A study regarding innovative work behavior, affective commitment to the organization and customer orientation.

Master Thesis of Work and Organizational Psychology

Susanne M. Siep (s0118796) Faculty of Behavioral Sciences Organizational Psychology & Human Resource Development (OP&HRD) 1st tutor: Prof. Dr. K. Sanders 2nd tutor: Dr. C. de Man May 2010

UNIVERSITY OF TWENTE.

<u>Abstract</u>

Schuler and Jackson's (1987) assumptions concerning strategy, expected employee behavior and firm performance form the basis for the current study. The current research investigated whether there is a relation between three strategies called innovation-, process-, and service-differentiation on the one hand and affective commitment, customer orientation and innovative work behavior on the other hand. Based on a sample of 147 people employed in five Dutch and German organizations working in the service-providing sector, results show that there is indeed a relation between the strategic orientations and the employees' behavior. The tested relationships were those between a) the perception of service-differentiation strategy and employees' affective commitment, b) a perceived innovation-differentiation strategy and customer orientation, c) the perception of the process-differentiation strategy and employees' innovative work behavior, and d) between the innovationdifferentiation strategy and employees' innovative work behavior. All of the four hypothesized relationships were found to be significantly positive. In return, organizations might use these findings in order to plan, perform and evaluate strategic orientations as well as employees' work behavior.

Introduction

Worldwide, the current economic situation is clearly shaped by recognizable changes and influences over the past years, resulting in competition and the need of organizations to survive in their market (Boxall & Purcell, 2000; Paauwe, 2004). The question for organizations is how to survive, enhance productivity and competitive value. They need to find a way to cope with these problems and profit from changes that became inevitable (e.g. technological developments, unique positions and employees working more productive) in order to maximize and support the estimation of organizational performance (Guest, 1997; Paauwe, 2004; Bolwijn & Kumpe, 1990; Boxall & Purcell, 2000; etc.).

Often the survival of small and medium-sized enterprises (SME) is threatened because they do not provide mass production and they have less capital to invest in competition than larger organizations. The main desires of customers lie in low prices, faster production, easy availability and high quality. These desires are contradictory and cannot be fulfilled at one time but yet, organizations have to cope with this demand. One way to do so is by means of the choice for a so called strategic orientation; a performance-oriented way of managing work and employees in order to reach particular organizational goals (e.g. performance, quality, sales numbers, etc.; Schuler & Jackson, 1987). This study aims to deliver illustrating contribution about positive and negative influences of strategy on employees' behavior and enable SMEs to evaluate, explain and even change the situation in an adequate manner.

Schuler and Jackson (1987) defined three strategic orientations: quality enhancement, cost reduction and innovation. These can be implemented by particular sets of Human resource (HR) practices and are said to influence employees' work behavior as well as the organization's overall performance. Beal (2000) used common definitions related to the strategic orientation of SME. These are in focus in this thesis because it is assumed that SME have to fight for survival because they are in higher need to fight against price dumping and mass production of huge and profitable organizations. Beal's (2000) relevant strategies are called innovation-, process-, and service-differentiation. Innovation-differentiation concerns the way employees work and how this behavior can be connected best with the development and exploration of new products. Process-differentiation deals with continual distinction in relation to manufacturing. Service-differentiation concerns all communication with the customer and the handling of needs and demands.

Transformation of strategic orientations into organizational performance can be realized with specific instruments in order to lead the employees' way of working. These instruments, implemented Human Resource Management (HRM) policies and practices, clarify the expectations on the employees' work and behavior. The employees' perception and how the strategy influences their behavior is an important field of interest. Schuler and Jackson (1987; 1995) as well as other researchers underline the essential understanding and explanation of "how individual employees' attributes accumulate to affect organizational effectiveness" (Bowen & Ostroff, 2004: 208). The guiding essential assumption of their model can be summed up by the statement that organizational HRM practices must enable the development of employees' skills, motivation and knowledge. This should be done in order to make employees' behavior conductive to the particular chosen strategy. Paauwe (2004), and others (e.g. Bowen & Ostroff, 2004; Bolwijn & Kumpe, 1990) claim that employees' work-related behavior heavily affects organizational performance that it has to be seen as an efficiency norm. Their behavior is said to be effective if employees act in line with what the organization prescribes.

An example for work-related behavior that is often described and of high interest, is *innovative work behavior* (IWB), defined as an "intentional creation, introduction and application of new ideas within a work role, group or organization, in order to benefit role performance, the group, or the organization" (Janssen, 2000: 288). Another important example is employees' *customer orientation* that plays a crucial role in the service delivery of organizations prior to, during and also after the sale of a product (Beal, 2000; Saxe & Weitz, 1982; Kim & Ok, 2010; etc.). This term is defined as employees' selling behavior in which they assist the clients and customers to satisfy their long-term needs and wants (Saxe & Weitz, 1982). This is in contrast to a salesperson's orientation which places the customers' needs behind those of the organization (Michaels & Day, 1985).

A third behavior of interest in this study concerns the field of *affective commitment*, defined as an emotional binding of the employee to the organization and his or her level of concern with organizational affairs (Allen & Meyer, 1990).

- 3 -

Based upon the current need to find an adequate strategy to survive and support organizational performance, and because of the need for a broader and profound understanding to examine the shifting connections between employees' attitudes and their behavior the research question reads as follows: *how can the link between the employees' perception of the innovation-, service- and process-differentiation strategy and their behavior regarding innovation, affective commitment to the organization and customer orientation be explained*?

Theoretical framework

Regarding organizations' current situations and their possible strategic orientation, it comes to mind that there is essential need for a recognition and evaluation of the way this influences the organization. But as described above, this has to be done in a profound way; regarding organizational determinants in detail: procedures, routines, developments and trainings, rewards, as well as a range of employee-related aspects. The focus might be shifted to aspects not instantly visible; in our case the focus is on employees' perception and their behavior that is influenced by the organization's activities. The existing literature on the field of HRM shows that there is an ongoing need of the practical examination of past results because the relation between individuals and the organizations they work for continually changes (Kristof-Brown, Colbert & Jansen, 2002).

Several authors (Edwards, 1994; Delery & Doty, 1996; Ostroff et al., 2005) claim a need for an ongoing description of these changes in order to enable comparison and further understanding of underlying and influencing aspects and mechanisms. The organizational strategy can be seen as the root or the "golden thread" of a companies' activities, structure and organization. Therefore a better understanding and observation of these strategies is useful to understand these terms and their influences.

