Multilevel Linkages between HR Practices and Firm Performance:
Evidence from the Hotel Industry in China

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ABSTRACT

In the last decade, numerous empirical examinations and theoretical treatments of the link between human resource (HR) practices and firm performance have been reported. Recent reviews, however, have highlighted conceptual and methodological limitations in the extant literature. Conceptually, lack of consensus in the configuration of HR practices has led to inconsistent findings. Furthermore, the mechanisms through which HR practices influence firm performance have not been clearly addressed, nor have researchers examined how organizations choose/ select particular HR practices configuration. Methodologically, although this stream of research generally includes organizational- and individual-level data, cross-level issues have not been adequately addressed. Failure to address cross-level issues threatens the statistical validity of reported findings.

Ferris et al. (1998) suggested that future development and evolution of research on the relationship between HR practices and firm performance is dependent upon better theory development, and carefully crafted empirical research that tests the full range of antecedent, intermediate linkage, and outcome variables. In response to Ferris et al.’s (1998) call and to address the preceding limitations, this study proposed and tested a model of the mechanisms through which HR practices affect firm performance. Specifically, this study examined: (i) the antecedents of HR practices; (ii) the mediating influence of organizational citizenship behavior (OCB) on the HR practices-firm performance relationship, and (iii) the mediating influence of perceived organizational support (POS) on the HR practices-OCB relationship. Data were obtained from top management (including HR managers), and subordinates and their
immediate supervisors of 81 hotels located in Jiangsu Province in the People’s Republic of China.

Results of hierarchical regression analysis revealed that (i) HR values of management were positively related to HR practices and (ii) aggregated OCB mediated the relationship between HR practices and firm performance defined in terms of turnover and productivity. Furthermore, hierarchical linear modeling results revealed that individual-level POS partially mediated the relationship between HR practices and individual-level OCB. In general, the results provide support for the resource-based view of the firm and uncovered the hitherto black box regarding the HR practices-firm performance relationship. In an increasingly competitive global marketplace, the results provide some practical suggestions on how firms can configure their HR practices to serve as a source of competitive advantage.
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