European Management Journal 32 (2014) 177–189

Contents lists available at SciVerse ScienceDirect

European Management Journal

journal homepage: www.elsevier.com/locate/emj

Exploring the link between human resource practices and turnover in multi-brand companies: The role of brand units' images

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ARTICLE INFO

Keywords:
Multi-brand companies
HRM practices
Image
Corporate and brand unit levels
Turnover

ABSTRACT

Using exploratory qualitative research undertaken in a multi-brand fashion company, this article investigates the role that brand units' images play in the link between human resources management (HRM) practices and employee internal and external turnover. Our results suggest that the existence of imbalanced and differently attractive brand units' images might weaken or remove the effectiveness of corporate HRM practices in keeping internal and external turnover rates low. This because employees may be interested in transferring to the most appealing brand(s) or, if not possible to do so, leaving the company. This article contributes to the debate regarding the use of HRM practices in multi-brand companies, especially in industries where both the brand and the product have a highly-symbolic content. Based on our conclusions, we recommend that brand units with less prestigious images compensate for their lower attractiveness with specific brand unit HRM practices to attract and retain their employees. Theoretical and policy implications of the findings are discussed.

1. Introduction

The multi-unit corporation, comprising separate headquarters and relatively autonomous and discrete operating units, also called the M-Form (Chandler, 1962, 1991; Kipping & Westerhuis, 2012; Williamson, 1975, 1981, 1985; Yamin & Forsgren 2006), has grown into one of the dominant organizational forms in industrial settings (Fligstein, 2001; Strikwerda & Stoelhorst, 2009), in both Western nations and emerging economies (Aulakh & Kotabe, 2008; Seo, Lee, & Wang, 2010). In a multi-brand organization, the sub-units are differentiated by brand. When an organization adopts this form, it develops a portfolio strategy for its brand units and fills multiple market positions, adapting the brand portfolio to match the environment and the company's strategic direction, while still maintaining continuity in its profit-generating activities. In multi-brand companies, similar products marketed under different, unrelated brand names might compete; therefore, the firm constantly monitors its brands to avoid cannibalization and encourage synergistic effects among them (Aaker, 2004).

Many scholars have devoted particular attention to multi-unit organizations with sub-units differentiated by geographical area, and several researchers have studied multi-brand organizations from a marketing perspective (Aribarg & Arora, 2008a, 2008b; Giannoulakis & Apostolopoulou, 2011; Schuh, 2007). Yet few explore the complexities that multi-brand organizations confront to manage their personnel (e.g., Simon & Lieberman, 2010), even as the mergers and concentrations in many industries make these multi-brand corporations (MBCs) larger and more complex, with a vast array of new organizational challenges (Demos, 2008; Levenson, 2008). To cope with the complexity related to multi-brand portfolio management and the interrelationships among their employees and brands (Nippa, Pidun, & Rubner, 2011), MBCs increasingly invest in human resource management (HRM) practices.

According to extant research, HRM practices exert positive effects on firm outputs (Appelbaum, Bailey, Berg, & Kalleberg, 2000; Pernkopf-Konhaeusner & Brandl, 2010), including greater productivity, stronger corporate financial performance, and lower employee turnover (Guest, 2002; Gurbuz & Mert, 2011; Huselid, 1995). The adoption of HRM practices appears particularly crucial for MBCs (Brexendorf & Kernstock, 2007), which face growing competition in their efforts to attract and retain skilled, qualified employees (Hartmann, Feisel, & Schober, 2011; Horwitz, 2011), even among different units within the same corporation (Iles, Chuai, & Preece, 2010). Thus, maximizing the retention capacity offered by HRM practices could give individual units an effective competitive advantage (Garavan, 2012).

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http://dx.doi.org/10.1016/j.emj.2013.06.001

Very little research specifically explores the link between HRM practices and outcomes in the case of a multi-brand group though. A research gap persists regarding the relationship of HRM practices at the corporate and brand unit levels with employee turnover in the MBC. Through an exploratory study, we seek to fill this gap and shed light on potential factors at play in this relationship. We suggest that in MBCs, employee turnover is unique, in that not all brands within the same company are equally attractive in the eyes of employees, as they might have different characteristics and status (Frank, 1985). Therefore, our research objective is to understand the role that the degree of brand units' status difference plays in the relationship between HRM practices and turnover in MBCs. In doing that, we contribute to the previous studies on the link between HRM practices and turnover by disentangling the different dynamics at play at corporate and brand unit level and how they might influence each other in a multi-brand company, a context often neglected in the HR literature.

From a qualitative study of a multi-brand fashion company, we derive a specific interpretation of (internal and external) turnover in multi-brand companies and argue that this phenomenon might relate to the role played by brand units' images. Regardless of corporate level efforts to build engagement through the implementation and enhancement of corporate HRM practices, emerging and significant brand unit differences might remove or weaken the positive effects of corporate HRM practices, because employees may be interested in transferring to the most attractive brand or, if not possible to do so, leaving the company.

