negative aspects of the job.
3. In our company we have developed systems to select personnel (in addition to interviews and/or curriculum analysis).
(4) Our company has recruitment and selection processes that can fill all available vacancies.
(5) As part of the selection process, applicants are informed about the negative aspects of the job.
(6) In our company we have developed systems to select personnel (in addition to interviews and/or curriculum analysis).

Training (TRA1 … TRA4)

(1) Our firm offers training for those considered to be “key positions”.
(2) All employees receive training for their jobs (without any legal requirement).
(3) When employees receive training their performance improves.
(4) When employees receive training, it is often relevant for their future/career in the company (job promotions).

Evaluation (EVA1 … EVA3)

(1) Non-management employees are generally measured by a performance appraisal.
(2) Non-management employees receive part of their salary based on performance.
(3) Normally non-management employees are informed of their performance through information provided by third parties (e.g. superiors, customers, suppliers, etc.).

Flexible remuneration (FLE1 … FLE4)

(1) Non-management employees are remunerated according to their individual performance.
(2) Non-management employees are remunerated according to their group performance.
(3) Non-management employees have the right to receive monetary incentives.
(4) Non-management employees have the right to receive other types of incentives such as profit-sharing, bonuses, recognition, etc.

Job design (JD1 … JD7)

(1) There is a strong implementation of self-managed or self-directed teams.
(2) There is a strong implementation of multi-functional teams.
(3) There is a strong presence of “project-based teams”.
(4) There is a strong implementation of flexi-jobs (flexi-time, online work, videoconferencing, measures to provide a balance between work and family life).
(5) Most jobs have been designed for employees to optimize their skills and strengths.
(6) Most employees are well qualified, or are able to develop new skills.
(7) Employees are given the opportunity to change jobs.
Bidirectional communication (COM1 … COM5)

(1) The firm provides employees with regular information about business operations and business behavior.
(2) Employees are consulted to know their views and opinions.
(3) The firm provides employees with information about the business plan on a regular basis.
(4) The organization has mechanisms to consult employees about plans and future projects of the firm.
(5) We consult employee representatives before setting the performance target (individual, group).

Job stability (EST1 … EST4)

(1) Vacancies that require experience are filled by internal promotion.
(2) The organization regularly allows internal promotion.
(3) The organization is committed to assuring job stability.
(4) Employees are often made redundant.

Equality (IQUA1)

(1) Organization carries out actions to ensure that all employees have equal opportunities.

Job quality (CAL1 … CAL4)

(1) The organization gives employees the opportunity to engage in problem-solving situations.
(2) The organization has a strong presence of quality circles.
(3) The organization facilitates the involvement of its employees in improving teamwork.
(4) Employees feel committed when assured the quality of their work.

Hierarchical Distance (HD)
Where 1: in total disagreement and 7: in total agreement

(1) The great majority of decisions are made by managers without consulting their subordinates.
(2) Managers often make use of their authority and power to deal with their subordinates.
(3) On rare occasions managers consult the opinions of their subordinates.
(4) Directors avoid having social relationships with employees out of work.
(5) Employees will not discuss management decisions.
(6) Managers do not delegate the important tasks to subordinates.
Organizational Performance (perceived business performance)
Where 1: in total disagreement and 7: in total agreement
Subjective performance (SP)
Individual-level performance

(1) Individuals are satisfied working here.
(2) Individuals are generally happy working here.
(3) Individuals are satisfied with their own performance.

Group-level performance

(1) Our group makes a strong contribution to the organization.
(2) Our group performs well as a team.
(3) Our group meets its performance targets.

Organizational-level performance

(1) Our organization is successful.
(2) Our organization meets its clients’ needs.
(3) Our organization’s future performance is secure.
(4) Our organization is well-respected within the industry.

Appendix 2

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Selection</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Training</td>
<td>0.619**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Evaluation</td>
<td>0.083</td>
<td>0.033</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Flexible remuneration</td>
<td>0.041</td>
<td>0.097</td>
<td>0.622**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Job design</td>
<td>0.274**</td>
<td>0.307**</td>
<td>0.524**</td>
<td>0.663**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Bidirectional communication</td>
<td>0.202*</td>
<td>0.222*</td>
<td>0.599**</td>
<td>0.790**</td>
<td>0.667**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Job stability</td>
<td>0.376**</td>
<td>0.521**</td>
<td>0.458**</td>
<td>0.468**</td>
<td>0.561**</td>
<td>0.541**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Equality</td>
<td>0.511**</td>
<td>0.674**</td>
<td>0.276**</td>
<td>0.383**</td>
<td>0.660**</td>
<td>0.503**</td>
<td>0.641**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>9. Job quality</td>
<td>0.420**</td>
<td>0.584**</td>
<td>0.513**</td>
<td>0.654**</td>
<td>0.715**</td>
<td>0.761**</td>
<td>0.739**</td>
<td>0.768**</td>
<td>1</td>
</tr>
</tbody>
</table>

Notes: *,** The correlation is significant at 0.05 and 0.01 levels, respectively

Table AI. Pearson correlations for the HRM practices construct

About the authors
Dr Rafael Triguero-Sánchez has a PhD in Business Administration (University of Seville). He is a Collaborator Researcher in the College of Economics and Business at the University of Seville. He is a business consultant of many small Spanish firms. His research topics include HRM and general management.
Assistant Professor Jesús C. Peña-Vinces has a PhD in Economics and Business (University of Seville). He is an Assistant Professor in the College of Economics and Business at the University of Seville. He has been a Visiting Scholar of C.T. Bauer College of Business at the University of Houston (USA). Before starting his academic career, he was a businessman in the wood and coffee industry in Peru. His research topics include HRM, strategy and competitiveness, and qualitative and quantitative research methods. Additionally, he is an Associate Editor in the area of management and economics for the *Journal of Distribution Science* and the *Journal of Industrial Distribution & Business* (journals of the Korean Distribution Science Association). Assistant Professor Jesús C. Peña-Vinces is the corresponding author and can be contacted at: jesuspvinces@us.es

Associate Professor Mercedes Sánchez-Apellániz has a PhD in Business Administration (University of Seville). She is an Associate Professor in the School of Economics and Business Administration at the University of Seville. Her research topics include gender, equality and diversity.