Strategic Human Resource Management

The field of strategic human resource management (SHRM) includes the underlying assumption that "organizations adopting a particular strategy require human resource management practices that are different from those required by organizations adopting alternative strategies" (Delery & Doty, 1996: 802; Schuler &

Jackson, 1987; etc.) HR practices (e.g. trainings, rewards, flexible work- schedules, etc.) can be described best in terms of valuable sources for competitive advantages (Paauwe, 2004) as well as an attempt to achieve a fit between organizational and environmental determinants. Additionally they are an instrument to develop specific actions to achieve the organization's purposes (de Wit and Meyer, 1998 in: Paauwe, 2004). According to Legge (1995) HR practices are implemented best if they advance commitment and willingness of the employees, that they behave flexible and in the name of the organization's interests and values (e.g. Bolwijn & Kumpe, 1996; Guest, 1997, 1999).

The contingency perspective within SHRM

Following literary definitions, SHRM can be subdivided into three somewhat different perspectives: the universalistic, the configurational and the contingency group of SHRM theories. The *contingency* or even "*best fit*" approach includes, that for the effectiveness of organizations, it is necessary to reach consistency between the HR practices and other organizational aspects, like separate strategic grounds (Delery & Doty, 1997; Miles & Snow, 1984). The essence of this contingency paradigm is that "organizational effectiveness results from fitting characteristics of the organization, such as its structure, to contingencies that reflect the situation of the organization; e.g. the environment, organizational size and strategy" (Donaldson, 2001: 1). Because the work of Schuler and Jackson (1987) reflects what this perspective assumes, their model will be further evaluated.

Schuler and Jackson (1987): an application of the contingency perspective

Schuler and Jackson (1987; 1995) as adopters of the contingency approach, underline the importance of a fit between the organizational strategy, related relevant HR practices and expected employee role behavior (ERB). These determinants are required to enable the achievement of maximized organizational performance. The organizations' competitive strategies are defined by the hands of strategic initiatives, "the ability to capture control of strategic behavior in the industries in which a firm competes" (Schuler & Jackson, 1987: 208). Based on Porter (1982), Schuler and Jackson state that an organization should choose one or a combination of these three strategic orientations: *quality enhancement-*, *cost reduction-* or *innovation-* strategy (*see also*: Bolwijn & Kumpe, 1990; 1996).

The ERB related to a strategy includes particular actions and activities that are rewarded and expected by the management (e.g. having a long-term focus, taking low risks, develop new products, etc.). Organizational strategy in this sense is already well defined and examined through work done by Porter (1985) and Beal (2000).

Organizational strategy and the influence on employees' work behavior

Porter (1985) states that an organization needs to define and decide their way of competitive activities. This '*fight-plan*' has to be internal consistent. Meaning that an organization needs to build all work contents and implementations upon this strategy. In Porter's (1985) opinion an organization has to choose at least one strategy of three existing in order to survive on the market. These three strategies are *focus*, *cost-leadership*, *and differentiation*. The third strategy includes the fact that an organization uses distinctive and distinguishing competences in order to establish products that are not duplicable by its competitors. This leads to higher prices for customers. The price-difference is the company's potential gain. Beal (2000) applied the defined strategies on SME and divided differentiation into four sub-strategies:

<u>a) Innovation-differentiation</u>: organizations offer a product that possesses unique features or characteristics of performance. Employees' innovative work behavior is needed in order to develop and explore new products.

<u>b) Marketing-differentiation</u>: the customers have to be convinced that organizations sell products and deliver services that differ from what the competitors offer and.

<u>c) Service-differentiation</u>: this is concerns the interaction with customers. It regards the service delivered by the organization prior to, during and also after the sale of a product.

<u>d) Process-differentiation</u>: this strategic orientation deals with the ongoing and steady development in production and progress.

Schuler and Jackson's (1987) *innovation-strategy* can be well related to "innovation-differentiation" by Beal (2000). "Process-differentiation" as well as some aspects of "service-differentiation" can be summed up in Schuler and Jackson's (1987) term *cost-reduction*. The "marketing-differentiation" is in relation to Schuler and Jackson's (1987) *quality enhancement*. Because Beal (2000) operationalized Porter's (1985) statements by making them applicable for SME, these categories will

be used further on. It is assumed that an organizational strategy, which is pursued by the leading positions, will result in particular work behavior because of demands and requirements perceived by the employees. Additionally, it is stated that an employee has to perceive congruency between different aspects of the organization (e.g. managers' leading style, HR practices, work intensity, or payment). It is assumed that a higher agreement between these aspects leads to an enhanced understanding of what is expected and in return will lead to clarity, certainty, higher well-being and other work-related behaviors and attitudes (Beer et al., 1984; Donaldson, 2001; Kinnie et al., 2005; Lee & Park, 2007).

The hypotheses: underlying mechanisms

Based upon preceding literature (Schuler & Jackson, 1987; etc.) it is shown that there is a need for the existence of congruence between the organizations' pursued strategy and the way of interaction with employees. The following hypotheses state that the organizations' pursued strategy results in related employee behavior. Therefore we expect that the contents and underlying applications of a particular strategy are related to higher values of related employee work behavior. Employees who perceive a strategic orientation as being essential and in focus of the organizational way of working will adapt and show behavior that refers to it because of underlying mechanisms and influences. Literature lacks fully empirical testing and evaluation of the fact, if Schuler and Jackson's (1987) assumptions are still applicable. This paper aims to deliver some clarity concerning the current situation.

I. Process-differentiation strategy

This strategy deals with the particular working steps of production, development, exploration, manufacturing and all the incurrence-related work that has to be evaluated, planned and (re-)organized. The result is that the employees are more confident with their work and aware of what they do. They have to understand, support and back what the leaders want them to do and what it the organization delivers or produces. It is necessary that there is connection between the organizations' demands or goals and the employees' way of thinking about those. Employees leaded by an organization that implements the process-differentiation

strategy have to be innovative concerning the process of development, the production and evaluation of delivered services or produced goods.

