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Influences of organizational investments in social capital on service employee commitment and performance☆

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ABSTRACT

Improving customers' service experiences by identifying ways to develop organizational cultures that better motivate and engage service employees is an important issue for service organizations and a top priority in services research. However, extant services research focuses far more on managing customer relationships than on the dynamics of effectively supporting and developing the service personnel who interact with customers. This study assesses the influence of an organizational human resource developmental initiative on service employees. The authors utilize social capital theory and the theory of reasoned action to propose and test a model that examines relationships between organizational investments in social capital and service employees' work-related attitudes, norms, and behaviors. Results from a field study of 407 customer-facing employees from multiple service organizations suggest that making organizational investments in social capital favorably influences service employees' commitment, job performance, and organizational citizenship behavior.

1. Introduction

For service employees to provide great service to customers, they must be satisfied, motivated, and able to do their jobs without organizational obstacles (Bowen, 1996; Bowen & Lawler, 1992). Bowen (1996) contends that managerial behaviors critically shape organizational culture and that in world-class service operations managers leverage intangible aspects of employee coaching and development to help service employees better serve customers. Recent examples in the popular press include overviews of the innovative approaches that *Customer Service Champs* organizations employ to support and develop service employees (McGregor, 2009) and Lowe's strategic emphasis on building employee engagement and business-related learning through social media communications (Bingham & Galagan, 2009). However, the influence of human resource developmental approaches as a means of creating and managing employee commitment to service quality remains relatively under-examined in the services literature (Rust, 2004). Rather, extant services research focuses far more on managing customer relationships than on the dynamics of effectively supporting and developing the service personnel who interact with customers (Bowen, 1996, 2010; Johlke & Duhan, 2000). Given the influence that service employees have on organizational success, a top priority for services research is to better understand how to establish and leverage organizational cultures that effectively support and develop service employees (Marketing Science Institute, 2010; Ostrom et al., 2010).

The notion of leveraging human resource developmental initiatives to improve employee commitment to service quality is consistent with the concept of internal marketing. A key premise of internal marketing is that to provide superior service experiences for external customers, organizations must first ensure that the needs of their internal employee customers are effectively met as service employees' ability to satisfy customers largely depends on the

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support and guidance that they receive from their supervisors and organizations (Bowen, 1996; George, 1990). Previous research shows that when firms devote managerial effort and resources to support the needs of service employees, the employees provide exceptional levels of service to both customers and fellow employees (Berry, 2002). For superior service quality to emerge, managers must influence service employees' attitudes and behaviors with cultural artifacts, patterns of behavior and management practices (Schwepker & Hartline, 2005; Singh, 2000). Internal marketing helps organizations impart the focus of an organization's internal climate to service employees by reinforcing deep layers of culture. Creating organizational cultures that encourage employee commitment to the provision of superior service quality is imperative for service organizations (Bowen & Ostroff, 2004). Customer satisfaction and financial success often accompany positive organizational cultures (Bowen, 2010).

The current research draws upon social capital theory and the theory of reasoned action to propose and test a model that examines relationships between a human resource developmental initiative—organizational investments in social capital (OISC)—and service employees' work-related attitudes, norms, and behaviors. The study responds to multiple calls for more insight into factors that improve service employee commitment to service quality and job performance and addresses several other gaps in the literature. First, as mentioned, the influence of human resource developmental initiatives as a means of creating and managing commitment to service quality is relatively under-examined in services research. Second, despite calls for research that examines how building social capital benefits organizations (e.g., Pastoriza, Ariño, & Ricart, 2008), with the exception of Merlo, Bell, Menguc, and Whitwell's (2006) study, current research devotes little attention to the issue of leveraging social capital to generate work-related returns in service industries. Third, this work responds to Batt's (2002) call for research to identify mediating employee variables that better explain the link between managerial practices and service employee performance by assessing the influence of OISC as a managerial practice. Fourth, the examination of the association between OISC and organizational citizenship behavior responds to MacKenzie, Podsakoff, and Ahearne's (1998) call for research that investigates antecedents of extra-role performance.

The next sections review relevant literature, present an overview of the conceptual model and the theoretical bases, and propose study hypotheses. The following sections describe the study method and results. The final sections discuss the study findings, their contributions to services theory, implications for practicing managers, and offer some directions for future research.