In the next section, we discuss the characteristics of multi-brand corporations and the role that human resource management practices and brand images play in such a context. After we describe the research setting and research methods, we outline our findings and interpret them. We conclude by discussing key managerial implications, some limitations of our study and future research avenues.

2. Theoretical background

2.1. Units' competition and employee turnover in MBCs

The 1990s witnessed the evolution of the M-form toward a more decentralized structure, with more accountable and autonomous subunits that showed a higher degree of differentiation (Bartlett & Ghoshal, 1993). In both the classic and evolved M-forms, subunits compete for resources (Marino & Zábojník, 2004; Williamson, 1985). Compared with other M-forms, multi-brand companies are characterized by an additional and stronger form of competition, beyond that for resources, because the brand units may be located in the same geographical areas and seek to capture the same potential clients and markets (Aribarg & Arora, 2008a, 2008b). Furthermore, subunits compete for employees, in that different brands within the MBC represent a source of attraction for not only customers, but also employees (Brexendorf & Kernstock, 2007).

If the role of brand images has certainly been stressed from a customer perspective (e.g. Taylor, Hunter, & Lindberg, 2007), it also plays a pivotal role in keeping and attracting employees, or the firm's human capital (Wilden, Gudergan, & Lings, 2010). For instance, research has highlighted that positive and distinctive brands influence employees' loyalty, thereby reducing their intention to leave (Punjaisri, Wilson, & Evanschitzky, 2009; Reichheld, 1996). Brands provide employees with instrumental and symbolic value (Ambler & Barrow, 1996), and employees' feeling of pride in working for a company with a strong brand image usually increases their willingness to stay (Jiang & Iles, 2011). Based on a review of preliminary interviews studies in three companies in China, Jiang and Iles (2011) have shown that potential and current employees assess job offers or organizational positions considering their perceptions of organizational attractiveness and brands. Indeed, the brand helps organizations communicate with potential and existing employees, maintain their loyalty, "compete effectively for talent, and enhance employee engagement, recruitment, and retention" (Jiang & Iles, 2011, p. 98). Thus, recruitment-related and internal branding communications are crucial in increasing brands' attractiveness. The importance of employees' perception of the brands can also be seen in the fact that employees are often willing to accept lower salaries if they have the opportunity to work for a high-status brand (Frank, 1985). Also, they tend to categorize their organizations in a way that their brands are interpreted as "different from" and "better than" the rest (Maxwell & Knox, 2009).

The presence of several brands in MBCs makes employee–corporation–business unit relations more critical. For example, competition among units might increase when the brands are not equally attractive to employees, such that employees prefer to work only for the most attractive brands within the company, which increases internal mobility in favor of those brands.

Companies show more control over internal turnover they activate rather than over internal turnover started by employees (Holtom, Mitchell, Lee, & Eberly, 2008; Reiche, 2008); we use "internal turnover" to refer to employees' internal mobility within the organization (Blau & Boal, 1989). Regardless of the source of this initiative though, a desirable level of internal turnover could be beneficial for MBCs (see Madsen, Mosakowski, & Zaheer, 2003), in that it provides employers with the opportunity to renew the talent pool, without destabilizing the status quo. Furthermore, it promotes socialization and knowledge sharing and transfer, as well as the transfer of best practices across brands. Internal transfers can be part of a long-term career plan for employees too. Undesirable internal turnover instead is detrimental for the MBC, requiring human resource managers to find ways to control or stop internal mobility to avoid a diaspora of talent from other brand units toward the most attractive one. Such controls might counter the expectations of employees, causing frustration and poor motivation, and perhaps even leading to voluntary external turnover (Davis-Blake, Broschak, & George, 2003; Feldman & Thomas, 2007). Therefore, in multi-unit organizations a link might exist between internal and external turnover.

Voluntary employee external turnover—that is, when employees leave the employing organization altogether (Gardner, Wright, & Moynihan, 2011)—entails various unfavorable organizational consequences (Huselid, 1995; Reiche, 2008). As reported in Reiche (2008), it prevents people from the building of durable interpersonal relationships and ensuring regular transfer of knowledge (Inkpen & Tsang, 2005; Lazarova & Tarique, 2005); it also increases recruitment, selection, and training costs, while reducing motivation among the employees left (Mobley, 1982). Similar to internal turnover though, a healthy level of external turnover can have positive implications, such as the exit of employees with poor performance levels, and the facilitation of new perspectives and ideas arriving into the organization (Martone, 2006).

The implementation of HRM practices at corporate and subunit levels in turn might be able to control internal and external turnover, both on a short-term and responsive basis and for a more long-term and preventive nature (Reiche, 2008). In the specific case of MBCs, the link between internal and external turnover still exists, but other elements, such as the attractiveness of the company's brands for employees, might have a strong influence on the way HRM practices influence internal and external turnover.