IWB on the other hand is said to exist if the employees develop and explore new ways of production, manufacturing, providing or other sales-related processes. Employees in almost all parts of the organization are in demand of working innovative, flexible and open for new solutions and ideas. Innovation has to be seen as a determining factor of firm performance because it is influencing the overall work process and the single service the employee delivers. Also referred to innovation are suggestions like cutting costs, several reorganizations, an improved communication, or the assembling of products in teams: any process- related task. Innovation itself is a process that includes all of these facets acting together in an incorporated manner (Myers & Marquis, 1969). Innovation therefore concerns the creation and the acceptance of new products, ideas and services as well as their implementation (Damanpour, 1991). The strategy of process-differentiation seems to influence employees' IWB because it assumes flexible, new and different ways of workprocesses.

Working process-differentiating can thus be seen in the light of employees who work consistently adaptive to what they are asked to. They have to find innovative ways in order to differentiate the process. It seems to be necessary for organizations, following the process-differentiation to enable their employees creating new processes of working (development, production, and evaluation) to reach organizational goals within the strategy. Therefore, it is stated that:

H1) There is a positive relationship between employees' perceived processdifferentiation strategy and their innovative work behavior.

II. Service-differentiation strategy

The second strategic orientation discussed is based on what Beal (2000) defined as a focus on how service is delivered and how products are sold regarding the commerce and intercourse with the customer. It is said to be effective if the employees are able to react on what the clients ask, and if they know the customers' needs. Delivering a particular service seems to be related to a good understanding of the employee about the product, service or good he or she wants to produce, sell or deliver.

Boxall and Purcell (2000) emphasize the importance of an emotional binding to the organization somebody works for because it determines overall work performance. An emotional binding exists if employees wish to improve, support and even boost organizational performance (George & Jones, 2007). Affective commitment thus takes a great part in work performance of the employees. According to what e.g. Legge (1995) states, organizational implementations and practices will result in employees' commitment and willingness to behave flexible and in the name of the organizational interests if the HR practices are applied in an adequate way (see also: Bolwijn & Kumpe, 1996; Guest, 1996, 1999). Service- differentiated delivery might thus be related to several aspects of the deliverer. One can imagine that people who seem to really like what they do and the product they sell, or the service they offer, will be perceived as more authentic and plausible. If employees have doubts, do not take seriously or even refuse what they do, customers might be averse to buy the product or might back away from using a particular service. This strategy therefore asks for sympathetic ears and appreciates employees.

Affective commitment to the organization somebody works for as a personal determinant might support the way of working openly and emotionally engaged because employees show higher willingness to support what the organization stands for. Therefore, the second assumption states that:

H2) There is a positive relationship between employees' perception of the servicedifferentiation strategy and their affective commitment to the organization.

III. Innovation-differentiation strategy

This strategic orientation has to do with the development and exploration of new products, new ideas, and ways of problem solving (Beal, 2000). It depends on an ongoing process of adaptation to new influencing factors and possibilities. For example, think about the access to raw materials, the influence of environmental factors like politics, technology, nature and society. Innovation-differentiation has to be seen as a strategy that deals with demands and concerns the environment, or rather the customer expresses. Working innovation-differentiated is strongly related to the congruence between supply and demand. It has to be evaluated what possibly can be done always having the customers' needs and demands in mind. Customers ask for a particular product or service.

These questions and demands vary depending on environmental influences (fashion, trend, etc). Because customers want to pay low prices on the one hand but are interested in guaranteed quality on the other hand, there is need for adequate work-procedures that are oriented towards these demands. This has to do with understanding, evaluating and taking customers needs seriously. Innovation-differentiation oriented working environments have to find innovative ways of production, manufacturing and product delivery in line with what the customers ask – varying. Thus, customer oriented working seems to be necessary in order to stay innovation differenced.

This route of strategy deals with emphasizing the service before, during and after the sale of a product or service supplied (Beal, 2000; Saxe & Weitz, 1982). Customer orientation has to do with the detection and definition of the customers' needs and demands and the subsequent renewal. The logic consequence of the described need for flexibility in order to adapt to the client's situation has to do with a high degree of openness and ability to change.

It is therefore important for innovation-differentiating organizations to employ people who work customer-oriented because these people convert the organizational supply into individual, recent and appropriate delivery of services or goods. Based upon this reasoning, the hypothesis states as follows:

H3) There is a positive relationship between employees' perception of the innovationdifferentiation strategy and their customer orientation.

Because as already defined, the innovation-differentiation strategy deals with the flexible and innovative way of solving problems and adaptation to customers' needs and environmental demands, IWB seems to be relevant for this strategy. It comes to mind that employees who perceive an innovation-differentiation strategy and who have to develop and explore new products, ideas and ways of working might show high degrees of IWB, in return. As assumed above, working innovation-differentiating deals with finding a fit between supply and customers' demands, thus with the question for employees how to match both in an adequate and innovative way. Environmental influences are essential in what is asked from the organizations to deliver, produce, etc. Customers ask for particular products and services that are related to trends and fashion depending on time and vogue.

There is need for innovative ways of adaptation to these new and changing demands in order to satisfy customers and in order to stay competitive. The innovationdifferentiation strategy therefore includes high job demands. These are in return said to provide an elevated state of arousal in a worker (Bunce & West, 1994; Karasek, 1979; Karasek & Theorell, 1990). The person feels activated to cope with it and they try to do so by adapting to these intensified requirements. They modify their work context and even their behavior. For example, a person might start trainings and try to grade up own abilities and skills, etc. in order to fulfill the demands (Janssen, 2000). Innovative work behavior can be strongly related to this adaptation to the situation. Employees try to match the job demands and they therefore have to use new sources and solutions to deal with them. Therefore, it is assumed that employees who perceive an innovation-differentiation strategy will work in an innovative way because they adapt to the organizational orientation to fulfill performance goals and customers' needs.

H4) There is a positive relationship between employees' perception of the innovationdifferentiation strategy and their innovative work behavior.

To sum up, there is constant need for accordance and compliance between both parts of an organization. Schuler and Jackson (1987) and others understood and emphasized the importance of this congruence and the need for an adequate match between both of them.

<u>Model</u>

In order to enable the clearer view about what will be analyzed and evaluated, the hypotheses are shown in the model below (Figure 1).

<u>Figure 1:</u> Research model that depicts the relationships between the perceived strategies and employees' work behavior.