1.1. Social capital

Social capital is a set of informal values and norms and subjectively-felt obligations that group members share, which are instrumental in shaping the relationships that make organizations work effectively (Adler & Kwon, 2002; Coleman, 1988; Fukuyama, 1995; Nahapiet & Ghoshal, 1999). The essence of social capital theory is that interpersonal relationships are the underlying drivers of measurable performance outcomes, and that fostering stronger connections within social networks by creating environments that promote trust, rapport and goodwill yields positive outcomes (Adler & Kwon, 2002; Maurer & Ebers, 2006). Researchers assess cognitive, structural and relational aspects of social capital in multiple contexts including national (Fukuyama, 1995), strategic (Hitt & Ireland, 2002), organizational (Cohen & Prusak, 2001), and retail store level (Merlo et al., 2006). As the need to identify developmental approaches to improve employee commitment and performance becomes more apparent, researchers increasingly examine aspects of social capital (Adler & Kwon, 2002; Arregle, Hitt, Sirmon, & Very, 2007).

Several research studies suggest that organizations can effectively create and retain positive social and human capital through managerial and human resource practices that emphasize and facilitate social networks. Thus, research indicates that social capital affects career development and positive work-related outcomes (Leana & van Buren, 1999), and plays an important role in the creation of workplaces that are conducive to employee development and retention (Coleman, 1988; Dess & Shaw, 2001). Luthans and Youssef (2004) argue that organizations should therefore place more emphasis on the development of latent resources, such as social, human, and psychological capital, to develop and maintain a competitive advantage. Batt (2002) also contends that building firm-specific human capital results in employee attachment and enhanced productivity. Shub and Stonebraker (2009) suggest that relationship-based managerial strategies that focus on organizational structure, culture, and empowerment generate employee loyalty and promote long-term relationships between the firm and its employees. Finally, in the current context, a recent empirical study indicates that retail organizations can create an internal culture that supports and encourages service employees by focusing on open communication, shared vision, and trust, which accompany building social capital (Merlo et al., 2006).

1.2. Investing in social capital

The organization is, in practice, an abstract entity. Since employee interactions and exchanges with the organization take place *vis-a-vis* its critical members (Settoon, Bennett, & Liden, 1996; Wayne, Shore, & Liden, 1997), supervisors assume a central role in human resource developmental initiatives. Researchers often link effective manager–employee communication to more positive work-related attitudes and behaviors like job satisfaction and performance (e.g., Gilmore & Carson, 1996; Johlke & Duhan, 2000). One such approach is the development of a favorable service climate or the surface layer of a deeply embedded culture. Although firms utilize many different approaches for creating favorable internal cultures, an essential part of promoting a positive service climate is developing an organizational culture for employee well-being that focuses on meeting employees' needs through quality human resource practices (Bowen, 1996). The idea that managers build mutually beneficial relationships with employees to promote a positive service climate is consistent with research on psychological contracts (Hui, Lee, & Rousseau, 2004; Rousseau, 1995) that suggests supervisors are key representatives of the organization and have direct shaping effects on subordinates' organizational experiences, and with Cohen and Prusak's (2001) conceptualization of making organizational investments in social capital.

Cohen and Prusak (2001) characterize social capital as a rare and endangered resource that enhances workplace environments and propose that investing in social capital is a key initiative for managers who focus on enhancing firm competitiveness. They base their conceptualization of making organizational investments in social capital on the premise that managerial behavioral norms and interpersonal connections represent incremental, daily investments in social capital. Cohen and Prusak contend that "every managerial decision and action represents an opportunity for a social capital investment or loss (Cohen and Prusak, 2001, p.3)." However, making organizational investments in social capital requires the devotion of significant managerial time and effort to enable and promote appropriate behavioral norms and values.

As firms increasingly leverage human capital for competitive advantage, the notion of investing in social capital as an organizational resource that improves work-related performance is becoming more prevalent in the literature. Drawing on the resource-based view, Hitt and Ireland (2002) propose that investing in organizational members' social capital is equivalent to developing a strategic resource. The stream of largely prescriptive research addressing the value of building organizational social capital suggests that this approach may represent a useful developmental strategy for enhancing