<u>Method</u>

The method used here aims to deliver results concerning the built hypotheses; thus to falsify and verify the theory in return. Research done in this study is quantitative and based upon surveys. Pearson correlation and regression analysis using the statistical programme SPSS® 16.0 are used for the present normal distributed data in order to test for causal relationships and explainable variance of the dependent variable. Data were collected by means of one questioning within organizations working in the service offering sector with more than 100 employed people in the Netherlands and Germany.

Sample

In total, five of 47 (response rate = 10.6%) addressed organizations took part in this research. Every organization received an invitation per letter and an e-mail including the question to take part. In order to enable evaluation of the hypotheses, empirical research was applied. A questionnaire including 98 items was spread out to a sample within technically applied and service delivering organizations.

That was done because this kind of organization is considered to work more competitive than others and therefore is considered to have a higher need for innovation, customer-orientation as well as more service- and process-oriented thinking.

Measurement

The questionnaire was available online for the organizations and the employees in order to be completed anonymously. It first includes three demographic variables that are used as control variables in order to detect the possible influence on the tested relationships. These are: *gender* (male, female), *nationality* (Dutch, German, other), and *Educational level* (MBO/ upper secondary school grade, HBO/college, WO/university, other education. Answers should be given on Likert scales adapted to the different scales.

Dependent variable to be measured

Strategic orientation

The items related to the three different strategies as they are defined in the theoretical framework measure the employees' perception of the strategic orientation. Employees as well as managers were asked to rate the competitive activities implemented during the last three years. There are 13 items concerning the perception and impression of the employees in relation to the organizational leading strategy. In order to measure their estimations, Gibcus and Kemp's (2003) scale was used. The items concerning the innovation-, service-, and process-differentiation strategies are used in the analysis of this paper. *Innovation-differentiation* was measured by four items with Cronbach's alpha of .83. An example therefore is: "Amount of attention that is paid to the development of new products". The perception concerning the *service-differentiation* strategy was measured using six items with a Cronbach's alpha of .85. An example is "Immediately solve customer's problems". Employees' perception concerning the *process-differentiation* strategy included three items with a reliability of .75. For example: "Improvement of existing manufacturing processes".

Answers should be given on a 5-point Likert scale with 1 = "absolutely disagree" to 5 = "absolutely agree". Higher values indicate an increased perception of a particular organizational strategy.

Independent variables to be measured

Affective commitment to the organization

Affective commitment to the organization includes eight items (n= 8) and is based upon work done by Allen and Meyer (1990). This scale delivered a Cronbach's alpha of α = .70. Example: "I like talking about my job with people outside my work." Answers should be given on a 5-point Likert scale with 1 = "absolutely disagree" to 5 = "absolutely agree". Higher values indicate more affective commitment to the organization.

Innovative work behavior

In order to evaluate employees' actual IWB as it is defined by Janssen (2000), nine statements (n= 9) related to the frequency of occurrence of innovative activities were used. Cronbach's alpha was α = .87. Example: "How often do you have to think about new ways of working, techniques, and instruments?" Answers should be given on a 5-point Likert scale including 1 = "never" till 5 = "always". Higher values indicate more IWB of the employees.

Customer orientation

This variable includes ten items (n= 10) and was evaluated on the so called SOCO scale (selling orientation/ customer orientation) created by Saxe and Weitz (1982). For example: "I try to reach my goals by satisfying customers". The reliability of this scale was α = .83. Answer categories are similar to those of IWB. Higher values indicate thus more customer oriented work behavior of the employees.

The reliability (α), standard deviation (*SD*), the Mean scores (M) and the numbers of items (n) of the tested variables are summed up in Table 1.

<u>Results</u>

Respondents

In sum, 160 employees took part in the research, whereby ten of them were holding a leading position (six participants gave no answer). Thirteen questionnaires were returned incomplete and were excluded from statistical tests, resulting in N= 147. The resulting data set included answers given by 121 men and 26 women. Because data are distributed normal Pearson correlation is used here.

Overall mean age was 39.5 years (SD = 1.11). The answer categories were: a) younger than 25 years old (17 respondents; 11.6%), b) between 25 and 35 years old (34 respondents; 23.1%), c) between 36 and 45 years old (49 respondents; 33.3%), d) between 46 and 55 years old (36 respondents; 24.5%), and e) older than 55 years (11 respondents; 7.5%).

Concerning respondents' nationality (SD = .50) there are 67 Dutch participants (45.6%) and 80 German employees (54.4%). 49 respondents (33.3%) have an upper secondary school grade (MBO), 37 participants (25.2%) have a college diploma, 18 respondents (12.2%) an university diploma and 43 of the participants (29.3%) stated to be educated in a different way.

Correlation analysis

As it can be seen in Table 1, the correlation between perceived processdifferentiation strategy and employees' IWB (H1) is r = .39 (p < .01). The relation between the perceived service-differentiation strategy and employees' affective commitment (H2) is r = .39 (p < .01). The positive relation between employees' perception of the innovation-differentiation strategy and their customer orientated behavior (H3) is r = .25 (p < .01). The relation between the perception of the innovation-differentiation strategy and IWB (H4) is r = .32 (p < .01).

There are significant relationships between the perception of the strategy an organization follows and the way, the employees behave. A positive relation implies that higher values of one determinant are related to higher values of the other determinant. Therefore an increased perception of the strategic orientation is assumed to be related to higher values of particular work behavior. For example, a perceived innovation-differentiation strategy is related to more innovative and customer oriented work behavior. Higher values of perceived process-differentiation

are related to innovative work behavior, too. High values of a perceived servicedifferentiation strategy are related to the fact that employees report more affective commitment than it would be the case if they perceive the strategy less to be servicedifferentiating.

Correlation analysis is still not suitable to enable any statement regarding dependency or cause-effect relationships. Therefore, regression analysis is used hereinafter to evaluate the possible dependency of behavioral outcomes on perceived strategic orientations.

	М	SD	α	n	1	2	3	4	5	6	7	8
1) Gender	1.18	.37	-	1								
2) Nationality	1.54	.50	-	1	03							
3) Educational level	2.40	1.22	-	1	15	.28**						
4) Service-differentiation	3.62	.74	.85	6	04	23**	.02					
5) Innovation-differentiation	3.32	.91	.83	4	06	.01	.04	.68**				
6) Process-differentiation	3.02	.88	.75	3	03	08	.02	.57**	.54**			
7) IWB	3.22	.67	.87	9	10	24**	16	.29**	.32**	.39**		
8) Affective commitment to the organization	3.10	.62	.70	8	12	02	10	.39**	.44**	.33**	.42**	
9) Customer orientation	4.05	.80	.83	12	.00	.00	.08	.17*	.25**	.19*	.37**	.18*

<u>Table 1:</u> Means (*M*), standard deviations (*SD*), reliability (α), number of items (n), and correlations between the research variables (N=147)

**: *p* ≤ .01 *: *p* ≤ .05

Regression analysis

In order to explain the variance in each of the three employee work-related behavior, to analyze dependency and influences of the strategic orientations, and to control for confounding influences of other variables a regression analysis (SPSS 16®) is conducted. Table 2, 3, 4 and 5 display the regression analysis with innovative work behavior, affective commitment and customer orientation as the dependent variables. Each Table constitutes two models. In model 1 the relation between the dependent and the control variable is analyzed. In model 2 the independent variable, the perception of the particular organizational strategy is added. In all of the four Tables it can be seen that the second model (addition of the perceived strategic orientation) adds variance to explain the dependent behavioral outcome.

Table 2 illustrates that the relationship between the perception of the processdifferentiation strategy and employees' innovative work behavior is significant (β = .37; p < .01). This implies that the more the strategic orientation is perceived to be process- differentiating the more the employees will work innovative. Table 3 further illustrates that model 2 better matches the data because it explains more variance in innovative work behavior than the control variables do (R^2 = .20; ΔR^2 = .13; p < .01).

Yet, it can be seen that employees' nationality significantly influences their IWB in that Dutch employees seem to show more IWB than German employed people (model 1; β = -.22; p < .01). This effect is lightly weakened in case of a perceived process-differentiating strategy (β = .16; p < .05). This effect will be further described in the *limitations of this study*.

	Model 1	Model 2	
Control variables			
Gender	14	12	
Nationality	22**	16*	
Educational level	11	13	
Process-differentiation		.37**	
R ²	.09**	.22**	
R ² Change		.13**	

Table 2: Regression analysis with IWB as dependent variable (N=147)

**: $p \le .01$; *: $p \le .05$

Note: values are standardized (β 's)

Table 3 shows that the expected positive relationship between the perception of the service-differentiation strategy and affective commitment of the employees (H2) is confirmed (β = .45; p < .01). In other words, the more the employees perceive the strategy to be service-differentiating, the more they will be affectively committed. Table 4 illustrates that the addition of a perceived service- differentiating strategy (model 2) results in a better fit to the data because it explains significantly more of the variance in affective commitment than model 1 (R^2 = .20; ΔR^2 = .19; p < .01).

<u>Table 3:</u> Regression analysis with *affective commitment to the organization* as dependent variable (N=147)

	Model 1	Model 2	
Control variables			
Gender	10	09	
Nationality	.00	.13	
Educational level	10	15	
Service-differentiation		.45**	
R ²	.01	.20**	
R ² Change		.19**	

**: $p \le .01$; *: $p \le .05$

Note: values are standardized (β 's)

The hypothesized relationship between the innovation-differentiation strategy and customer orientation (H3; Table 4) is confirmed because of a significant positive relationship (β = .25; p < .01). Therefore, we can conclude that the more the strategy is perceived to be innovation-differentiating, the more the employed people will work in a customer oriented way. In addition, a change in the explainable variance in model 2 regarding model 1 is significant (R^2 = .07; ΔR^2 = .06; p < .05). This means that the addition of the perceived strategy explain significantly more in the variance in customer orientation than the control variables do.

<u>Table 4:</u> Regression analysis with *customer orientation* as dependent variable (N=147)

	Model 1	Model 2
Control variables		
Gender	.00	.01
Nationality	.08	.10
Educational level	.05	.04
Innovation-differentiation		.25**
R ²	.01	.07*
R ² Change		.06*

**:*p* ≤ .01; *:*p* ≤ .05

Note: values are standardized (β 's)

Table 5 points out, that the assumed relationship between the innovationdifferentiation strategy and employees' IWB (H4) is confirmed, too. Table 6 shows that this relationship is also positively significant ($\beta = .31$; p < .01). It can be concluded that a stronger perceived innovation-differentiation strategy leads to higher degrees of IWB. In addition, Table 6 illustrates that the addition of a perceived process-differentiating strategy (model 2) results in a better fit to the data because it explains significantly more of the variance in IWB than model 1 ($R^2 = .19$; $\Delta R^2 =$.10; p < .01).

Regarding employees' nationality, it has to be noticed again, that this aspect influences IWB in that Dutch employees show more IWB than German employees do ($\beta = .22$; p < .01). This will be discussed in the following section, too.

	Model 1	Model 2
Control variables		
Gender	14	13
Nationality	22**	21**
Educational level	11	13
Innovation-differentiation		.31**
R ²	.09*	.18**
R ² Change		.09**

Table 5: Regression analysis with IWB as dependent variable (N=147)

**:*p* ≤ .01; *:*p* ≤ .05

Note: values are standardized (β 's)

Conclusions and discussion

This study was performed in order to enable an evaluation of Schuler and Jackson's assumptions (1987) regarding the influence of a chosen strategic orientation on particular employee work behavior. The focus was on the question if there is a (conditional) relationship between the employees' perceived strategy and the behavior they show. Based upon the statistical analysis, all of the hypothesized relationships were confirmed by the significant influences of the different perceived organizational strategies on employees' particular behavioral outcomes. These results are in line with literature and prior assumptions.

Hypothesis 1 indicated that there is a positive relationship between employees' perceived process-differentiation strategy and their IWB. The assumption was that employees have to adapt themselves to the situation and the ways of production, development, manufacturing, etc. This should be done by the hand of an aware and current way of working and thinking. Employees are told to bring up new ideas and solutions in order to enhance process-oriented working in return.

Perceived process-differentiation supports IWB and creative and modern input by making work procedures more up-to-date and advanced.

IWB of employees is for partially (for 13.0%) explained by the influence of the process-differentiating orientation of the organization and for 9.0% by the innovation differentiation strategy (H4). To control for a possible influence of employees' perception concerning the service-differentiating strategy, regression analysis (Table 6) shows that there is significant explainable variance in model 2 ($R^2 = .15$; $\Delta R^2 = 6$; p < .01). Other determinants of influence concerning this particular work behavior are described in literature, e.g. De Jong and Den Hartog, (2007) found that employees' IWB is influenced by their leaders' "deliberate actions aiming to stimulate idea generation and application" (Jeroen et al. 2007: 41) and also by the supervisors' daily way of behaving in general. Again, the focus shifts on HR practices. The research done by Jeroen and colleagues as well as other researchers (e.g. Allen, Shore & Griffeth; 2003) assumed that there are particular perceived behaviors and ways of treatment and communication that influence employees' behavior. An individual's problem-solving style, leadership and work group relation were found to explain some variance in IWB, too (Scott & Bruce, 1994).

	Model 1	Model 2
Control variables		
Gender	.14	.11
Nationality	.22**	19*
Educational level	11	12
Service-differentiation		.27**
R ²	.09**	.15**
R ² Change		.06**

Table 6: Regression				
I SHID R' RAARDEEINN	analvele with	IVVK 20 MD	nondont varia	$2 n \Delta (N - 1/ / /)$
		<i>wb</i> as uc		

**:*p* ≤ .01; *:*p* ≤ .05

Note: values are standardized (β 's)

Hypothesis **2** indicated that the relation between the perception of a servicedifferentiation strategy and affective commitment of the employees is positive. This relation was confirmed and can be explained by the underlying mechanism of an emotional binding with a person's doings. Employees feeling attached to their organization obviously appear to feel responsible for what they do and what they deliver customers. The service they offer has to be in line with their feelings about the service or other job determinants. Thus if they like what they do and feel confident with what they sell, the more they want to do a good job, which is to deliver good products and offer good services because of motivation and estimation.

Concerning the variance in employees' affective commitment to the organization they work for, 19.0% are explained by the perception of a servicedifferentiation strategy ($R^2 = .20$; $\Delta R^2 = 19$; p < .01). It was interesting to control for the possible influence of the other two strategies (Table 7 and 8). The perception of the process-differentiation strategy (β = .34; p < .01) explained 11.0% of the variance $(R^2 = 13; \Delta R^2 = 11; p < .01)$ in affective commitment to the organization and the perceived innovation-differentiation strategy explained 23.0% of the variance (R^2 = .25; $\Delta R^2 = .23$; p < .01). It has to be noticed that the perception of the last strategy explains most of the variance in employees' affective commitment to the organization. An employee that perceives this particular strategy to be mainly adapted by the organization will feel more affective committed to it. Innovationdifferentiation is related to flexible and new ways of working. The employee has to think about solutions and possible profits and benefits for the organization. This process might lead to a binding to what they do; creating, manufacturing and producing something new that is based upon own ideas. To construct something (e.g. ideas, processes, products) obviously leads to a feeling of commitment to it.

In this study, the perception of every strategic orientation leads more or less to affective commitment of the employees. Further research should take a look at possible single aspects of each of the strategic orientations and further influential determinants in order to enable the strengthening of employees' emotional binding; e.g. engagement, satisfaction or other individual determinants (e.g. Meyer, Stanley Herscovitch & Topolnytsky, 2002; Allen, Shore & Griffeth; 2003).

<u>Table 7</u>: Regression analysis with *affective commitment to the organization* as dependent variable (N=147)

	Model 1	Model 2
Control variables		
Gender	.10	.10
Nationality	.00	.07
Educational level	12	15
Process-differentiation		.34**
R ²	.02	.13**
R ² Change		.11**

**: $p \le .01$; *: $p \le .05$

Note: values are standardized (β 's)

<u>Table 8</u>: Regression analysis with *affective commitment to the organization* as dependent variable (N=147)

	Model 1	Model 2
Control variables		
Gender	.10	.24**
Nationality	.00	.02
Educational level	12	18
Innovation-differentiation		.51**
R ²	.02	.25**
R ² Change		.23**

**:*p* ≤ .01; *:*p* ≤ .05

Note: values are standardized (β 's)

Hypothesis 3 holds that the relationship between the perception of the innovationdifferentiation strategy and employees' customer orientation is positive. This significantly relationship can be explained by the fact that employees who perceive the strategy as being innovation-differentiating might understand that there is a need to work adapted on the customers' needs and demands. Innovation is strongly related to contemporary ways of working in order to stay up-to-date (Beal, 2000; Saxe & Weitz, 1982).

The variance in employees' customer orientated behavior can be explained for just 7.0% by a perceived innovation-differentiation strategy ($R^2 = .07$; $\Delta R^2 = .06$; p < .0601). There have to be other influences or combinations of factors that influence customer orientation to a larger part. Regression analysis regarding the possible influence of the perception concerning the other two strategies show that servicedifferentiation (β = .21; p < .01) and process-differentiation (β = .20; p < .01) explain further variance (respectively R^2 = .10; ΔR^2 = .09; p < .01 and R^2 = .10; ΔR^2 = .09; p < .01.01) in customer orientation (Table 9 and 10). Literature delivers further determinants of influence on customer orientation. E.g. overall work attitudes and affective commitment of the employees is said to influence salesperson customer oriented behavior (Jones, Busch & Dacin, 2003). Results found by Rozell, Pettijohn and Parker (2004) indicate that emotional intelligence and again organizational commitment can be significantly positive related to the customer orientation. Brown, Mowen, Donovan and Licata (2002) claimed that three particular personality traits, namely emotional stability, agreeability, and the need for activity account for 39% of the variance in employees' customer oriented behavior.

	Model 1	Model 2
Control variables		
Gender	.01	.05
Nationality	.05	.10
Educational level	.08	.05
Service-differentiation		.21**
R ²	.01	.10**
R ² Change		.09**

<u>Table 9</u>: Regression analysis with *customer orientation* as dependent variable (N=147)

**: $p \le .01$; *: $p \le .05$

Note: values are standardized (β 's)

	Model 1	Model 2
Control variables		
Gender	.01	.00
Nationality	.05	.09
Educational level	.08	.07
Process-differentiation		.20**
R ²	.01	.10**
R ² Change		.09**

<u>Table 10</u>: Regression analysis with *customer orientation* as dependent variable (N=147)

**:*p* ≤ .01; *:*p* ≤ .05

Note: values are standardized (β 's)

In hypothesis 4 the relationship between perceived innovation-differentiation and IWB was expected and even found to be positive. The mechanism that is of influence here relates to the perceived claim from the side of the organization to work innovative and adaptive to changing demands. In other words, employees work in line with varying requirements in order to fulfill performance goal because they perceive the strategy to ask for innovative and constructive ways of working. Employees' flexible work behavior and their ability to find new and creative solutions to problems can thus be intensified by an innovation-differentiation strategy. 18.0% of the variance in IWB can be traced back to the influence of the perceived innovationdifferentiation strategy. Therefore, as in hypothesis 1, further possible explainable variance has to be taken into account and evaluated. In order to control for the possible influence of the perception of the service-differentiation strategy, a regression analysis is implemented, again (Table 6). The variance in IWB ($R^2 = .15$; $\Delta R^2 = .06$; p < .01) can be explained for just 9.0% by the influence of this particular strategy ($\beta = .27$; p < .01). As already described in the discussion of hypothesis 1, IWB is influenced by personal and work determining factors (e.g. leading style, implemented HR practices). Further studies have to control for these influences in order to explain more variance in IWB. The demographic variables tested in this study deliver no satisfying explanation.

To sum up the results, it is interesting to see that the perception of every kind of strategy is significant positively related to the different kinds of employee behavior tested here. But it must be noticed that the strategies are not to be the only influencing factors on the different work related behavior.

Schuler and Jackson (1987) implied that there is a relationship between the strategy, the HR practices and the way the employees behave. Because this study focuses on the relationship between perceived strategy and behavior, the impact of particular HR practices and other determinants, e.g. goal intentions, personality traits or work satisfaction (e.g. Harris, Mowen & Brown, 2008) should be tested as a possible moderator or determinant of influence on this relationship in further research.

Limitations of this study and implementations for future research

However, some limitations and problems of this study have to be mentioned. First of all, the questionnaires were spread out online in order to guarantee an anonymous data collection; an important factor for people answering personal questions or questions concerning supervisors. This way of data collection might result in less willingness to give answers honestly and completely (several questionnaires had to be excluded from analysis because of too much missing answers).

Furthermore a cross-sectional analysis would enable to give answers if the effects found in this study are equal across branches. The question arises if these findings are valid to other sectors that deal with particular demands and economic, political or environmental influences. The results found in this study are based upon questionnaires spread out to Dutch and German organizations. It might be interesting to see if congruent results would be found anywhere else in e.g. Europe or the USA or even other branches of industry. This will enhance generalizabilty.

Unfortunately there is no possibility to take a closer look at explainable factors surrounding the strong influence of employees' nationality on IWB. Because the data stem from earlier research and there are no information available regarding inner structural aspects as departments, actual size, kind of product/ service. It has to be assumed that there are influences to take care about in order to explain the relation between nationality and IWB. Dutch and German organizational affairs seem to be

too equal to make differences between them. There must be further underlying influences of misleading or interfering aspects.

Another problem deals with the possible influence of translation effects from English into Dutch or German. The questionnaire is translated into the different languages and there might be phrases or terms when the meaning better fits in one language than in another.

Concerning the used data of 147 employees it has to be stated that the sample is very small. In order to enhance generalizability of the results to a general sector of industry further research should try to enlarge the data set.

Nevertheless it can be concluded, that the defined strategies are of significant and positive influence on the tested employee behaviors. This enables organizations to clarify strategic orientation in order to evaluate employees' reactions and work behavior. If a particular behavior is needed to fulfill particular performance goals, organizations should take the influential role of the strategies into account.

The results might support organizations in their search for causes of a particular expected or unexpected employee behavior. Organizations in the service providing sector might use this knowledge to better define work contents for each job/position and recruit and train employees depending upon these demands to particular jobs.

Regarding the leading research question of this paper, to what extent exists a link between the innovation-, service- and process-differentiation strategy and employees' behavior regarding innovation, affective commitment to the organization and customer orientation, we can conclude that there is indeed a relation between these strategies and the described behaviors. Employee work behavior is related to what leading positions define and value. Therefore, supervisors, HR managers and all other people working on the field of organizational strategy-implementation on an employee-level should care about the goals, the demands and the meaning the strategy offers concerning employees with their feelings and behavior.

- Allen, N. J. & Meyer, J. P. (1990). The measurement and antecedents of affective, continuance and normative commitment to the organization. *Journal of Occupational Psychology*, 63(1), 1-18.
- Allen, D. G., Shore, L. M. & Griffeth, R. W. (2003). The Role of Perceived Organizational Support and Supportive Human Resource Practices in the Turnover Process. *Journal of Management*, 29(1), 99-118.
- Baron, R. & Kreps, D. (1999). Strategic Human Resources: *Framework for General Managers*. New York: Wiley.
- Beal, R.M. & Yasai- Ardekani, M. (2000). Performance Implications of Aligning CEO Functional Experiences with Competitive Strategies. *Journal of Management*, 26(4), 733-762.
- Beal, R M. (2000). Competing effectively: environmental scanning, competitive strategy and organizational performance in small manufacturing firms. *Journal of Small Business Management*, *38*(1), 27-47.
- Beer, M., Spector, B., Lawrence, P.R., Miles, D.Q. & Walton, R. E. (1984). *Human Resource Management,* New York/London 1985.
- Bolwijn, P.T & Kumpe, T. (1990). Manufacturing in the 1990's: Productivity, Flexibility and Innovation. *Long Range Planning*, *23*(4), 44-57.
- Bolwijn, P.T. & Kumpe, T. (1996). About facts, fiction and forces in Human Resource Management. *Human Systems Management*, *15*, 16–172.
- Bowen, D.E. & Ostroff, C. (2004). Understanding HRM Firm performance linkages: the role of the "strength" of the HRM system. *Academy of Management Review*, *29*(2), 200-221.
- Boxall, P. (2003). HR strategy and competitive advantage in the service sector. *Human* Resource Management Journal, *13*(3), 5-20.
- Boxall, P. & Purcell, J. (2008). Strategy and Human Resource Management 2nd edition. PALGRAVE MCMILLIAN.
- Brown, T. J., Mowen, J. C., Donovan, D. T. & Licata, J. W. (2002). The Customer Orientation of Service Workers: Personality Trait Effects on Self- and Supervisor Performance Ratings. *Journal of Marketing Research, 39*(1), 110-119.

- Burton, R.M., Lauridsen, J. & Obel, B. (2004). The impact of organizational climate and strategic fit on firm performance. *Human Resource Management, 43(1),* 67-82.
- Damanpour, F., Szabat, K. A. & Evan, W. M. (1989). The Relationship between Types of Innovation and Organizational Performance. *Journal of Management Studies*, (26), 587-601.
- Damanpour, F. (1991). Research on innovation in organizations: Distinguishing innovation-generating from innovation-adopting organizations. *Journal of Engineering and Technology Management.* 23(4), pp. 269-291.
- Delery, J. E. & Doty, D. H. (1996). Modes of Theorizing in Strategic Human Resource Management: Tests of Universalistic, Contingency, and Configurationally Performance Predictions, *The Academy of Management Journal*, 39(4), 802-835.
- De Jong, J. P. J. & Den Hartog, D. N. (2007). How leaders influence employees' innovative behaviour. *European Journal of Innovation Management*, *10*(1), 41-64.
- Donaldson, L. (2001). The contingency theory of organizations. *Sage Publications, Inc.* Thousand Oaks, California.
- Ellemers, N., de Gilder, D. & van den Heuvel, H. (1998). Het 3-componenten model van commitment. *Gedrag en organisatie*, *10*, 95-106.
- Gibcus, P. & Kemp, R. G. M. (2003). Strategy and small firm performance. Research Report H200208. Zoetermeer: EIM.
- Guest, D. E. (1997). Human resource management and performance: a review and research agenda. *The International Journal of Human Resource Management*, *8*(3), 263–276.
- Guest, D. E. (1999). Human resource management the worker's verdict. *Human Resource Management Journal*, *9*(3), 5–25.
- Harris, E. G., Mowen, J. C. & Brown T. J. (2008). Re-examining salesperson goal orientations: Personality influencers, customer orientation, and work satisfaction. *Journal of the Academy and Marketing Science*, *32*(1), 19-35.
- Janssen, O. (2000). Job demands, perceptions of effort-reward fairness and innovative behavior. *Journal of Occupational and Organizational Psychology*, 73, 287-302.

- Jones, E., Busch, P. & Dacin, B. (2003). Firm market orientation and salesperson customer orientation: interpersonal and intrapersonal influences on customer service and retention in business-to-business buyer–seller relationships. *Journal of Business Research*, *56*, 323–340.
- Jones, A., & James, L. (1979). Psychological climate: dimensions and relationships of individual and aggregated work environment perceptions. Organizational *behavior and human decision processes*, 23, 201-250.
- Kanter, R. M. (1983). The change masters: Innovations for productivity in the American corporation. *Simon and Schuster* (New York).
- Karasek, R. A. (1979). Job demands, job control and mental strain: Implications for job redesign. *Administrative Science Quarterly*, *24*, 285-308.
- Karasek, R. A., & Theorell, T. (1990). Healthy work: Stress, productivity and the reconstruction of working life. *New York: Basic Books*.
- Kim, W. & Ok, C. (2010). Customer orientation of service employees and rapport: influences on service-outcome variables in full-service restaurants. *Journal of Hospitality & Tourism Research*, 34(1), 34-55.
- Kinnie, N., Hutchinson, S., Purcell J., Rayton, B. & Swart, J. (2005). Satisfaction with HR practices and commitment to the organization: why one size does not fit all. *Human Resource Management Journal*, *15*(4), 9-29.
- Legge, K. (1995). Human Resource management: Rhetorics and Realities. Basingstoke: Macmillan.
- Meyer, J. P., Allen, N. J. & Smith, C.A. (1993). Commitment to organizations and occupations: extension and test of a three-component conceptualization. *Journal of Applied Psychology*, *78*, 538-51.
- Meyer, J. P., Stanley, D. J., Herscovitch, L. & Topolnytsky, L. (2002). Affective, Continuance, and Normative Commitment to the Organization: A Metaanalysis of Antecedents, Correlates, and Consequences. *Journal of Vocational Behavior*, 61(1), 20-52.
- Michaels R. E, & Day, R. L. (1985). Measuring customer orientation of salespeople: a replication with industrial buyers. *Journal of Marketing Research*, 22(4), 443-446.
- Miles, R. E. & Snow, C. C. (1978). Organizational strategy, structure, and process, New York: McGraw-Hill.

- Myers, S. & Marquis, D. E. (1969). Successful Industrial Innovations: A Study of Factors Underlying Innovation in selected Firms. *National Science Foundation* (NSF), 69-71.
- Ostroff, C. and Bowen, D. E. (2000). Moving HR to a higher level: human resource practices and organizational effectiveness. In: Klein, K.J. and Kozlowski, S.W. (Eds), Multilevel Theory, Research, and Methods in Organizations, *Jossey-Bass, San Francisco, California*, 211-266.
- Paauwe, J. (2004). HRM and performance: Achieving Long-Term Viability. Oxford Press.
- Porter, M. E. (1985). Competitive Advantage, Creating and Sustaining Superior Performance. *The Free Press, New York*.
- Rozell, E. J., Pettijohn, C. E. & Parker, R. S. (2004). Customer-Oriented Selling: Exploring the Roles of Emotional Intelligence and Organizational Commitment. *Psychology & Marketing*, 21(6), 405–424.
- Saxe, R. & Weitz, B. (1982). The SOCO scale: A measure of the customer orientation of salespeople. *Journal of Marketing Research, 19*, 343–351.
- Schuler, R. S. & Jackson, S. E. (1987). Linking Competitive Strategies with Human Resource Management Practices. *The Academy of Management Executive*, 3, 207-219.
- Schuler, R. S. & Jackson, S. E. (2005). A Quarter-Century Review of Human Resource Management in the U.S.: The Growth in Importance of the International Perspective. *Management Revue*, *16*(1), 1-25.
- Scott, S. G., & Bruce, R. A. (1994). Determinants of innovative behavior: A path model of individual innovation in the workplace. *Academy of Management Journal*, *37*, 580-607.
- Vandenberghe, C. Bentein, K. & Stringlhamber, F. (2004). Affective commitment to the organization, supervisor, and workgroup: Antecedents and outcomes. *Journal of Vocational Behavior, 64*, 47-71.
- Wit de, B. & Meyer, R. (1998). Strategy: Process, Content, Context. *Thomson Learning*; 2nd revised edition.